



Top Econ Themes from Vision

One-trick pony economy, and AI and the labor market

Prepared by:

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Overview

Apologies to those of you who missed our annual Vision Conference in Miami – it was awesome. **The opportunity to connect with more than 600 of our clients, partners, and friends – which represent the majority of the financial services across the U.S. – is truly invaluable** and a significant source of insight into how the economy and credit ecosystem are functioning. **Throughout my many conversations at the conference, there's a couple concerns that continued to arise again and again.**



Theme 1: The “one-trick pony” economy

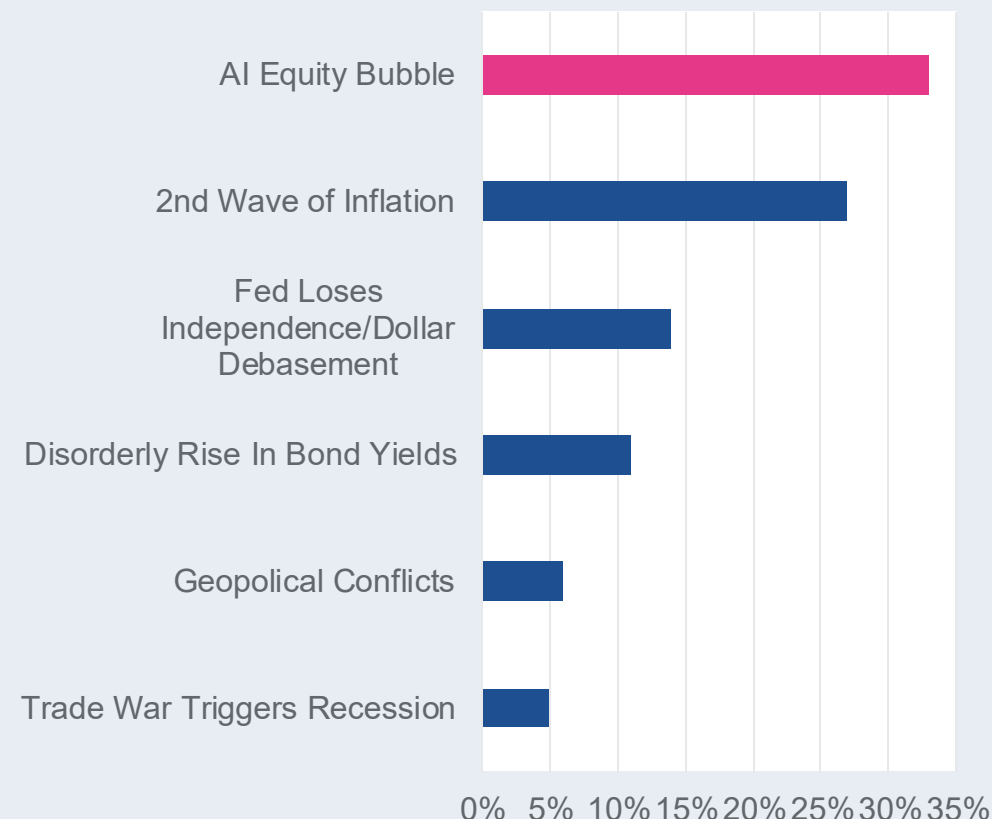
During our session “**Navigating 2026: Global Macro Shifts, US Credit Trends and the Evolving Lending Landscape**”, I asked the audience how many thought we would go into a recession in the next twelve months. Less than ten people (of ~150) raised their hands, which is par for the course in many of my latest conversations. And it’s clear why. **The economy has seemingly shrugged off most of the uncertainty around tariffs, growth projections are being revised upward, and equity markets continue to make new highs.**

But underneath the improved outlook, there remains high levels of concern that the economy has become a “one-trick pony” reliant on the AI trade: AI investment booms -> equity markets make new highs -> higher-income consumers spend. Many of the conversations I had circled around this dynamic and its ability to continue. Are we in an AI bubble? A stock market bubble? Can higher-income consumers keep spending? All these questions really rest on if the hundreds of billions of dollars in AI investment are going to pay off...which is still an open question.

