3 Key Trends to Watch in 2026

Economy, Labor Market, Lending Conditions

Prepared by:
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(100% written by me, a human)

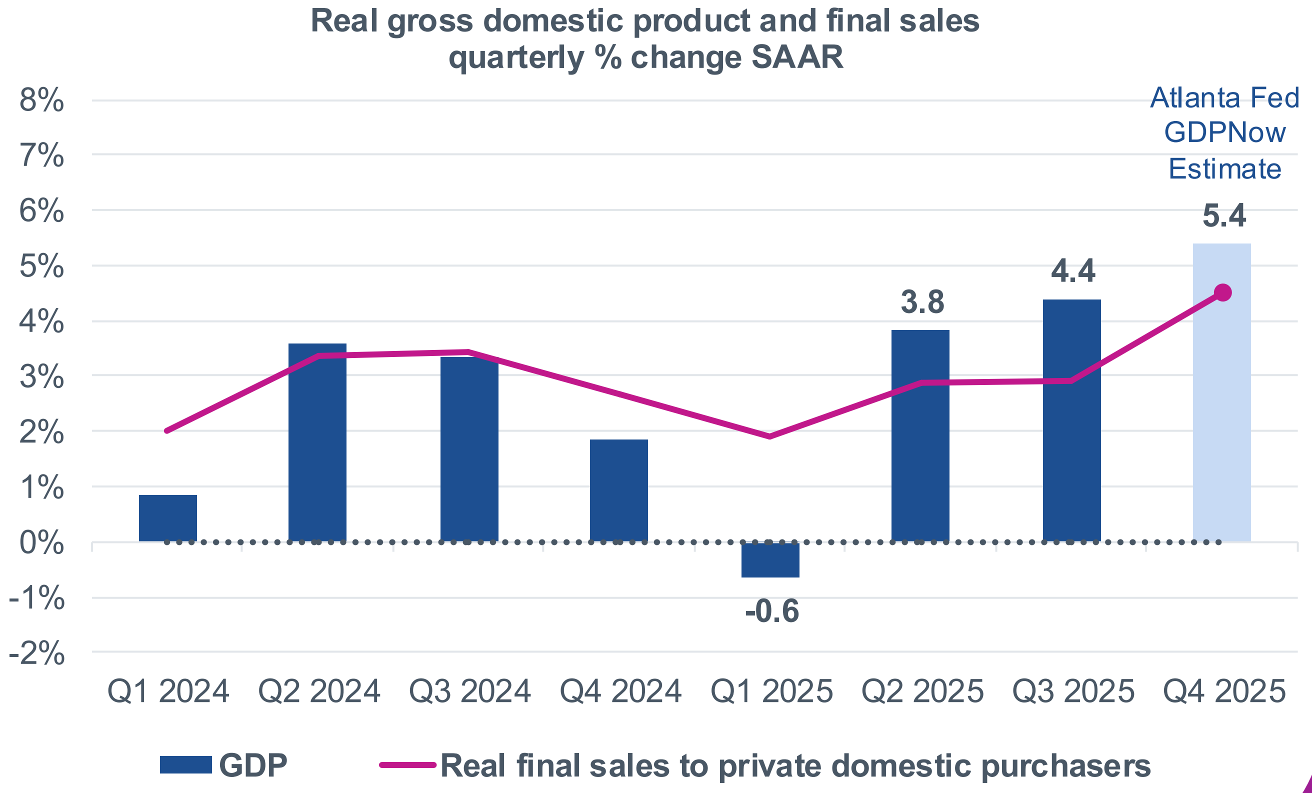
3 Key Macro Themes in 2026

1 **Solid Economy with Momentum**

2 A Labor Market Stuck in Neutral

3 Improved Lending Conditions

Solid Momentum Heading into 2026



Sources: Bureau of Economic Analysis, Federal Reserve Bank of Atlanta (GDPNow estimates as of Jan 26th, 2026) and Experian Economic Strategy Group

Solid Economy with Momentum….

