



Date: June 8, 2026 Session: #38015
& June 9, 2026 Session: #38045

An Economic Update: A Look at the Coming Year

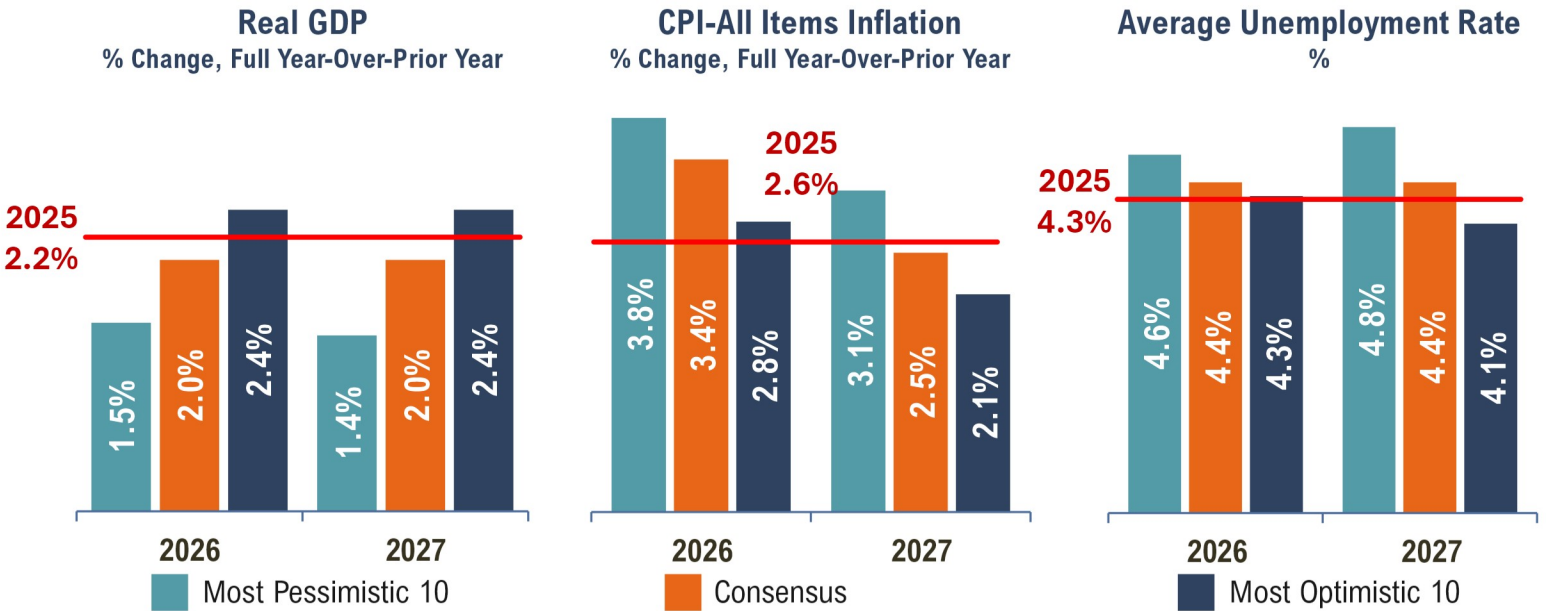
Presented by: Amy Crews Cutts, PhD, CBE®



The U.S. Macroeconomy

Surprisingly resilient, but many weaknesses

Economists expect slower economic growth & higher inflation but little change in unemployment in 2026 and 2027

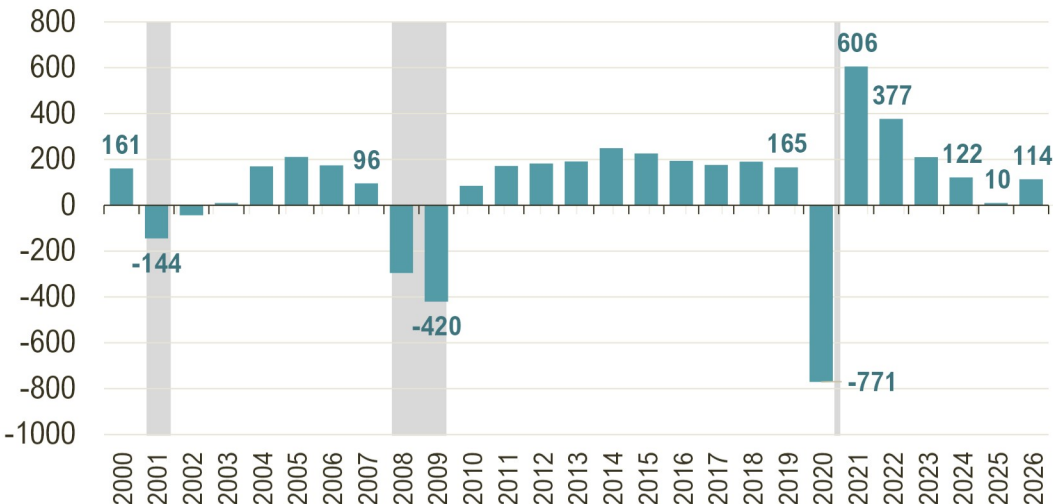


Source: Blue Chip Economic Indicators® April 2026 Survey. Note: Pessimistic values are the average of the 10 most pessimistic responses, Optimistic are the average of the 10 most optimistic responses.

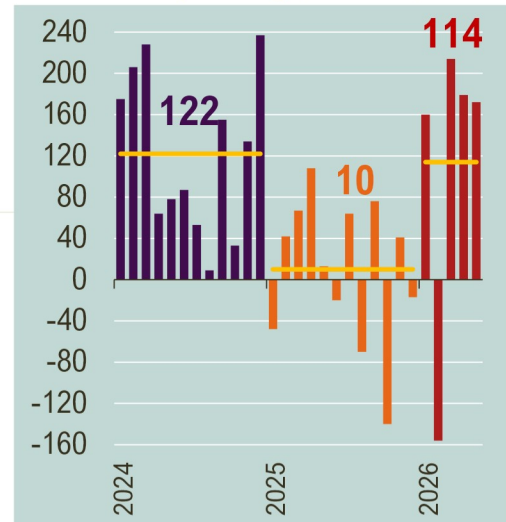
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Employment growth has gotten more volatile month to month Economists now estimate the breakeven employment growth to be 30-50k/mo

Annual monthly average change in nonfarm payroll employment, in 1000s, SA



Monthly Change, in 1000s, SA

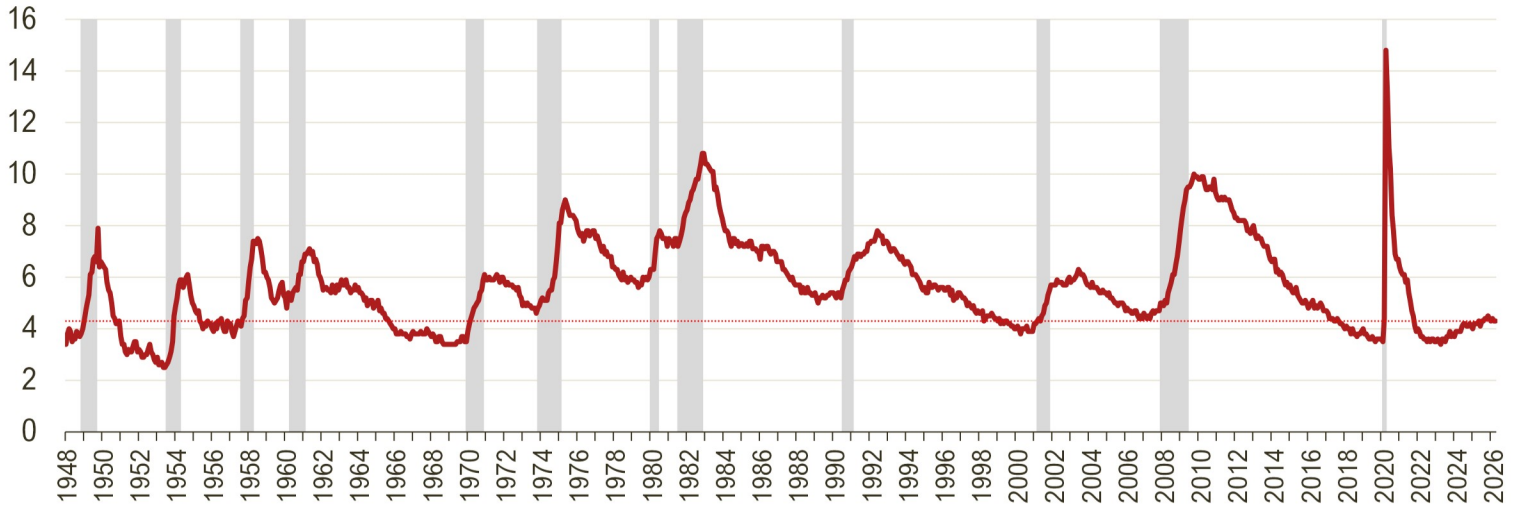


Source: AC Cutts & Associates LLC, US Bureau of Labor Statistics, Federal Reserve Bank of St Louis (FRED), Blue Chip Economic Indicators® March 2026 Survey

