

Your quarterly download on the economy and what it means for your clients. Brought to you by Gusto's team of economists.

[Watch this quarter's webinar](#)

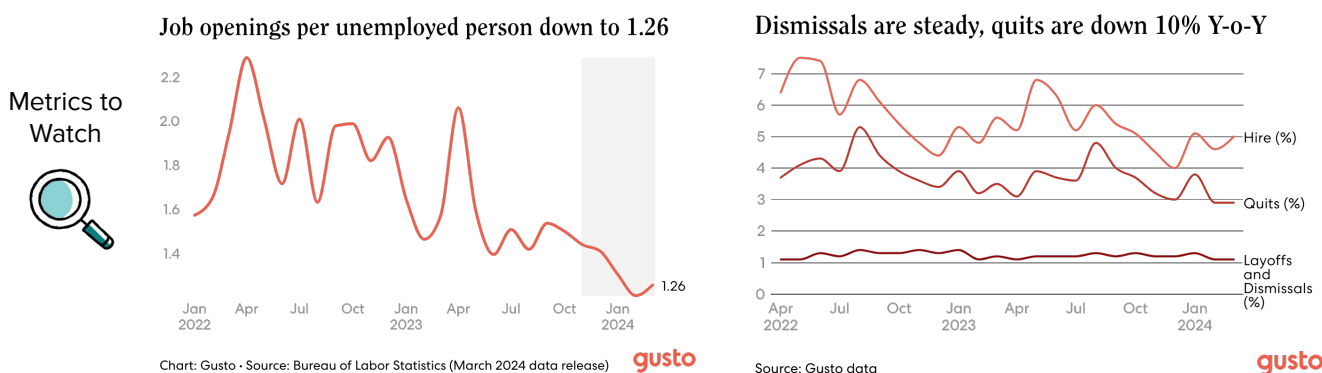
Headline

The macro economy remains in a good position, especially relative to other countries, with continuing (relative) job strength. Economic slowing is being driven by finance-intensive industries, and low exports due to a strong dollar. SMBs are finding some stability in talent markets, and good, but softening demand. They should not expect meaningful improvements in financing conditions before the second half of the year.

Trends to Watch

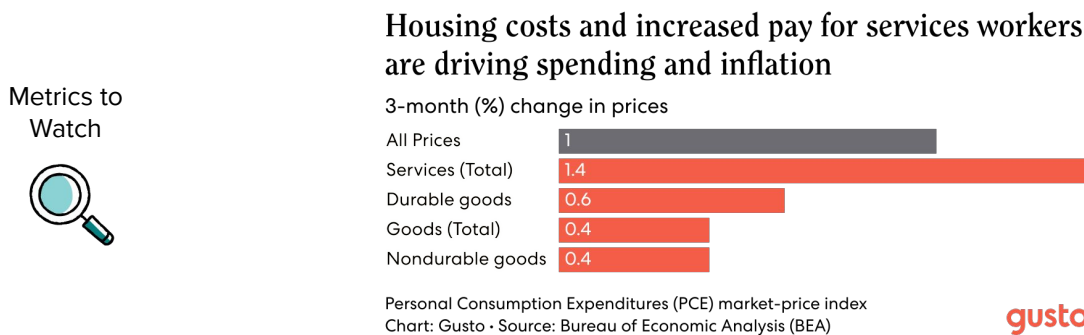
The Great Stay. Workers quitting less and SMBs are seeing more stability.

The talent market remains tight by historical standards, but continues to ease. SMBs seem to have found some stability by hiring less as workers are quitting less. The extent of the talent mismatch varies widely across industries, but companies in many industries can focus on areas besides retention.



Consumer Spending, Inflation and Interest

Inflation is currently being driven by housing and services. Services are driven more by increases in worker pay than goods. As a result, consumer spending is being pushed up by the good labor market, and down by inflation and interest rates. Some are showing early signs of stress, despite good overall consumer health. With the exception of summer hiring, expect some deceleration as labor tightness (and therefore, pay growth) eases.



So what? Strategies for SMBs

- Companies can focus on building processes that enhance efficiency and performance over retention.
- For companies in industries that are still talent-scarce (health care, e.g.) keep looking for [contractors](#) and non-traditional workers to take on tasks for outstanding jobs.
- Build working capital. Get available [tax credits](#), grants or government [support](#) to ease cash flow. (Moderately) better financing conditions are expected in the latter half of the year.