1

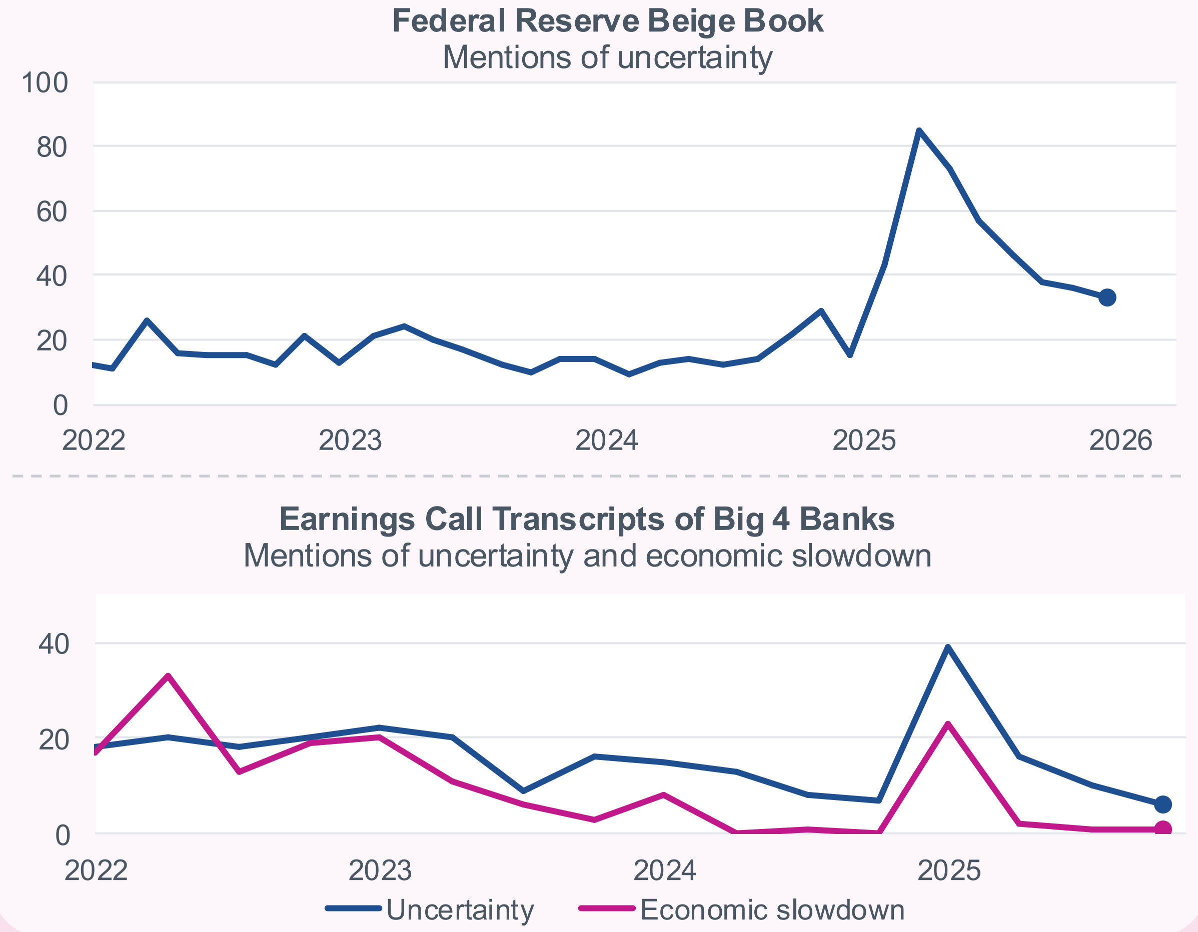
By almost all accounts, the US economy outperformed expectations in 2025. Despite significant concerns over tariff policy and recession fears, the economy expanded solidly as the AI boom continued, consumers remained resilient, and the lending environment improved. While risks remain – most notably in the labor market - **there's reason to believe the economy will keep up the solid momentum in 2026.**

First, measures of uncertainty are improving. In my view, uncertainty was the biggest by-product of tariff policy and the largest area of concern (not inflation). Higher uncertainty causes businesses to pull back on investment and reduce hiring. It also causes lenders to hold back on lending, especially to those business most at risk. A reversal should spur economic activity and more lending.

Second, we should see a tailwind from the One Big Beautiful Bill. Changes in tax policy are set to increase the average tax refund by roughly $800 this season and encourage more business investment.

One area I'll be watching carefully is to see if business investment becomes broader-based in 2026. Throughout the last couple of years, the AI buildout has driven investment with most other areas remaining flat or declining. **Another area to watch is productivity improvements driven by AI.** The data is so far mixed, but there are some early encouraging signs in the data that suggests productivity growth is picking up.