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Unemployment has risen over the past 3 years but still sits near historical lows

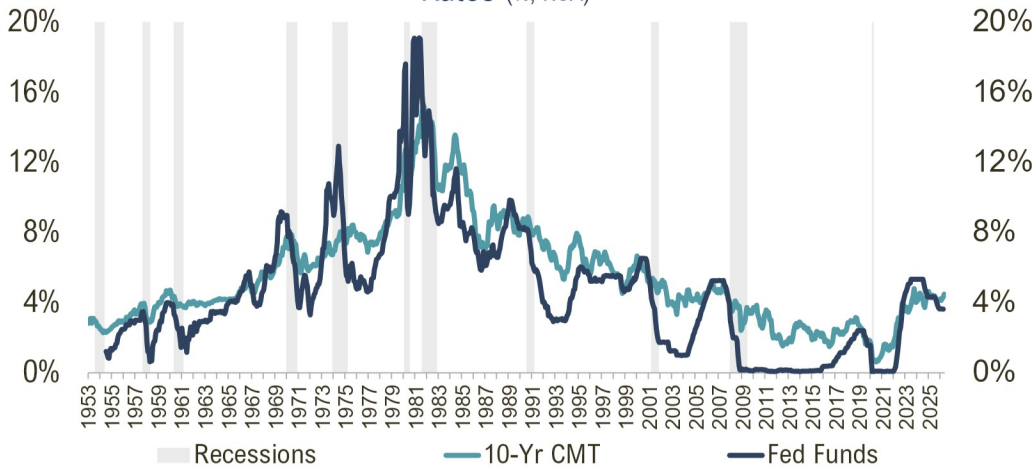
Civilian Unemployment Rate, SA



Source: AC Cutts & Associates LLC, US Bureau of Labor Statistics, Federal Reserve Bank of St Louis (FRED),

Long term market interest rates have gone in the opposite direction of the Fed's 2025 rate cuts

Monthly Average Constant Maturity Treasury and Effective Fed Funds Rates (% , NSA)



Weekly 10-yr CMT and Fed Funds Rates (% , NSA)

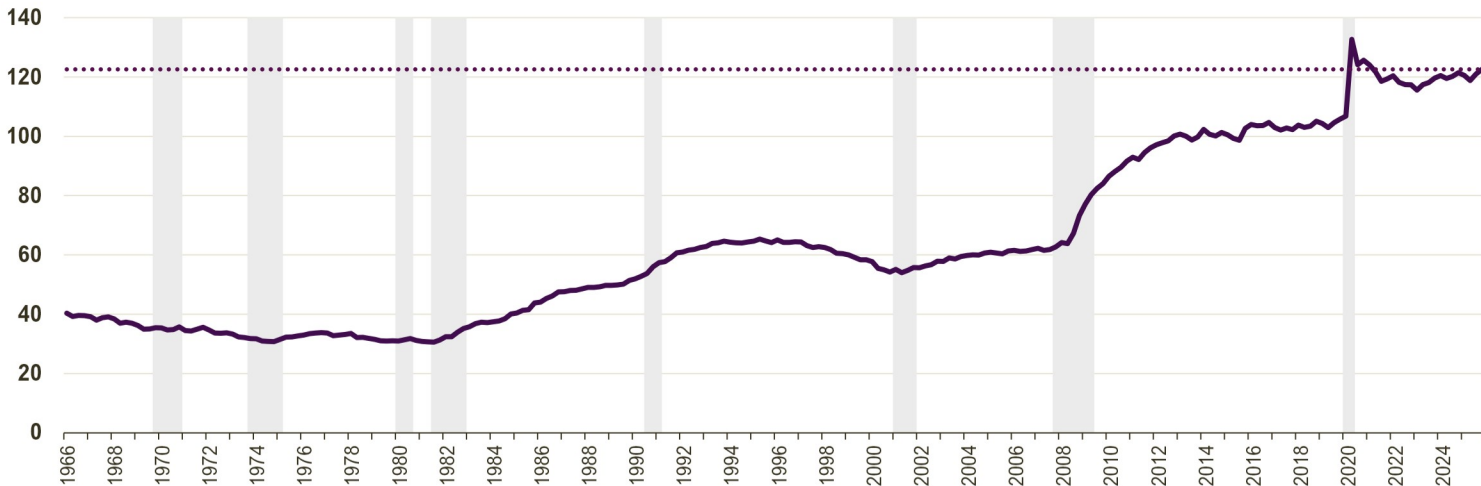


Source: AC Cutts & Associates LLC, Federal reserve Bank of St. Louis (FRED); Board of Governors of the Federal Reserve System (US) H.15 Selected Interest Rates; National Bureau of Economic Research. Data through May 2026

Federal public debt is well above 100% of GDP

How high is problematic?

Total Federal Public Debt as Percent of Gross Domestic Product

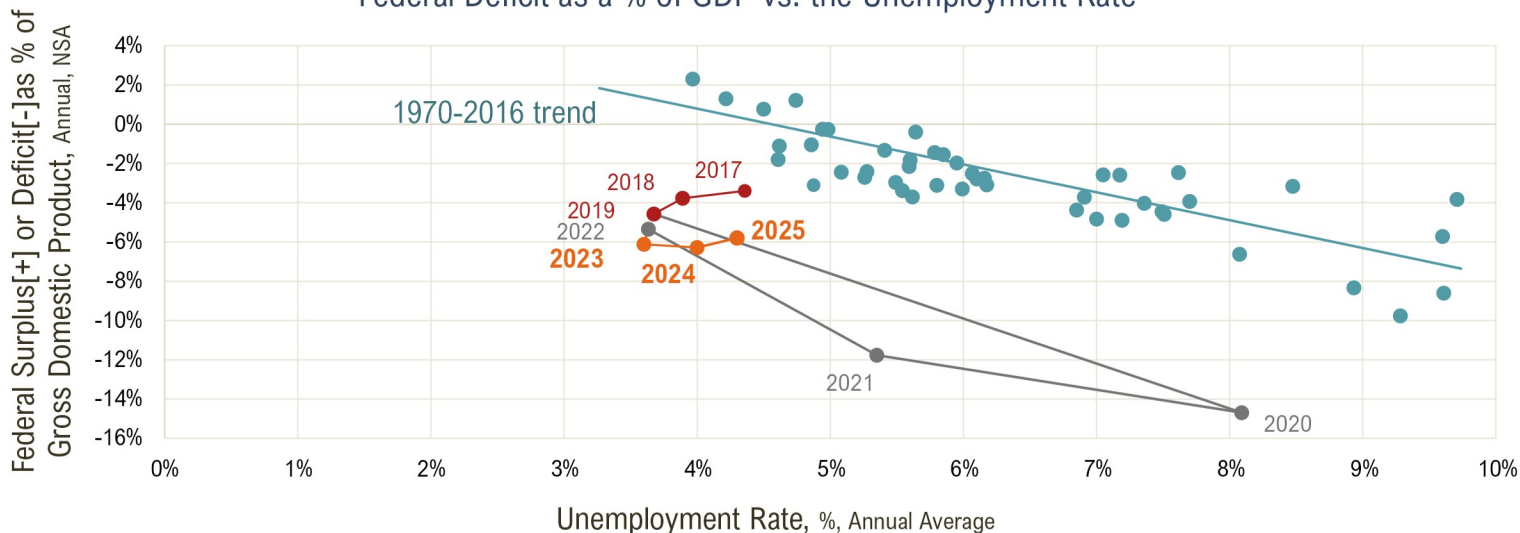


Source: AC Cutts & Associates LLC, Federal Reserve Bank of St Louis (FRED), National Bureau of Economic Research, U.S. Department of the Treasury- Data through 4Q 2025

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Federal deficit as a share of GDP remains disconnected from pre2016 trend

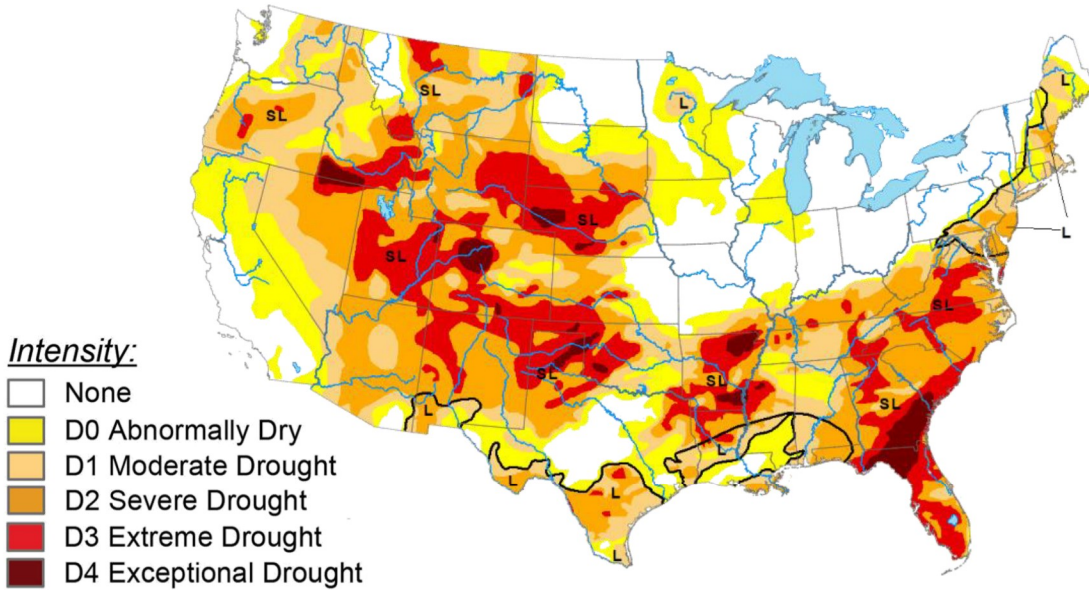
Federal Deficit as a % of GDP vs. the Unemployment Rate



