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# ECONOMIC IMPACTS BRANDS SHOULD EXPECT IN 2023

**BY USIM BRAND MARKETING**

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# Economic Impacts Brands Should Expect in 2023

**As businesses adjust marketing strategies in 2023, it's crucial not to overlook vital insights on economic factors for recession-proofing your efforts.**

**This article outlines critical insights and provides valuable guidance on what to consider for ongoing economic volatility and evolving consumer behaviors to maximize your ROI throughout 2023.**

## Pressure Points for Marketing in 2023

With the economy continuing to teeter between growth and recession amidst an extremely volatile cultural/social marketplace, it's a time of uncertainty for many brands and businesses. Ensuring marketers can reach their audience and drive to conversion, without breaking the bank, will be a challenging proposition as 2023 continues to unfold.

Marketing strategies will face unprecedented pressure points. This can lead to mis-targeting, underperformance, and overspending.

The following topics and subjects throughout this article will explore economic pressure points and impacts to consider to recession-proof your marketing strategies throughout 2023.

# Navigating a Continued Turbulent Marketplace

As 2023 unfolds, consumers are feeling the effects of a turbulent 2022, and most specifically impacted by the rise of inflation. High prices for just about all consumer goods, from groceries to gasoline, have most consumers making more thoughtful spending decisions as their savings dwindle and credit card debt increases.

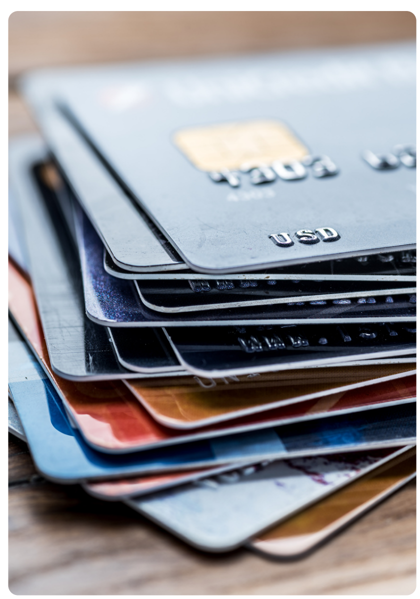
## Financial Futures for Individuals

According to a recent survey conducted by GOBankingRates, "33% of Americans have $100 or less in their savings account going into 2023, and 34% had the same amount in their savings in 2022."

The survey continues to show that most Americans have generally struggled YOY to continue to grow their savings. It showed that "57% of Americans had less than $1,000 in their savings in both 2022 and 2023. Further, one-third of Americans had less than $100 in savings in both 2022 and 2023."

Creditors and reports indicate 2023 faces increased credit card delinquencies amongst consumers as well. In a report from Transunion, "serious credit card delinquencies — usually defined as being more than 30 to 90 days late — are expected to rise from 2.1% to 2.60%, the highest they've been since 2010. Delinquency rates on personal loans are also expected to rise, to 4.3% from 4.1%. "

This trend doesn't impact all verticals equally though. The report highlights this is not the case for auto loans, in fact having the opposite effect. It also points out that a slight majority of Americans, at 52%, are optimistic about their financial future for 2024.



The other impact to consider here is inflation. Kiplinger is noting, "Annual inflation fell to 6.5% in December 2022, the sixth consecutive month of decline. The slowing economy is likely to bring the yearly rate down to 3.2% by the end of 2023. However, this will still be higher than the Federal Reserve's target of 2-2.5%, so the Fed will not be cutting short-term interest rates this year."

So, what does that tell us? We can garner a few insights with this data:

1. **Economic growth continues to slow down.**
   This helps ease inflation but signals the Fed will keep interest rates higher for the moment.

2. **Consumer prices are still falling.**
   Albeit slowly, economic efforts *are* making an impact, *but* consumer confidence remains shaky.

3. **Don't expect interest rates to ease in the immediate future.**
   The current rates are expected/predicted to continue throughout 2023.

Overall, it's a mixed bag for consumers and businesses alike. Consider we're officially paying less for groceries today, but still paying more than we did a year ago. The price of used vehicles are down, and new car prices dropped for the first time in two years. Gasoline is effectively cheaper from a year ago, yet we are still spending more at the pump.