Uncertainty at Businesses and Lenders Improving

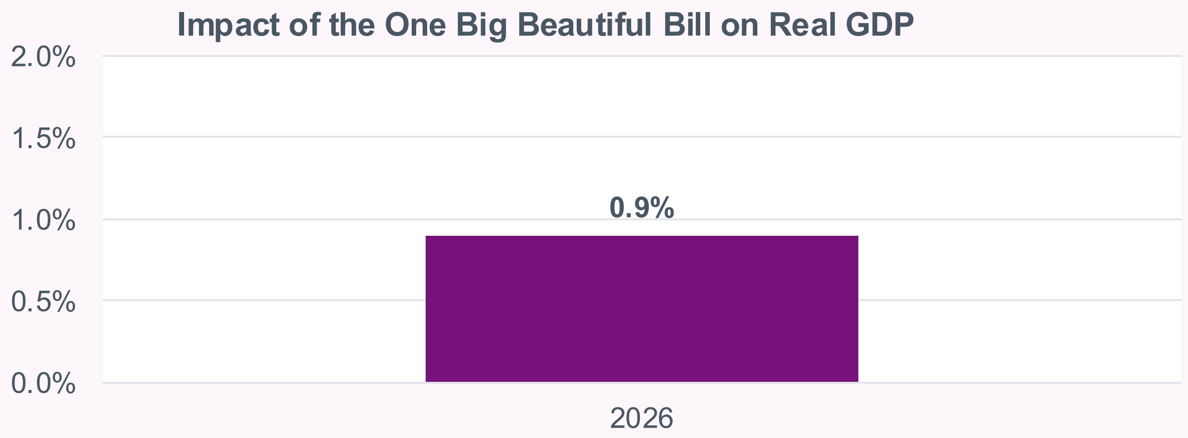


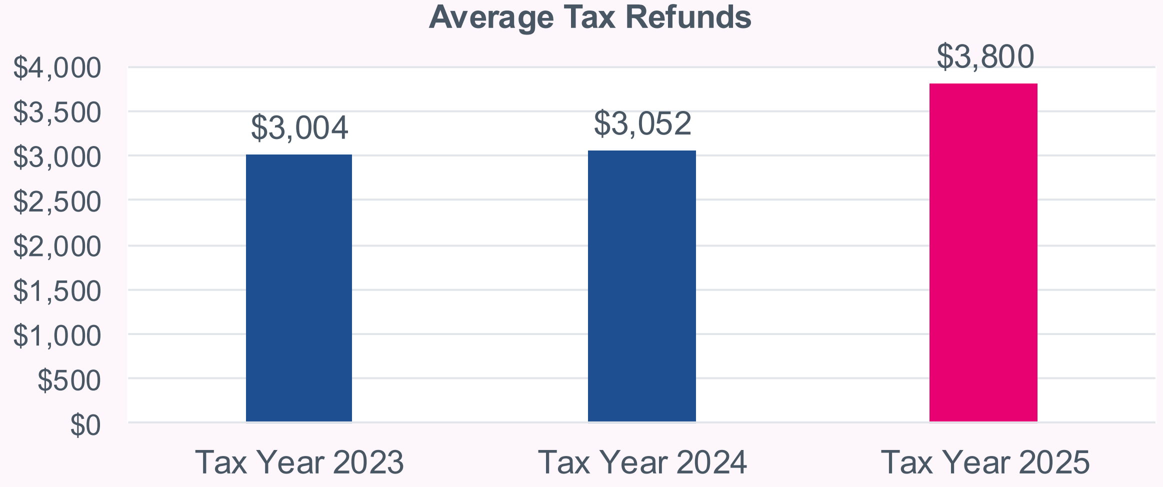
Sources: Author's and AI Analysis of Federal Reserve Beige Books and Corporate Earnings Transcripts, and Experian Economic Strategy Group

…Solid Economy with Momentum

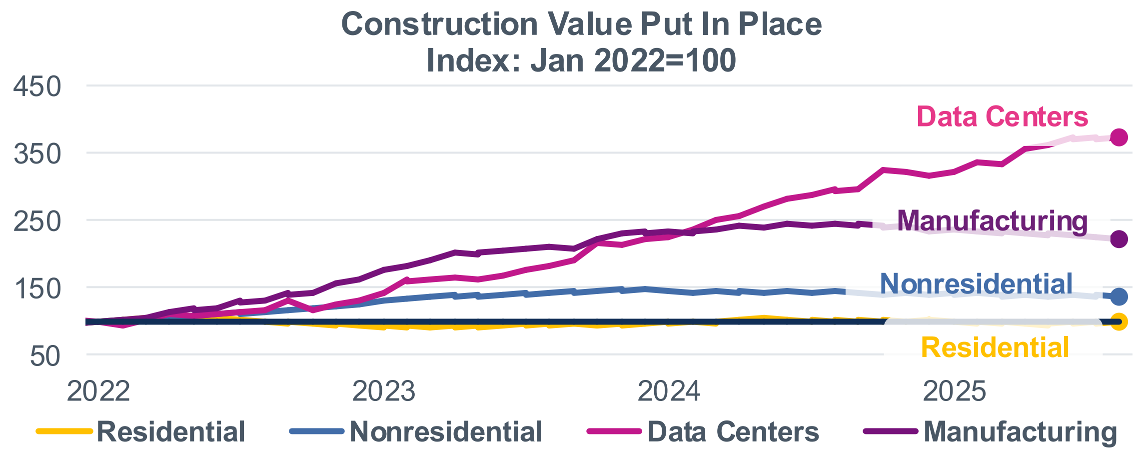
1

Fiscal Stimulus to Buoy Growth

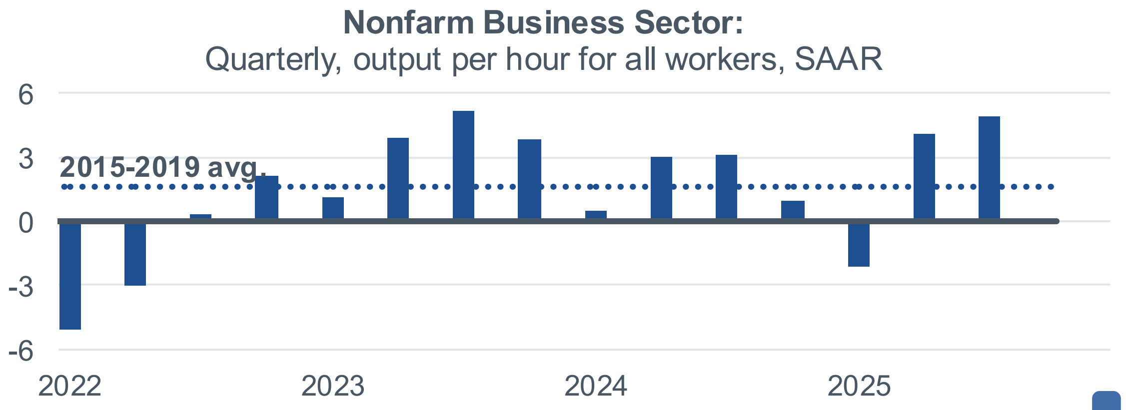




Looking for Investment to Broaden



Keeping an Eye on Productivity



Sources: Congressional Budget Office, Tax Foundation, Census, Bureau of Labor Statistics, and Experian Economic Strategy Group