Source: AC Cutts & Associates, Federal Reserve Bank of St. Louis (FRED); U.S. Bureau of Labor Statistics; U.S. Office of Management and Budget

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Drought conditions in 2026 will affect Ag product costs and increase risk of and damage from wildfires



Wildfire activity is already high in the plains and Southeast states. As of March 24, 2026, 61% of the Lower 48 states are in moderate or worse drought conditions. Spring rains have not brought much relief

Source: U.S. Drought Monitor, as of May 26, 2026

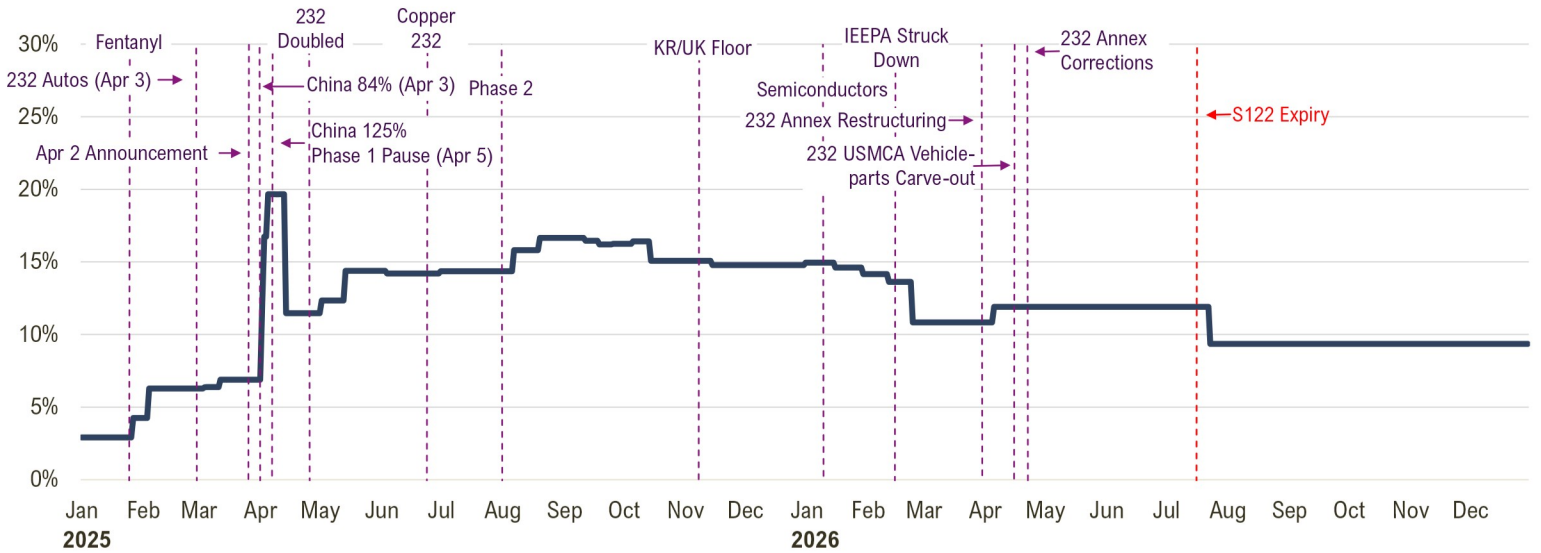


A closer look at tariffs

Uncertainty rules

Daily average effective U.S. tariff rate – so many changes!

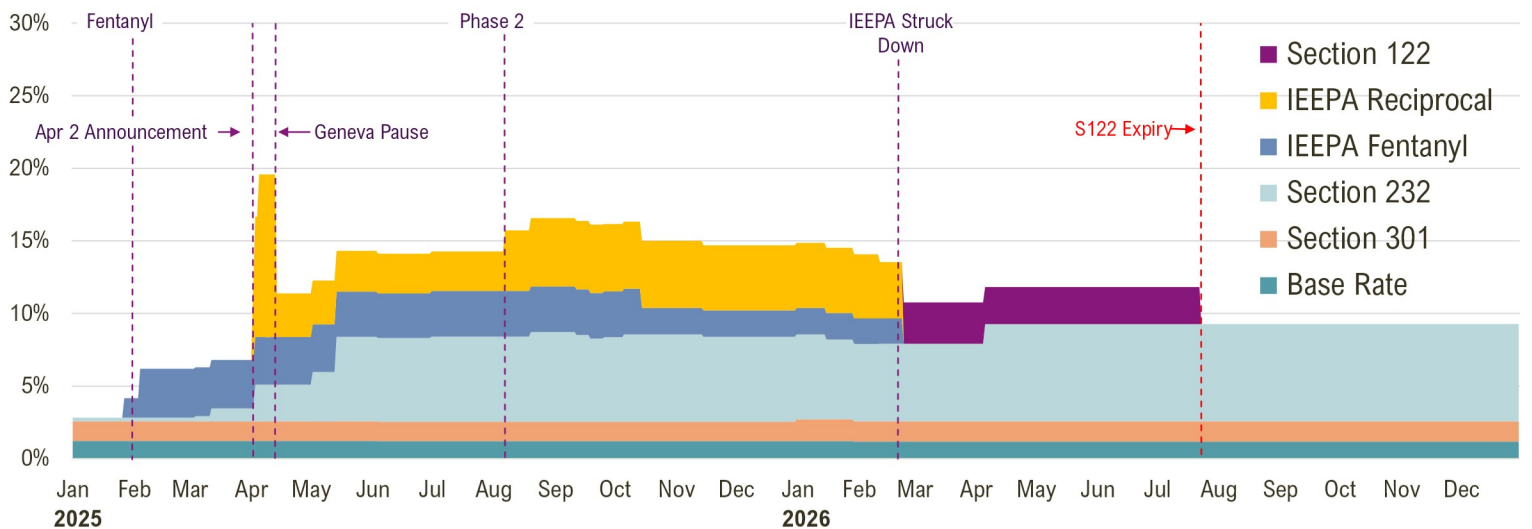
Import-weighted average tariff rate across all products and countries



Source: Yale Budget Lab Tariff Rate Tracker; 2024 Census import values, assumes no policy changes after expiration of Section 122 tariffs

Daily average effective U.S. tariff rate by authority

Import-weighted effective U.S. tariff rate decomposed by tariff authority, including base (MFN) rate



Source: Yale Budget Lab Tariff Rate Tracker; 2024 Census import values; assumes no policy changes after expiration of Section 122 tariffs

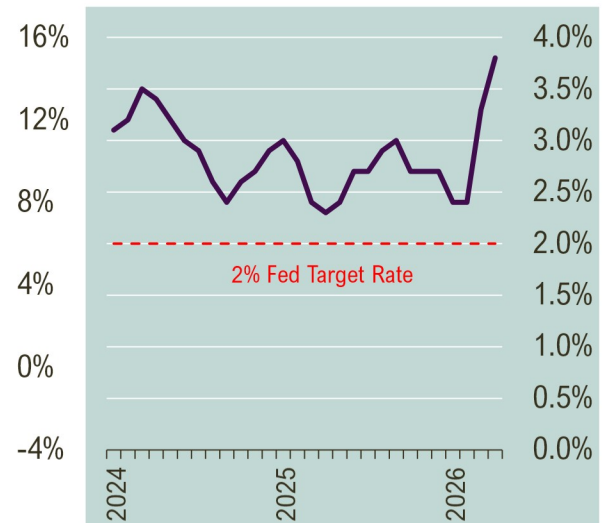
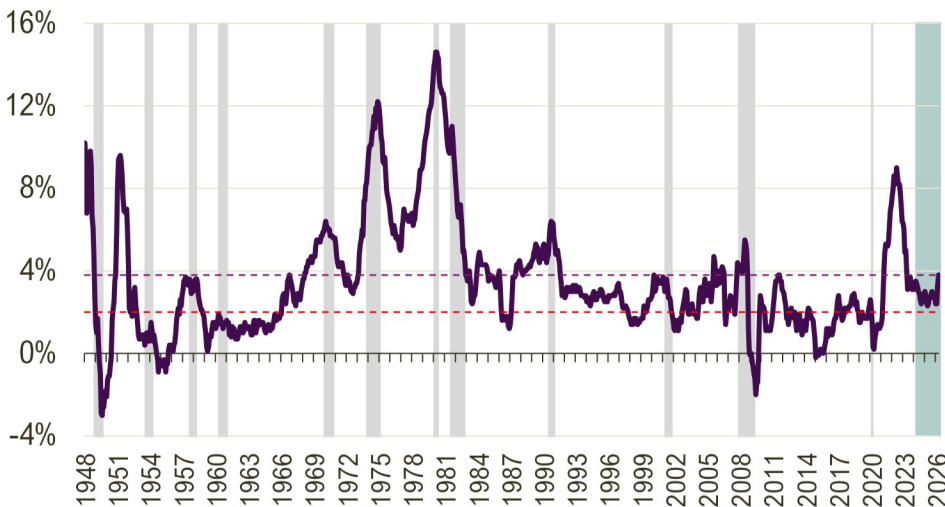