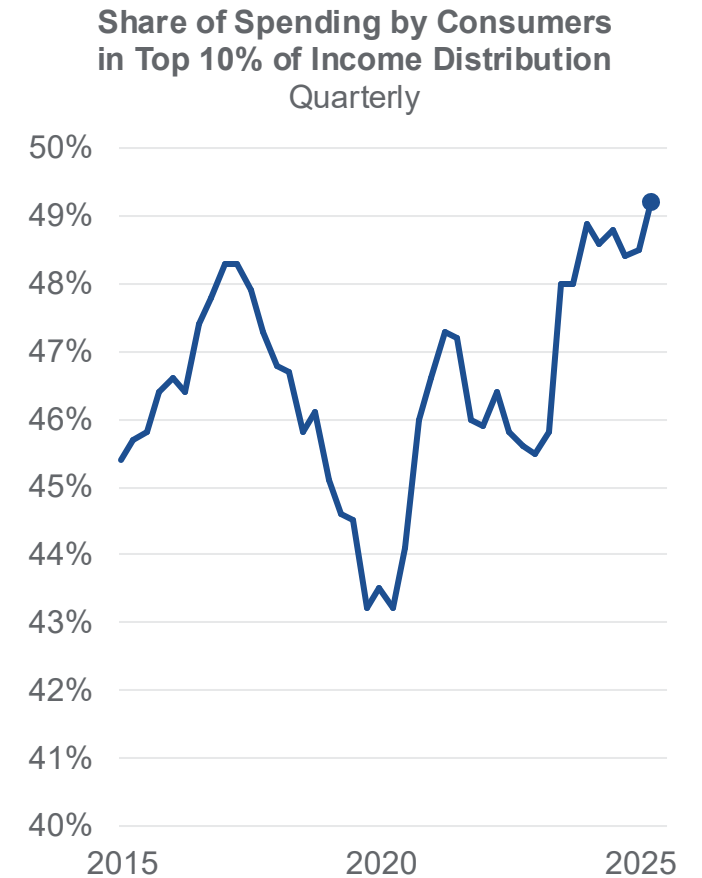
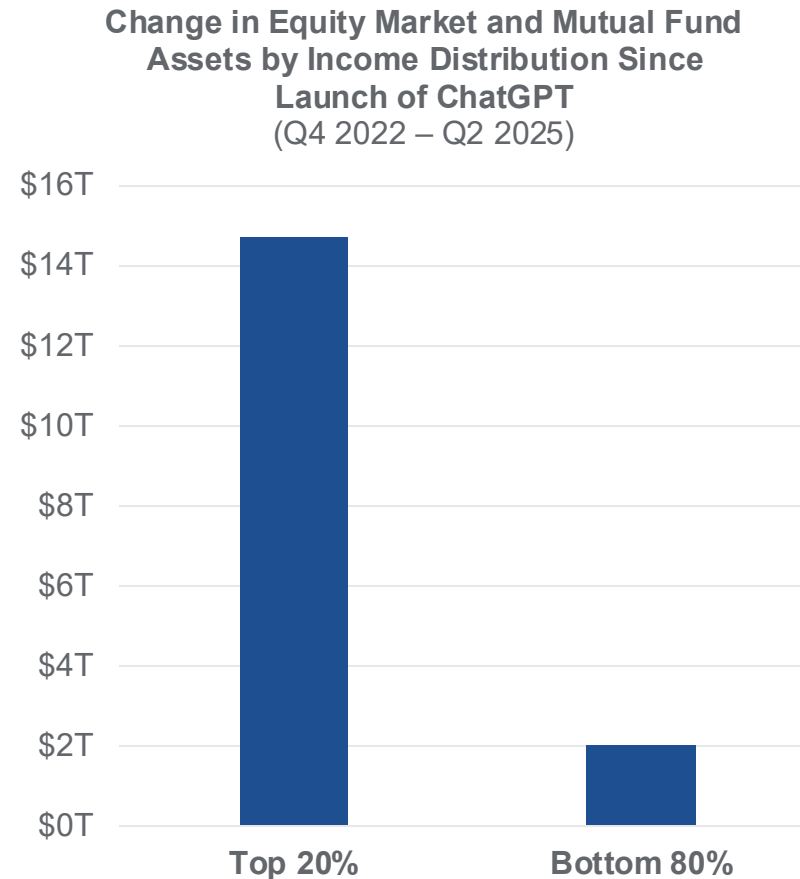
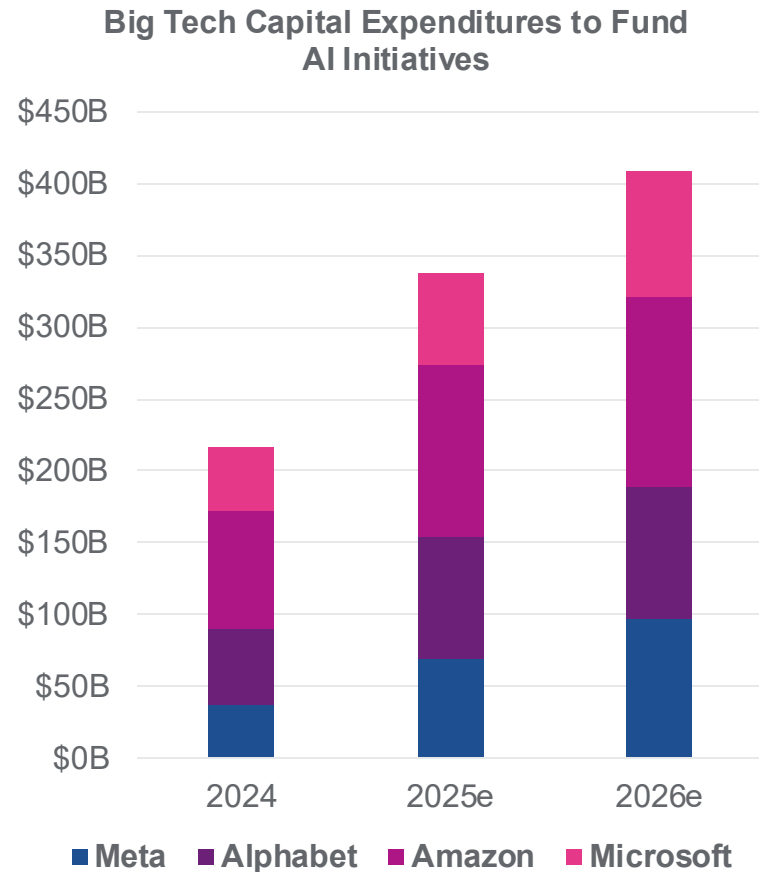
While I have been more optimistic than most economists over the past couple of years and a recession is not my base case view (my odds are roughly 30%), it’s clear that this over-reliance on the AI trade is a major vulnerability that is likely to be with us for the foreseeable future.