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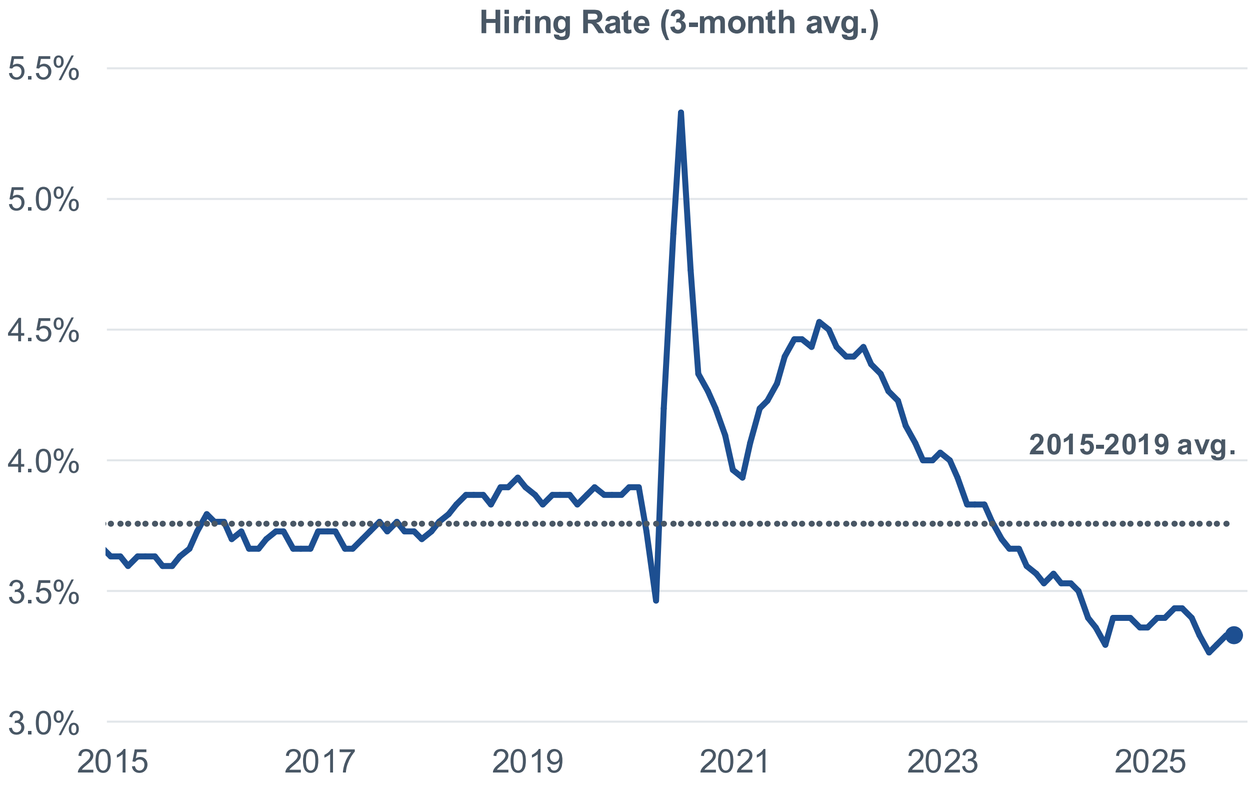
A Low-Hire, Low-Fire Environment



Sources: Bureau of Labor Statistics and Experian Economic Strategy Group

A Labor Market Stuck in Neutral….

2

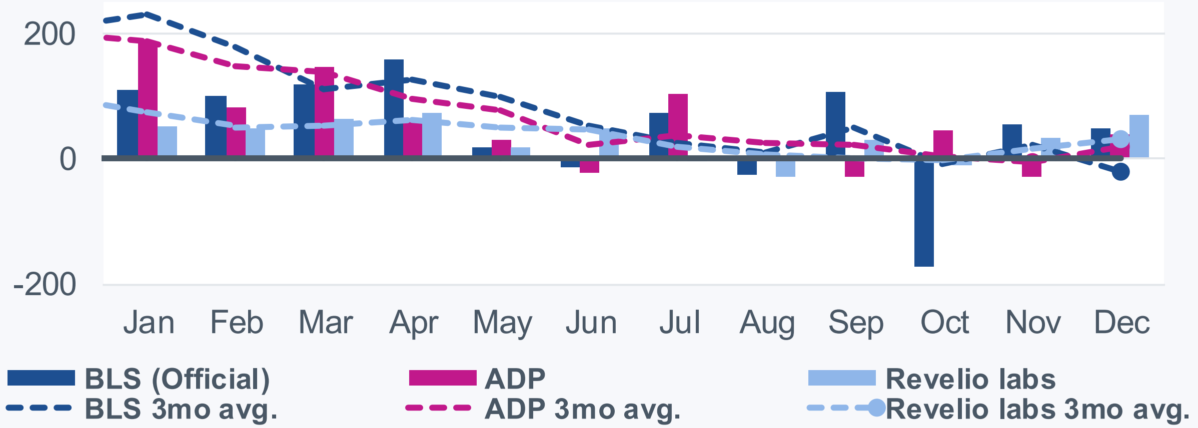
While the economy outperformed in 2025, the labor market stagnated and was characterized by a low-hire, low-fire environment. Job creation slowed throughout the year as employer demand for workers waned and the supply of workers looking for work declined (in part due to the large decline in immigration). **Additionally, job creation in the higher-wage segments – more characteristic of Prime credit consumers – has been especially weak.** These dynamics are set to continue in 2026 and remain a driver of caution for lenders.