A closer look at inflation

Consumers and businesses are both affected

Inflation has risen sharply over the past 3 months
 Tariffs had some impact in 2025 but Iran Conflict is much bigger issue

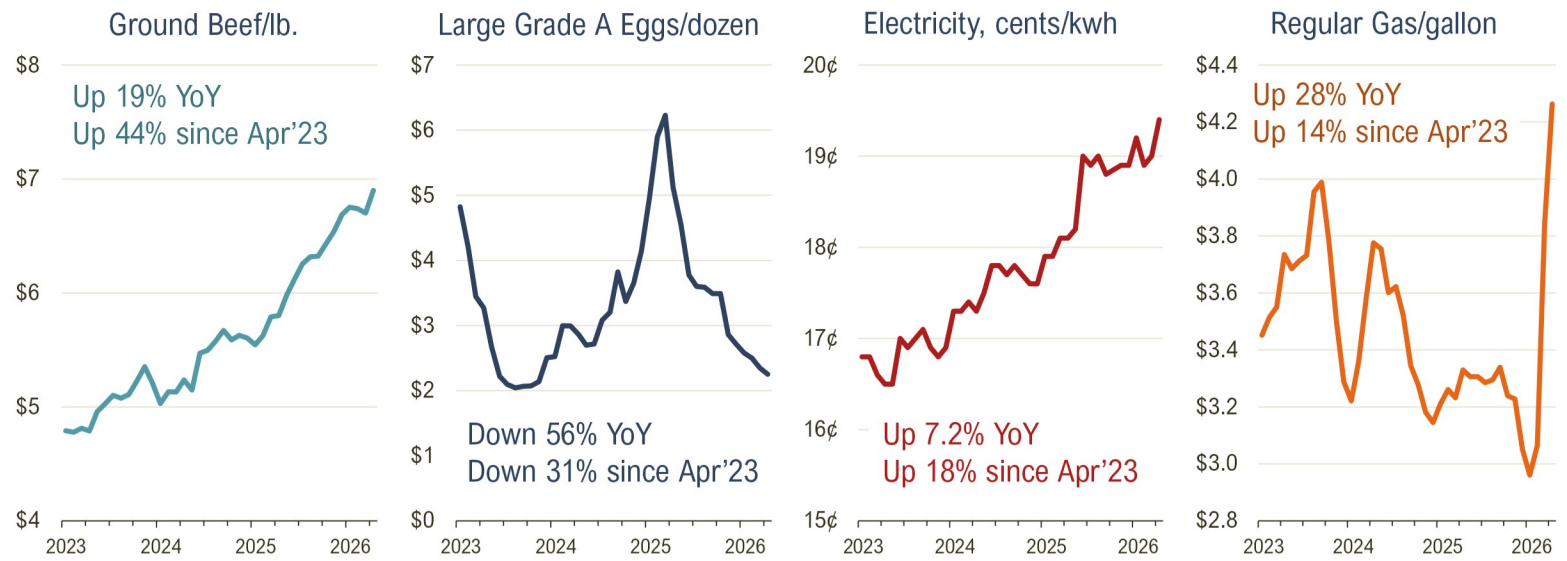
Consumer Price Index, % change versus a year ago, SA



Source: AC Cutts & Associates LLC, US Bureau of Labor Statistics, Federal Reserve Bank of St Louis (FRED),

Consumers are feeling the effects of prior inflation on everyday items – Gasoline is no longer bringing the inflation rate down

Average prices of select items from the Consumer Price Index, NSA



Source: AC Cutts and Associates, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis (FRED)

Consumers are very worried about the economy Inflation, war, politics...so many things to worry about

University of Michigan Consumer Sentiment Index (1966=100), SA

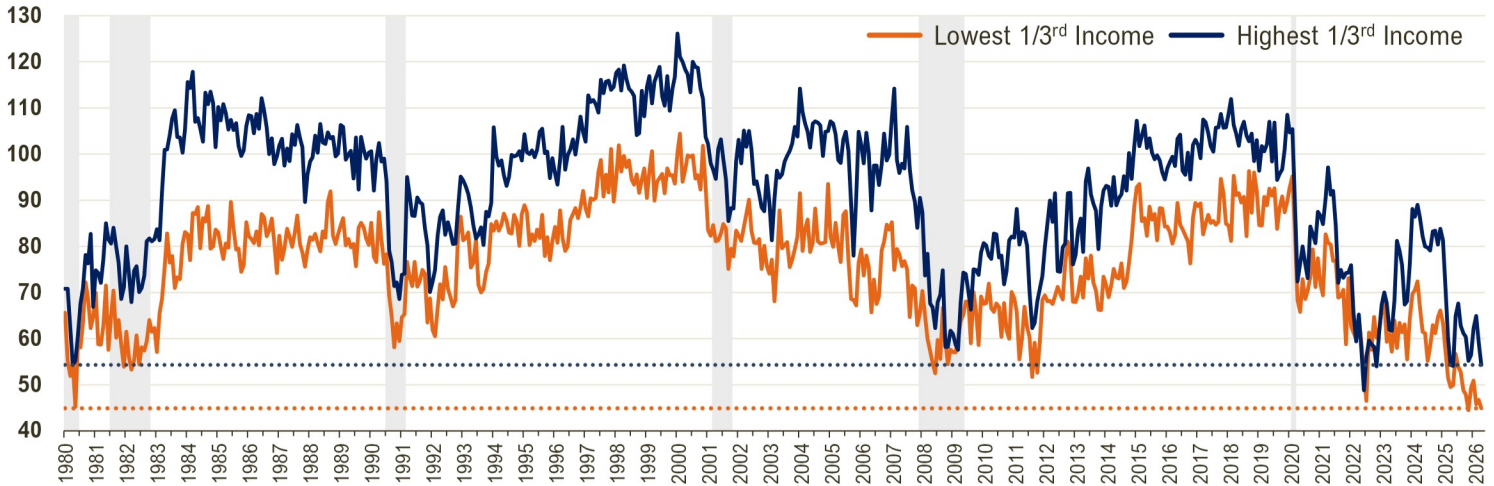


Source: AC Cutts & Associates LLC, Federal Reserve Bank of St Louis (FRED), National Bureau of Economic Research, Macrobond, University of Michigan Consumer Sentiment Survey – Data through May 2026

Consumers are very worried about the economy

It's not just lower income consumers, but all consumers

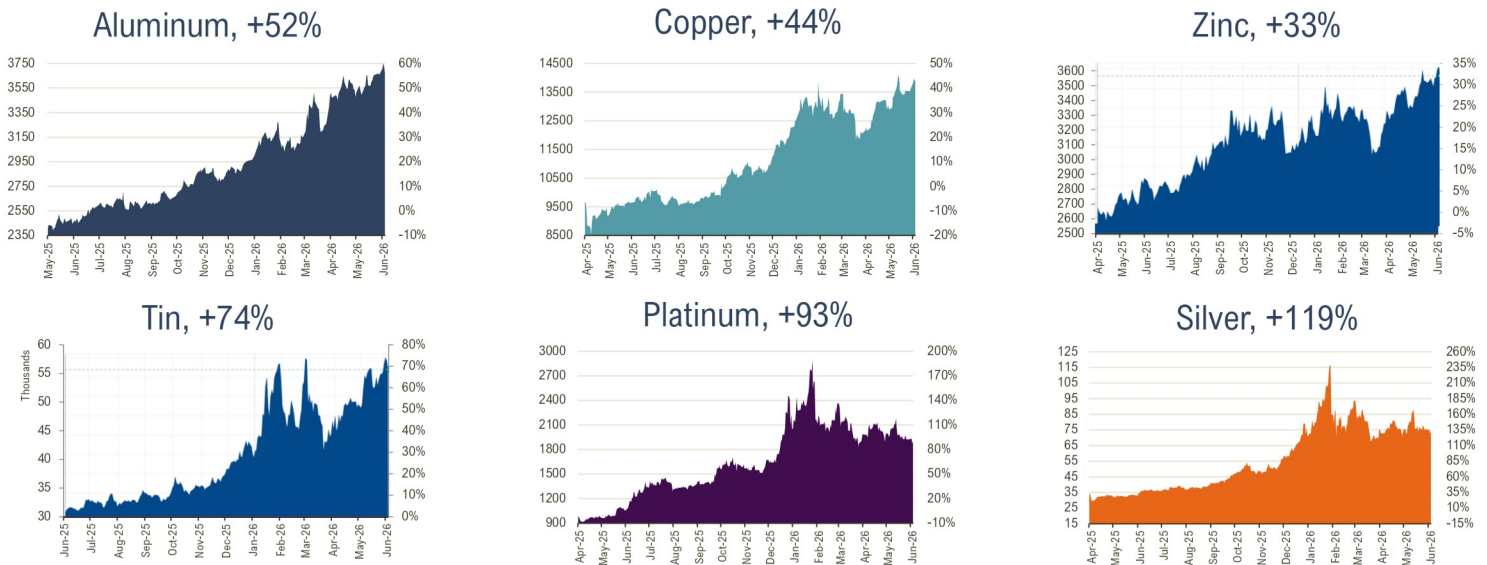
University of Michigan Consumer Sentiment Index (1966=100), SA



