

Positives

- ❖ Despite declining consumer sentiment, consumer spending has remained at an adequate level to prevent a significant economic downturn. This is critical because consumer spending represents approximately 70% of the economy.
- ❖ Consumers seem undeterred by higher inflation, as they continue to spend on travel, entertainment, and dining.
- ❖ Even with a continued higher rate environment, unemployment remains below 4%.
- ❖ Higher wages help to offset the impact of inflation to an extent.
- ❖ Corporations seem to be preparing for an economic downturn or recession. These actions could lessen the impact of a slowdown and create the opportunity for a strong recovery when the economy begins to expand again.
- ❖ The Federal Reserve has indicated there will be no more rate increases in 2024 and will possibly begin to cut rates at some point this year, ultimately reducing borrowing costs.
- ❖ Due to limited supply and strong demand, home prices/equity has remained elevated, which has allowed the housing market to remain stable in spite of the higher rate environment.
- ❖ Corporations with stronger balance sheets appear to have adjusted to the higher rate environment.
- ❖ We are beginning to see AI move beyond experimental implementation to having a real impact in business.
- ❖ Certain sectors of commercial real estate continue to perform well in the higher rate environment. Examples would be multi-family housing, student housing, warehouses, and data centers.

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Concerns

- ❖ Government, corporate, and consumer debt levels remain elevated and could be a barrier to future growth and stimulus needs.
- ❖ The government debt to GDP ratio continues to climb; higher interest rates on new debt may cause additional economic headwinds in the future.
- ❖ A decline in US household savings in combination with higher balances on revolving debt could lead to larger than anticipated declines in consumer spending.
- ❖ The full impact from higher interest rates may not have been fully realized in the economic conditions.
- ❖ Market indexes gains have been driven by a small number of companies, which could be leading to a belief that the economy is stronger than it is.
- ❖ Continued geopolitical tensions in the Middle East and Ukraine have the ability to impact global economies and global stability.
- ❖ In general, the current political environment in the US creates greater risks and uncertainty.
- ❖ The current change in posture by the Federal Reserve to delay interest rate cuts increases the potential for a recession.
- ❖ The lower end and highly indebted commercial office real estate properties continue to be problematic and create stress for banks associated with the holdings and debt.

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