In 2025, layoff announcements rose to the highest level since 2020. However, realized layoffs – as captured by initial unemployment claims – remain low. The concern in a low-hire environment is that a large pickup in realized layoffs could result in a fast rise in unemployment. **While our current forecasts suggests unemployment will remain fairly stable in 2026, the impact of business uptake of AI on hiring and layoffs is a big unknown,** but anecdotes and surveys point to the potential for greater pressure.

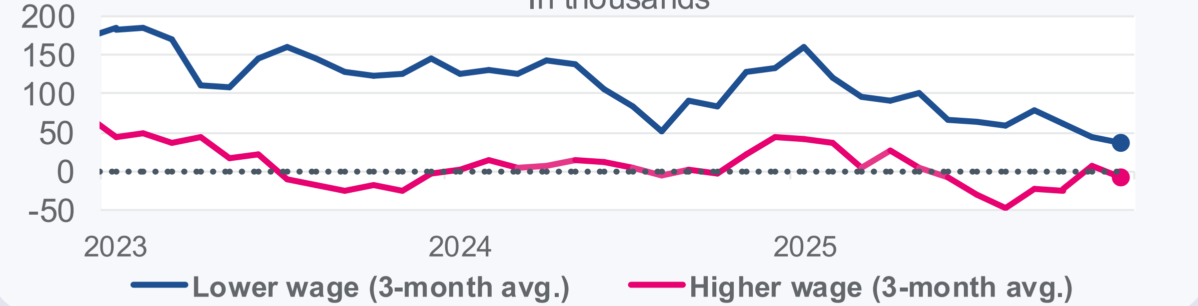
One trend to watch is the sustained high levels of new business filings, which signal higher rates of entrepreneurship. It could be that workers who are finding the current labor market challenging are starting new businesses - increasingly with the aid of AI. This is likely to be an area of growth for lenders to serve.

Job Creation has Slowed, Notably in Higher-Wage Industries

Monthly Job Creation
In thousands



Private Sector Monthly Job Creation by Wage
In thousands

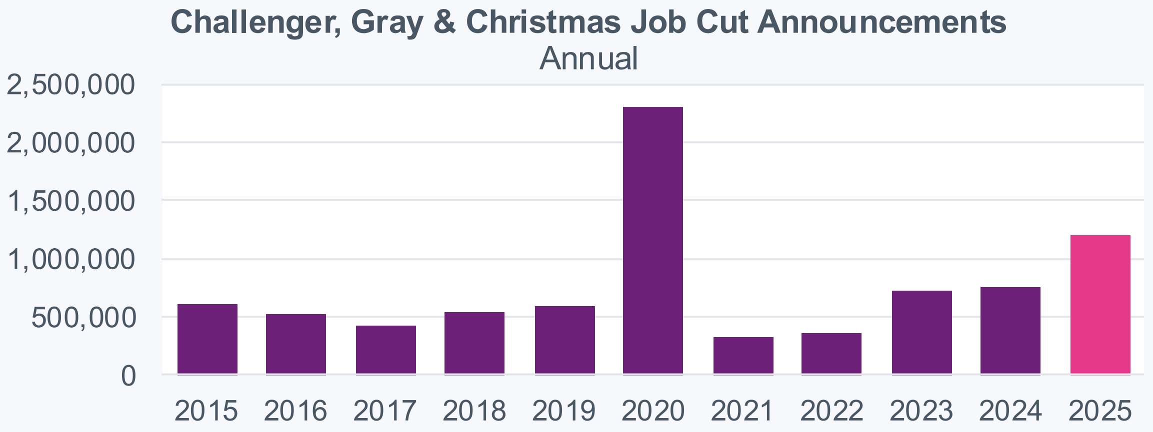


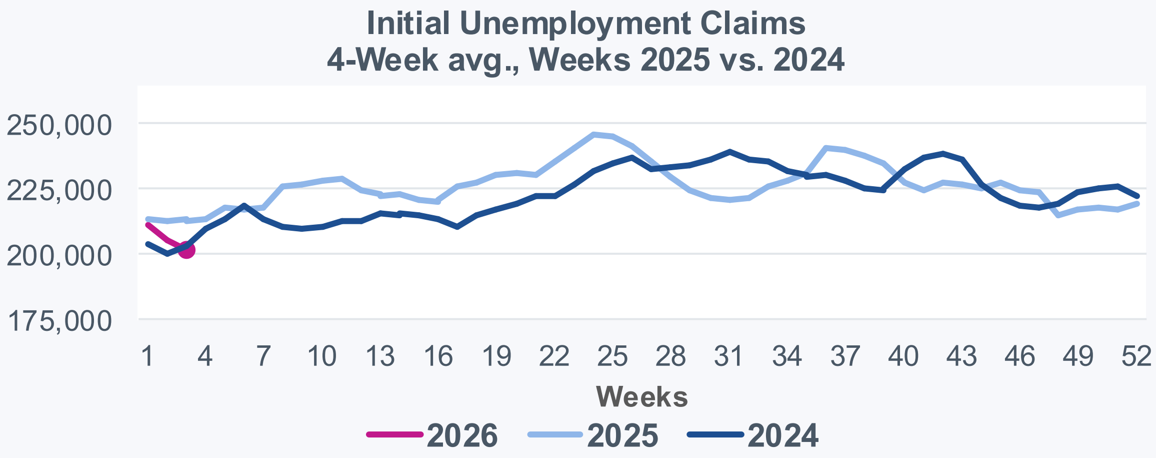
Sources: Bureau of Labor Statistics, ADP, Revelio Labs, and Experian Economic Strategy Group