Source: AC Cutts & Associates LLC, Federal Reserve Bank of St Louis (FRED), National Bureau of Economic Research, Macrobond, University of Michigan Consumer Sentiment Survey – Data through February 2026

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Raw metals commodities prices have risen sharply since April 2025, putting price pressure on final buyers

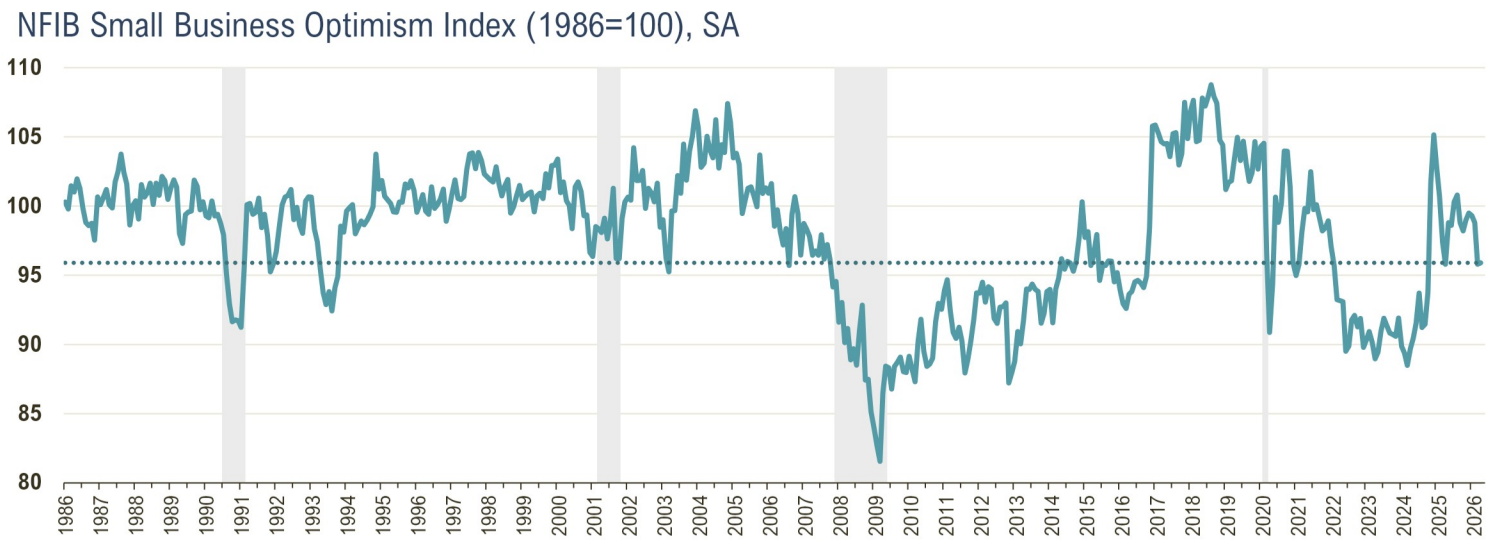


Source: Business Insider – % change is from start of first of first month shown

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Small Businesses are becoming concerned

Looks a lot like later 2021 into 2022 when inflation surged

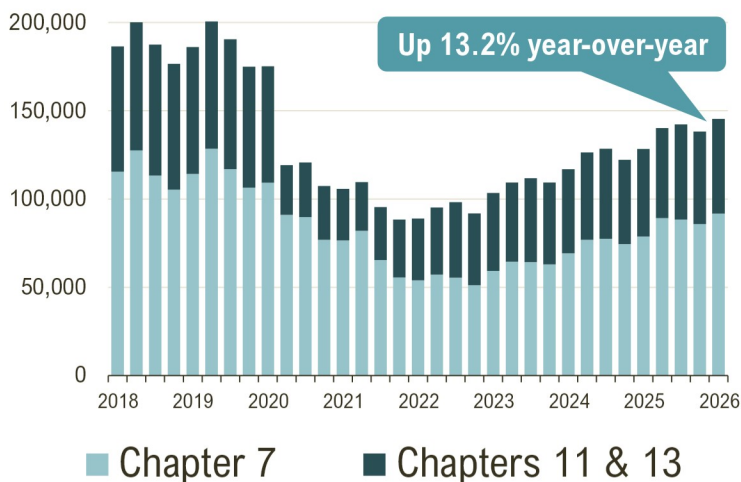


Source: AC Cutts & Associates LLC, Federal Reserve Bank of St Louis (FRED), National Bureau of Economic Research, National Federation of Independent Business— Data through April 2026

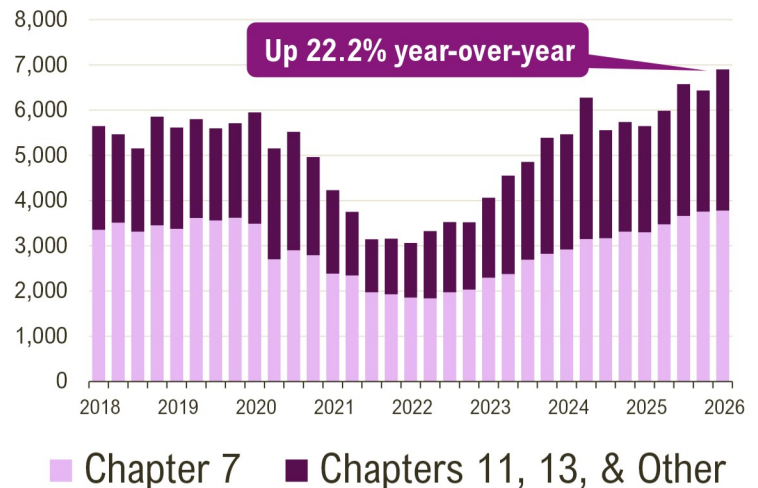
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Business bankruptcies are higher than pre-pandemic levels and rising fast

Nonbusiness (Personal) Bankruptcy Filings, NSA



Business Bankruptcy Filings, NSA



Source: AC Cutts & Associates, United States Courts

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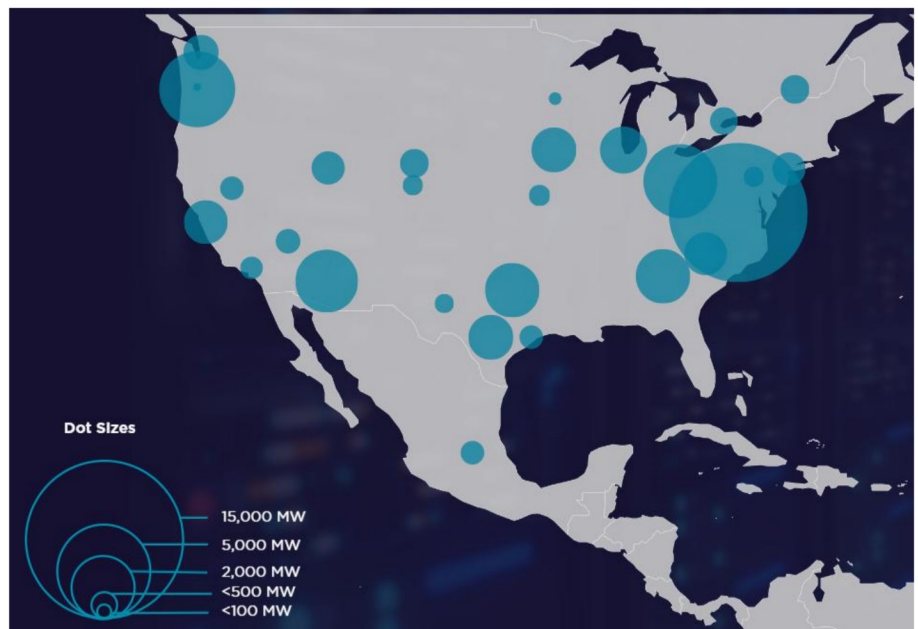
A look at data centers and AI

A whole lotta investment, is payoff happening yet?

US data centers in operation are concentrated in NoVA with Washington and Illinois combined less than half that capacity

Operational capacity: The Americas now hosts **43.4 GW** of operational data center capacity, with **93.6%** located in the United States.

Market Concentration: Northern Virginia continues to lead global development activity, while emerging power-advantaged markets such as West Texas and tertiary U.S. regions are gaining momentum.