This increase is due to the lag between service rates and other economic indicators such as market conditions, GDP, employment, and supply and demand. These factors are predicted to balance out, but not before 2024.

## Fears of Recession

At the publication of this article, the US is not in a recession. In contrast, the recession chatter has occurred almost daily for a year though, and more than likely, remains a possible chance that by mid-2023 it will officially begin. According to Bloomberg's December 2022 prediction, economists indicated there was a 70% chance a US recession would occur in 2023.

Despite not being in a recession at this time, many companies – and by default, the economy – in contrast are acting and behaving as if we are in one. In this case, perception has become reality in certain situations and scenarios.

## The Great Tech Downsizing

Recession actions (and reactions) can most clearly be seen across the tech sector, where currently 66,000 workers have been laid off in a series of job cuts. Meta has released 11,000 people, alongside Amazon's whopping 18,000 layoffs. Other companies have also followed suit like PayPal with 2,000, job cuts, and Netflix, Groupon, Hubspot, and Workday have laid off 300-500 employees. This also includes companies like tech leader Intel with 545 job cuts in California alone.

If we are not in a recession, why downsize so significantly? The fear of reality (or perceived reality in this case) may ultimately be responsible, but multiple factors are also driving the situation.

### Pandemic Hiring

Many tech companies went on "hiring sprees" during the pandemic. This was compounded by candidates being 'lured' through hefty compensation packages and positions that exceeded market realities. As the public returns to life outside of the home, the expanded workforces are being scrutinized, and some deemed unnecessary. Some of these layoffs are an unfortunate correction of balance sheets.

### Reduced Demand

With the continued shift to hybrid and in-person work, there is a decreased demand for roles with a focus of on-site support and management. This factor is a driver for companies to downsize their teams or face profitability challenges.

### Distribution Easing

As part of Covid-19, distribution systems across the globe were severely impacted delaying sourcing and driving shortages (something the Panama Canal Crash only compounded). As we enter into 2023, we are finally seeing an ease on the global production and distribution and a return to pre-pandemic operation standards.

### Energy Costs

The costs of energy, natural gas, electricity, and oil continues to rise despite a "more normal" gasoline price at the pump. This has a trickle-down affect that reaches across all industries. Increasing prices across air travel leads consumers to stay closer to home (or fly less) and impacts business related travel. We see an increased costs of goods as shipping costs remain higher, particularly with imported goods. The construction industry and real estate are affected by higher fuel prices resulting in increased costs of manufacturing.

## What's the Prediction From the Government and Private Sector?

The US Government's predictions seem to directly contradict economic experts in the private sector like Bloomberg. The IMF (International Monetary Fund) has also revised its global predictions, forecasting slight economic increases (increase of .2%) since its October 2022 prediction. They forecast global inflation will fall in 2023 and rise again in 2024. According to CNN, the US economy did expand during the fourth quarter of 2022 with an annualized Gross Domestic Product (GDP) rate of 2.9% from October to December, expanding by 2.1% YOY.

While those numbers are less than ideal, indicating slow growth is an accomplishment given the unrelenting predictions of no growth.

So, what will 2023 hold? That is still to be determined.

As global financier, J.P. Morgan points out, "The global economy is not at imminent risk of sliding into recession, but a U.S. recession is likely before the end of 2023."

Goldman Sachs, on the other hand, believes, "expect another year of below-potential growth and labor market rebalancing to solve much but not all of the underlying inflation problem. Unlike consensus, we do not expect a recession."

## How Does This Impact Your Brand Vertical?

It is crucial to consider the economic pressure points discussed throughout this article as you are developing and planning marketing strategies and accounting for the impacts in 2023.

At USIM, our media agency has extensive experience collaborating with a diverse range of brands, businesses, and partners. Our team of experts have assessed the impact of the economic indicators outlined above and how that can impact all major verticals and industries.

Our proprietary platforms and data analysis tools provide an in-depth overview on consumer behaviors and how to effectively future-proof our clients marketing efforts.

Reach out to learn about how these factors affecting 2023 will be impacting the environment in which your brand lives. **Click here now** to register for a **FREE consultation to speak with a USIM team expert.**

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Please reach out to connect for a free consultation and media review with a USIM Specialist at info@theusim.com.

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