….A Labor Market Stuck in Neutral

2

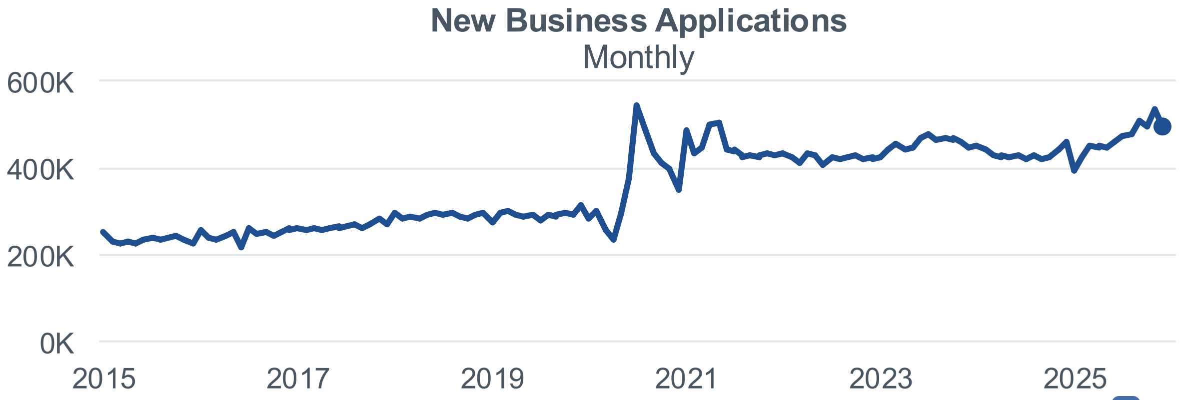
Layoff *Announcements* High, *Realized* Layoffs Low





AI Uptake to Keep Pressure On Employment

An Outlet for Workers – Entrepreneurship



Sources: Challenger, Gray & Christmas, Department of Labor, Federal Reserve Bank of New York, Census, and Experian Economic Strategy Group

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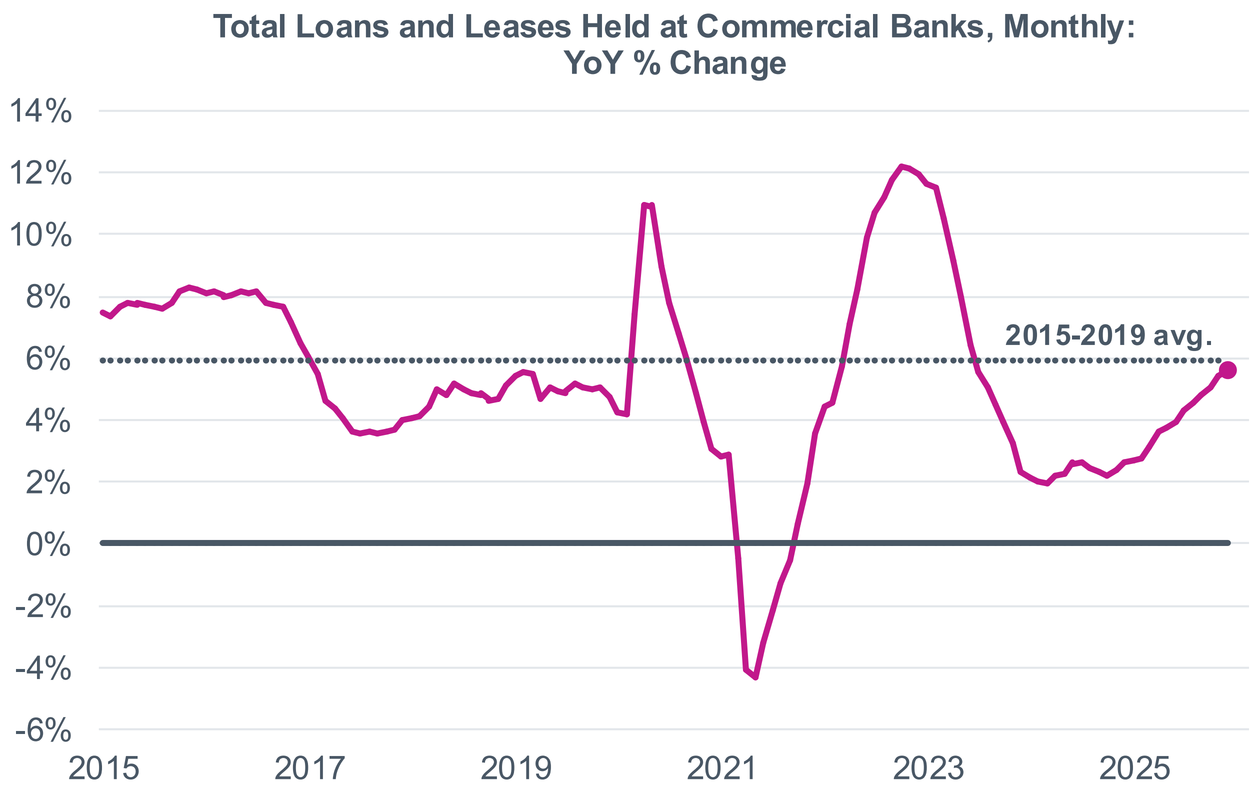
Lending Growth Trending Up



Sources: Federal Reserve H.8 and Experian Economic Strategy Group

Improved Lending Conditions….