Source: Cushman Wakefield Research

US data center construction is concentrated in Texas and NoVA



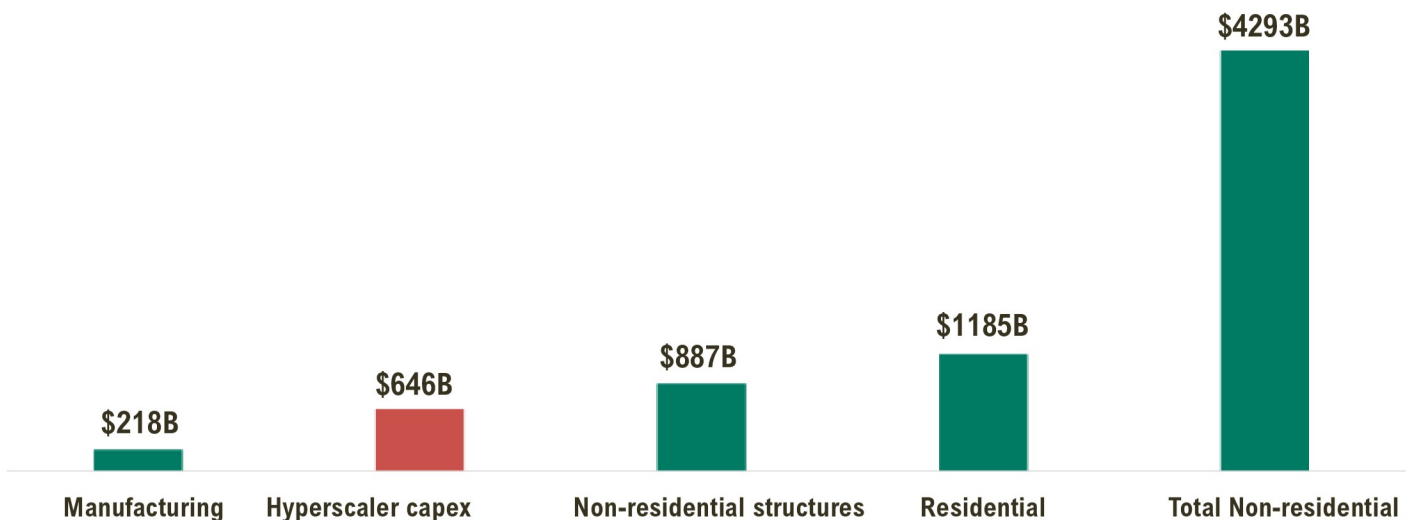
Source: Cushman Wakefield Research

Construction Activity:

Development activity remains elevated, with **25.3 GW** currently under construction and nearly **89% pre-committed** prior to delivery.

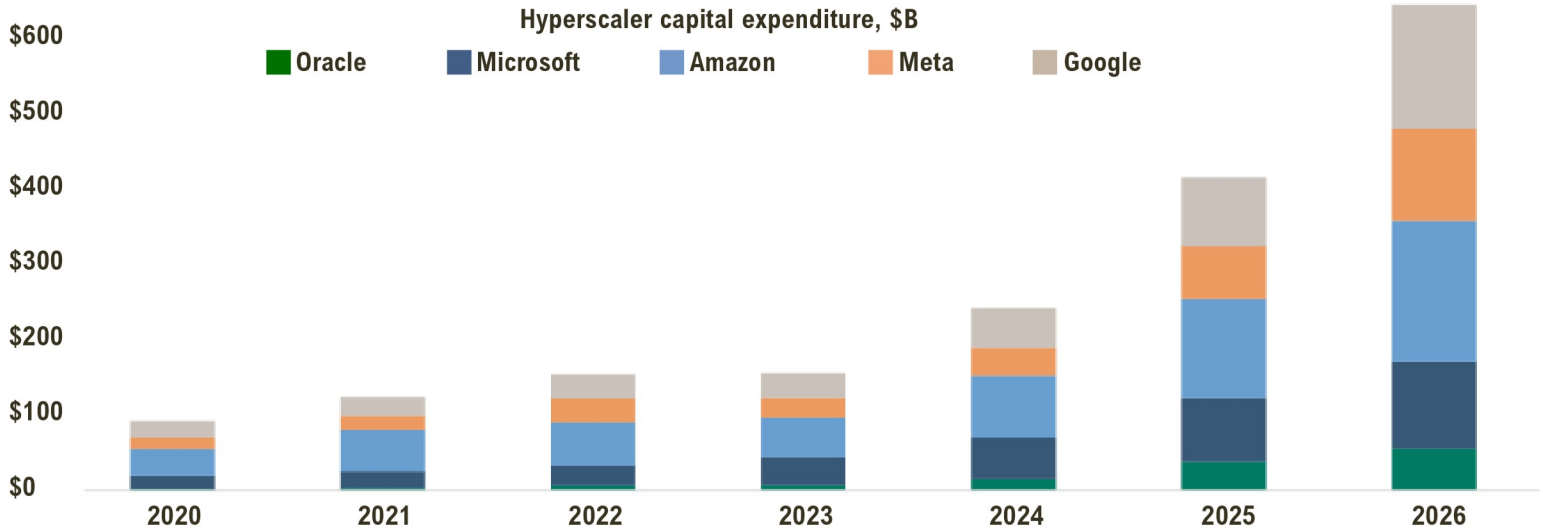
Availability trends: Large contiguous capacity blocks remain scarce, reinforcing continued reliance on the development pipeline to meet occupier demand.

Investment in capex by hyperscalers relative to other U.S. domestic investment classes



Source: Apollo Chief Economist, BEA, Factset, Haver Analytics. Hyperscaler companies include Oracle, Microsoft, Meta, Amazon and Alphabet (Google)

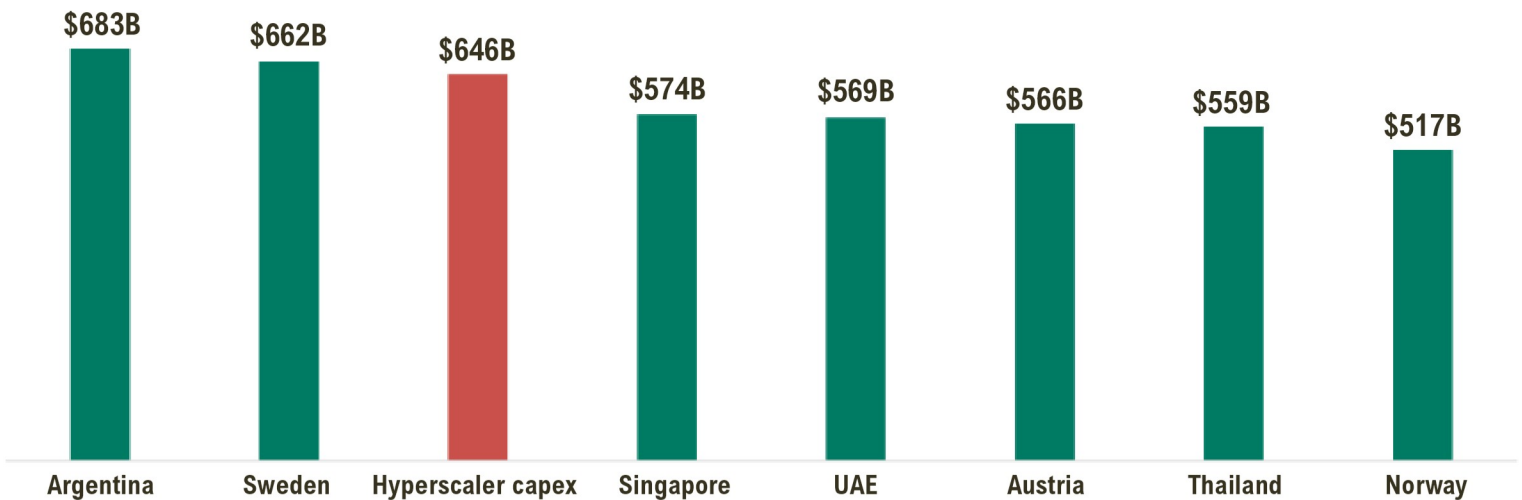
Hyperscaler capital expenditures expected to be \$646B in 2026



Source: Apollo Chief Economist, Factset. Hyperscaler companies include Oracle, Microsoft, Meta, Amazon and Alphabet (Google)

Hyperscaler capital expenditures in 2026 will be at levels similar to the nominal GDP of Singapore and Sweden

US hyperscaler capex vs nominal GDP of countries



Source: Apollo Chief Economist, Factset, World Bank, Macrobond. Hyperscaler companies include Oracle, Microsoft, Meta, Amazon and Alphabet (Google)