3

The lending environment improved in 2025 as standards eased at the largest financial institutions, consumer demand improved, and households remained resilient. And the latest data signal these trends are set to continue in 2026.

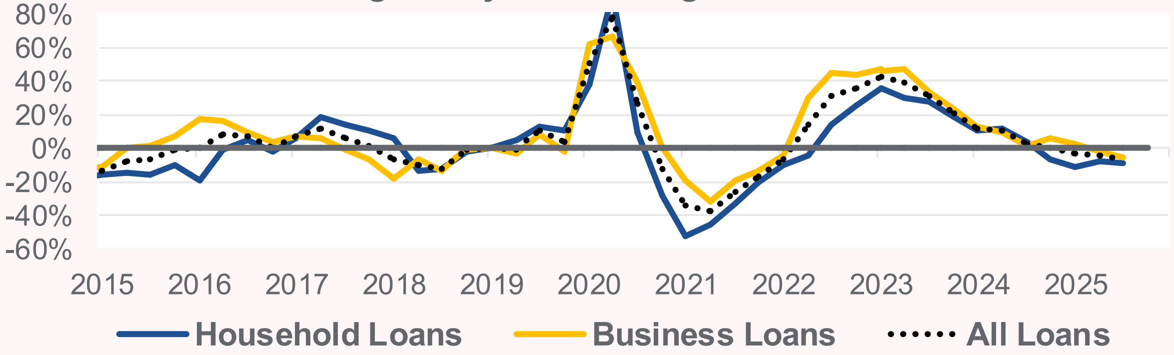
Since 1991, the average lending standard loosening cycle – which coincides with strong credit activity - lasted roughly 11 quarters. **Given we are only four quarters into the current cycle, this suggests we *may* still be in the early innings of a longer period of credit growth.** Household balance sheets also appear to be able to support additional credit expansion as their overall debt burdens remain low.

While standards and demand have improved, the interest rate picture is set to remain stable in 2026. After cutting rates another 75bps in 2025, Fed officials have only penciled in one more 25bp cut in 2026.

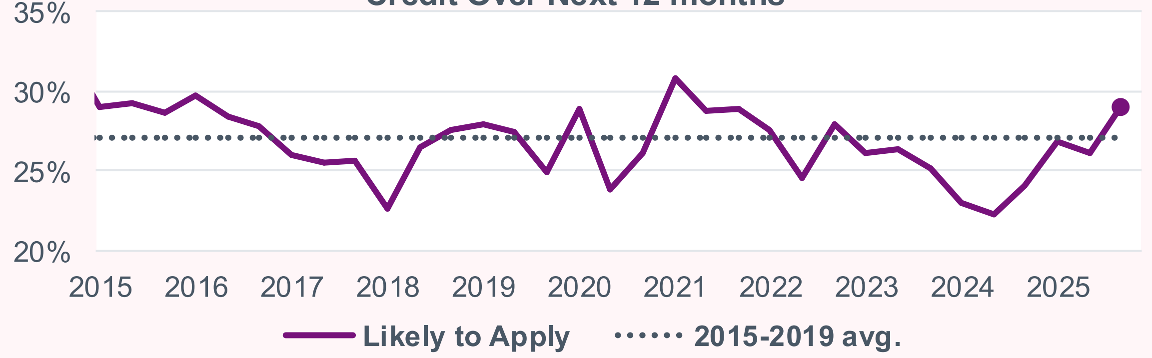
Additionally, **longer term rates have remained elevated likely in response to better-than-expected growth, above-target inflation, and concerns over Fed Independence. Since these three trends are likely to be with us for the foreseeable future, additional improvement in longer-term rates may not materialize this year.** This may limit improvement in interest-sensitive areas of the economy such as housing.

Lending Standards have Eased, Credit Demand Rising

Net % of Banks Tightening Lending Standards on Loans Weighted by Outstanding Balance



Perceived Likelihood to Apply for One or More Types of Credit Over Next 12 months