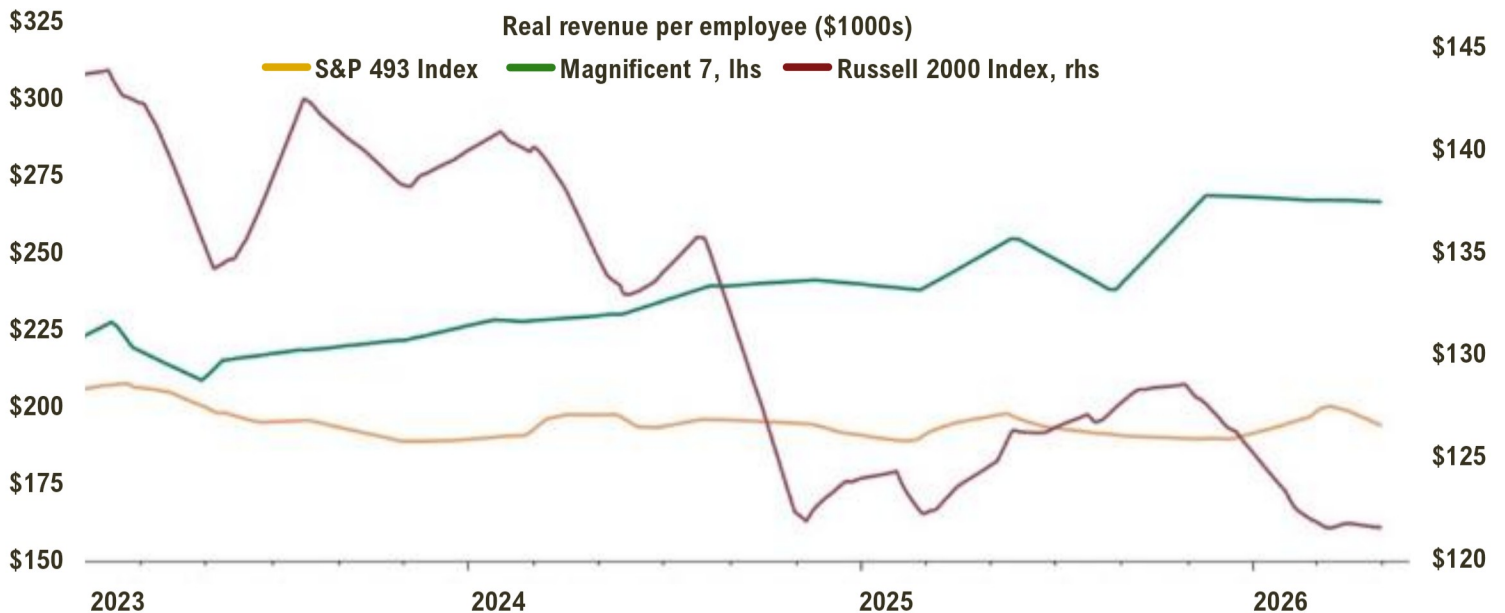
New business formation has accelerated – could it be AI Driven?

Weekly Business Applications, SA, 4-week MA



Source: Apollo Chief Economist, Macrobond, US Census Bureau

Revenue per employee is rising for the Mag 7 and falling for small-cap companies



Source: Apollo Chief Economist, Macrobond, Bloomberg

AI and data center pushback is starting

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The American Rebellion Against AI Is Gaining Steam

Booted commencement speakers, blocked data centers, plummeting poll numbers: Fast-growing industry has a faster-growing crisis

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Updated May 19, 2026 5:35 pm ET

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Attendees at a rally in Detroit in December opposed a utility's plan to provide power for a data center in rural Michigan. JIM WEST/ZUMA PRESS

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The Fight Over Making Data Centers Power Down to Avoid Blackouts

Power-grid operators are asking tech companies to supply their own electricity or go dark at times, but many are pushing back

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A surge in data-center development has pushed electricity prices higher and increased the threat of blackouts in some parts of the U.S. ANA ELISA SOTELO FOR WSJ

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Corporate America Is Starting to Ration AI as Cost Skyrockets

Executives are scrambling to track returns on AI investments as the bill for massive computing needs comes due

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PHOTO: PUNPUN/ISTOCK/GETTY IMAGES

Source: The Wall Street Journal

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What the NACM Credit Manager's Index tell us

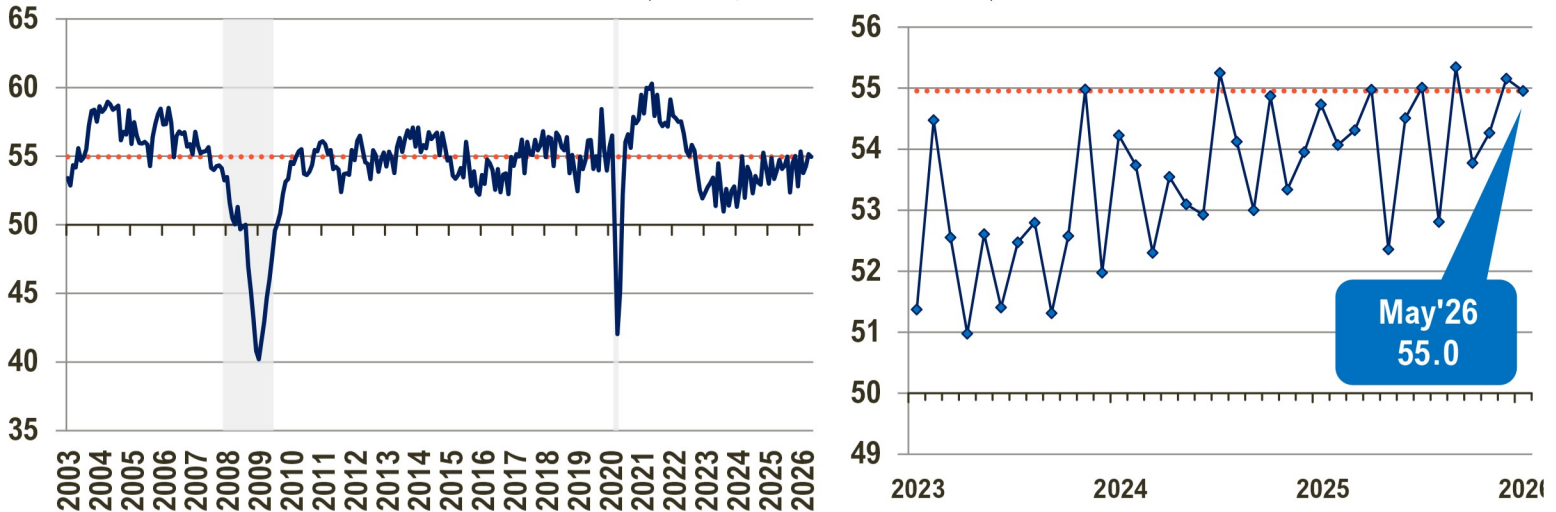
May survey is about April activity...
It includes the Iran Conflict start



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NACM Combined CMI is showing overall improvement trend, in expansion

NACM Credit Managers' Index, Combined Manufacturing and Services
SA (>50 = Expansion, <50 = Contraction)

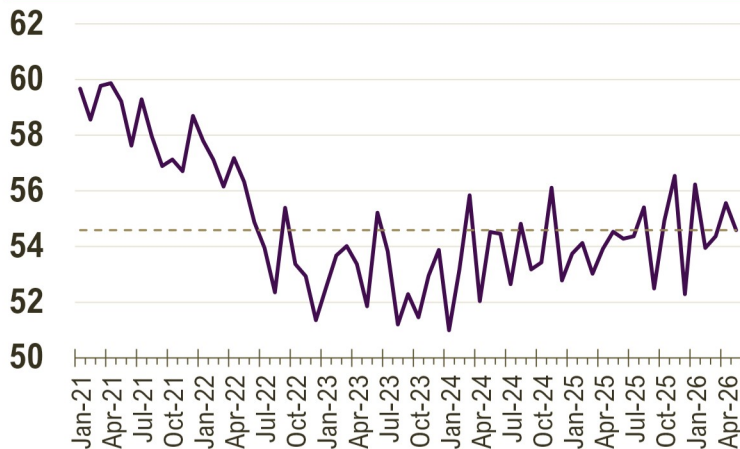


Source: National Association of Credit Management. Regarding accounts receivables, favorable factors are sales, new credit applications, dollar collections, and amount of credit extended. Unfavorable factors are rejections of credit applications, accounts placed for collection, disputes, dollar amount of receivables beyond terms, dollar amount of customer deductions, and filings for bankruptcies. Unfavorable factors are included on an inverse scale so that a rise in an unfavorable factor causes a decline in the CMI index.

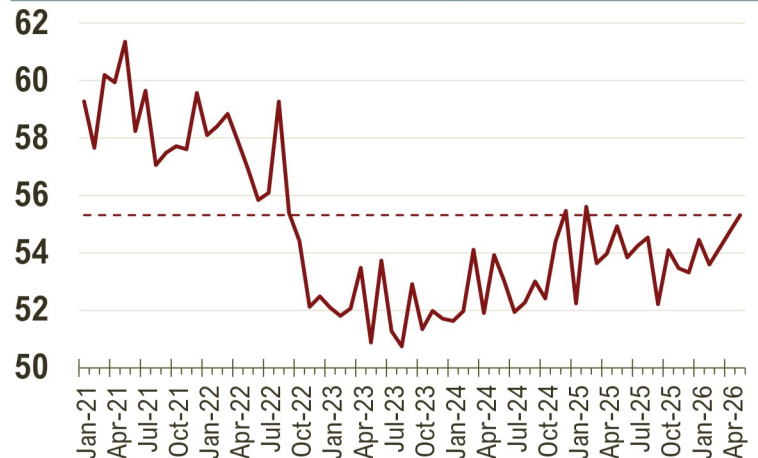
The Service Sector CMI is trending up and Manufacturing CMI is trending level(ish) – both indicate expansion

NACM Credit Managers' Index, SA (>50 = Expansion, <50 = Contraction)

Credit Managers' Index - Manufacturing Sector
May'26: 54.6 In Expansion



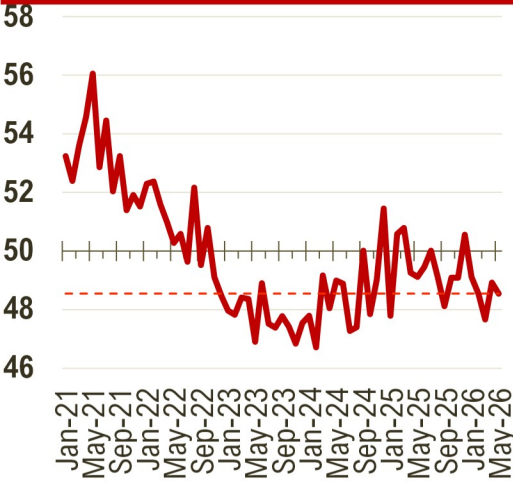
Credit Managers' Index - Service Sector
May'26: 55.3 In Expansion



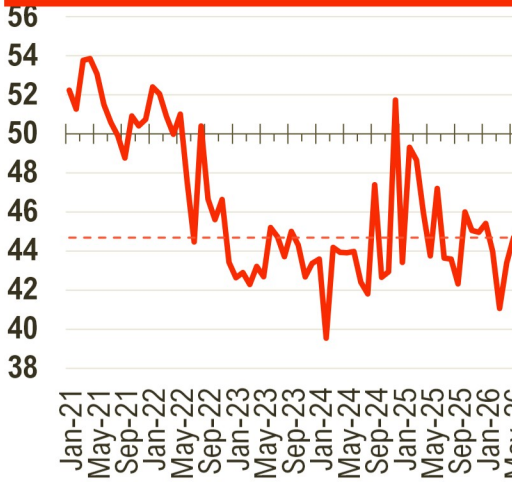
Source: National Association of Credit Management.

NACM Services Sector unfavorable factor index has been in contraction since November 2022

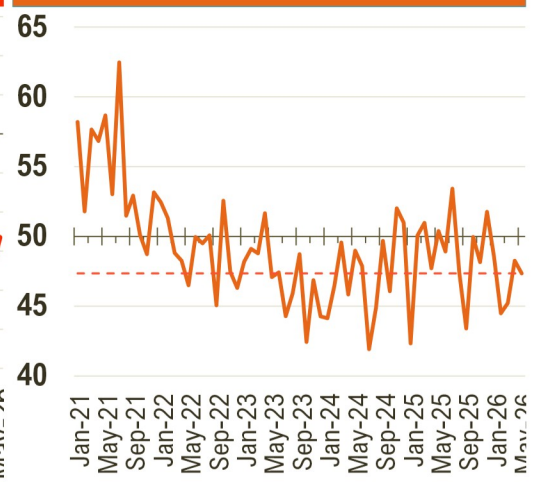
Service Sector CMI - Unfavorable Factors Index - May'26: 48.5 In Contraction



Accounts Placed for Collections Factor Index - May'26: 44.7 In Contraction



Dollar Amount Beyond Terms Factor Index - May'26: 47.4 In Contraction

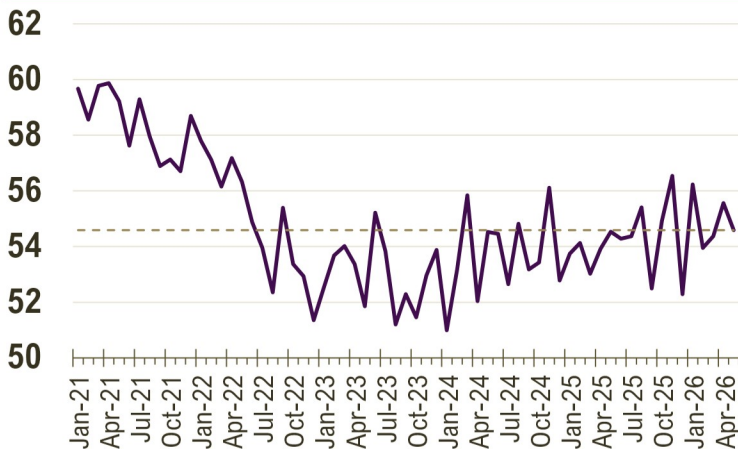


Source: National Association of Credit Management. Index values >50 = Expansion, <50 = Contraction. Indexes are seasonally adjusted.

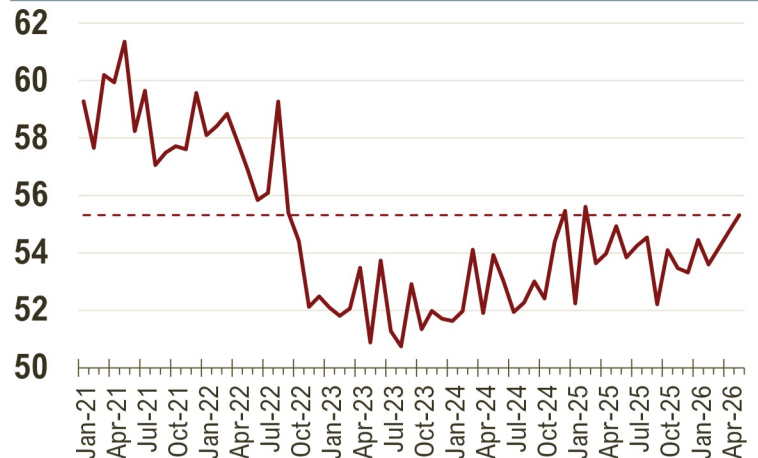
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NACM Credit Managers' Index, SA (>50 = Expansion, <50 = Contraction)

Credit Managers' Index - Manufacturing Sector May'26: 54.6 In Expansion



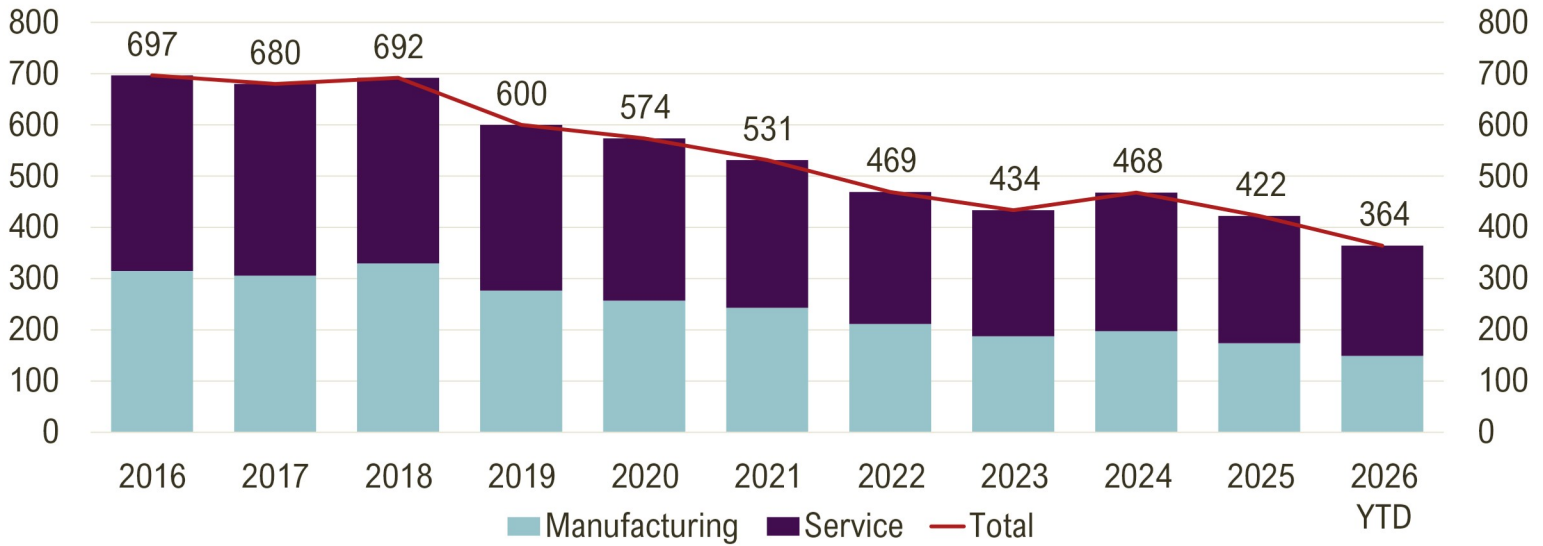
Credit Managers' Index - Service Sector May'26: 55.3 In Expansion



Source: National Association of Credit Management.

Participation rates in the CMI is falling sharply – we need you!

Average monthly respondents in the CMI survey



Source: AC Cutts & Associates LLC, NACM

Disclaimer

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Contact

Amy@ACCutts.com

(703)786-3089