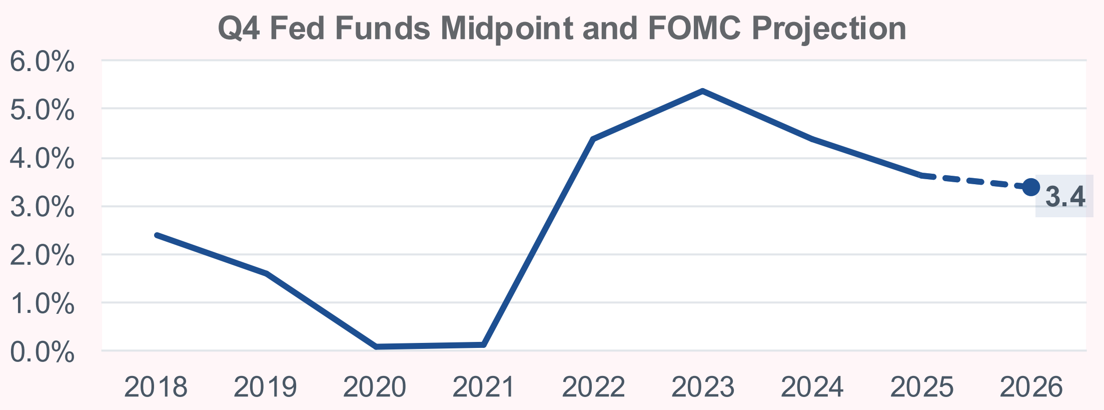


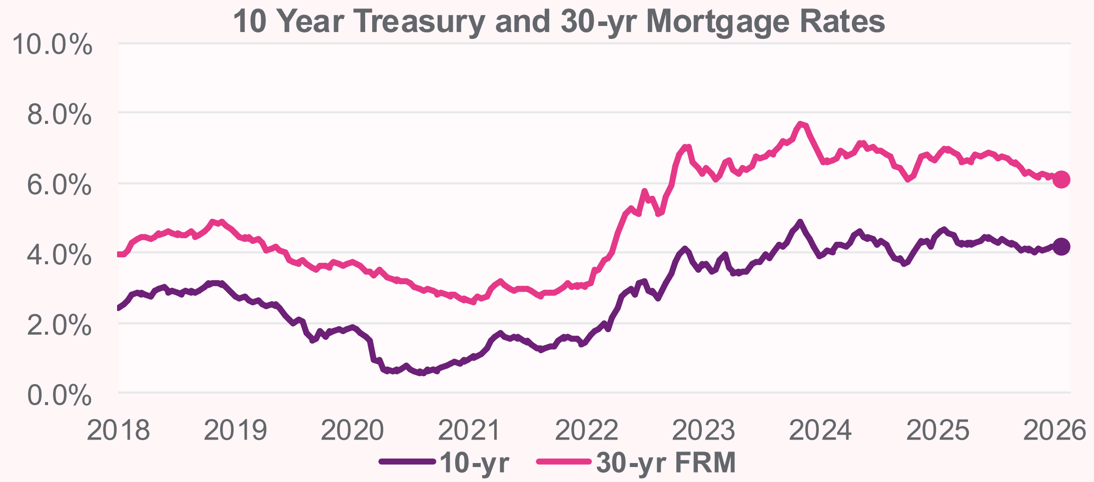
Sources: Federal Reserve Senior Loan Officer Survey, Federal Reserve Bank of New York, and Experian Economic Strategy Group

....Improved Lending Conditions

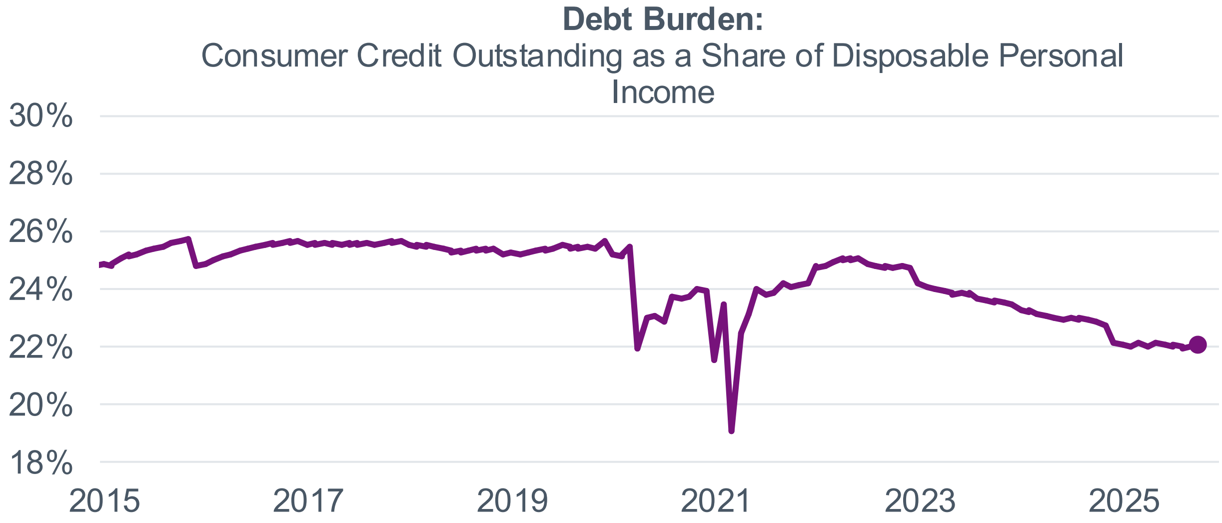
3

Nearing End of Cutting Cycle?, Longer-Term Rates Stubborn





Consumer Debt Burdens Remain Low



Potential Industry Challenges: Push for Affordability

Banks balk as Trump pushes for 1-year, 10% cap on credit card interest rates

Sources: Federal Reserve, Bureau of Economic Analysis, BBC, and Experian Economic Strategy Group