Sources: BofA Global Research and Experian Economic Strategy Group

BofA Global Fund Manager Survey
What do you consider the biggest “tail risk”?



AI investment lifts equity markets, drives higher-income spend



Sources: Bloomberg "Why Fears of a Trillion-Dollar AI Bubble are Growing", Federal Reserve and Author's Analysis, Moody's Analytics and Experian Economic Strategy Group



Theme 2: AI and the labor market

Undoubtedly, the topic of AI dominated the conference. **But separate from all the promise, was the specter of what it means for the labor market, white-collar workers...and for all the parents in attendance, what it means for their kids?**

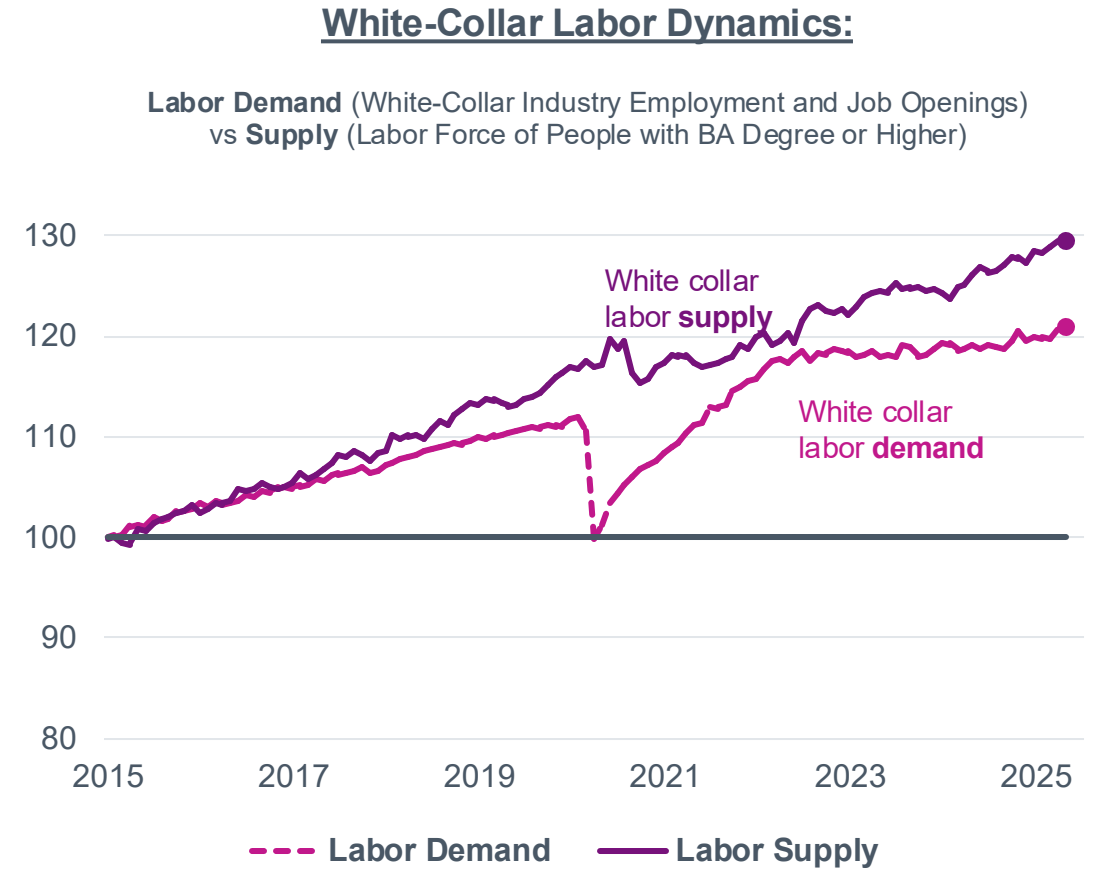
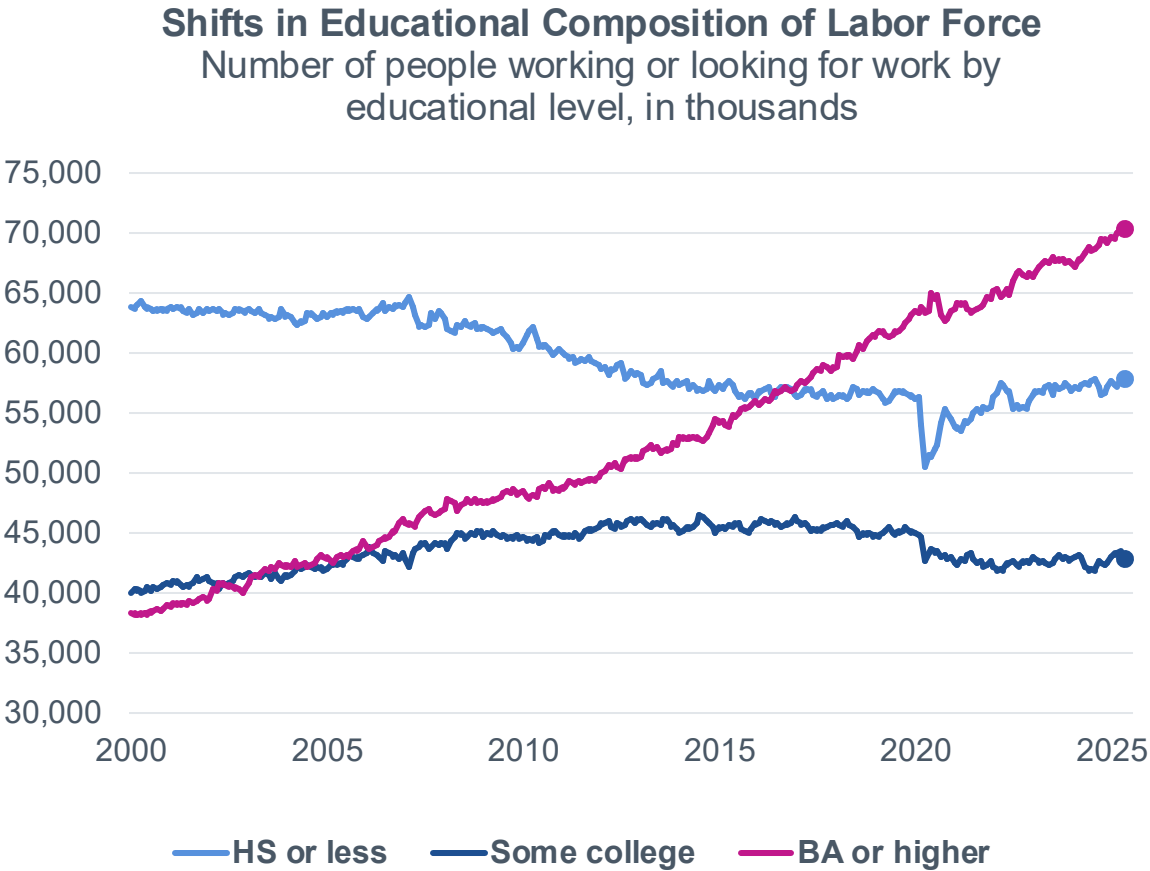
A couple of thoughts. **First, is that AI is likely aggravating longer-run trends in the labor market, especially in the white-collar workforce.** Basically, younger generations tend to be more educated than older generations and so we have been graduating more and more people into the workforce that want to be white-collar workers. But, while demand for white-collar workers has risen over the last decade, it hasn't kept pace with all those graduates. **A higher supply of workers relative to demand essentially means the backdrop is weak for white-collar workers. That's the long-run dynamic. Add to that the recent economic uncertainty and rising implementation of AI and you have a recipe for even weaker demand.**

So far, most of the weakness in the labor market has been soft hiring, not layoffs. **However, if the economy turns south and layoffs pickup, unemployment could rise rapidly – and given the labor market setup, that rise could have a significant impact on white-collar workers. This is a key concern for the Prime segment of the credit market.** And given the impact of AI on the labor market is only likely to increase, **it is reasonable to think this vulnerability will stay with us for some time.** (*Note: The economic data is in the very early stages of capturing the impact of AI on the labor market which makes it difficult to draw sharp conclusions. However, anecdotes from employers continue to highlight the use of AI to keep headcounts flat or reduce them.)

Lastly, what should young people in school today do to prepare for the future in an AI economy? I don't have all the answers, but I will *paraphrase* what one of our keynote speakers, Sol Rashidi, said that was great advice for all of us and which I wholeheartedly agree: ***Don't use AI to write for you, don't use it to strategize, or to brainstorm. Those are your critical thinking muscles and what makes you powerful – keep those abilities strong.***



Longer-run trends are being aggravated by the rise of AI

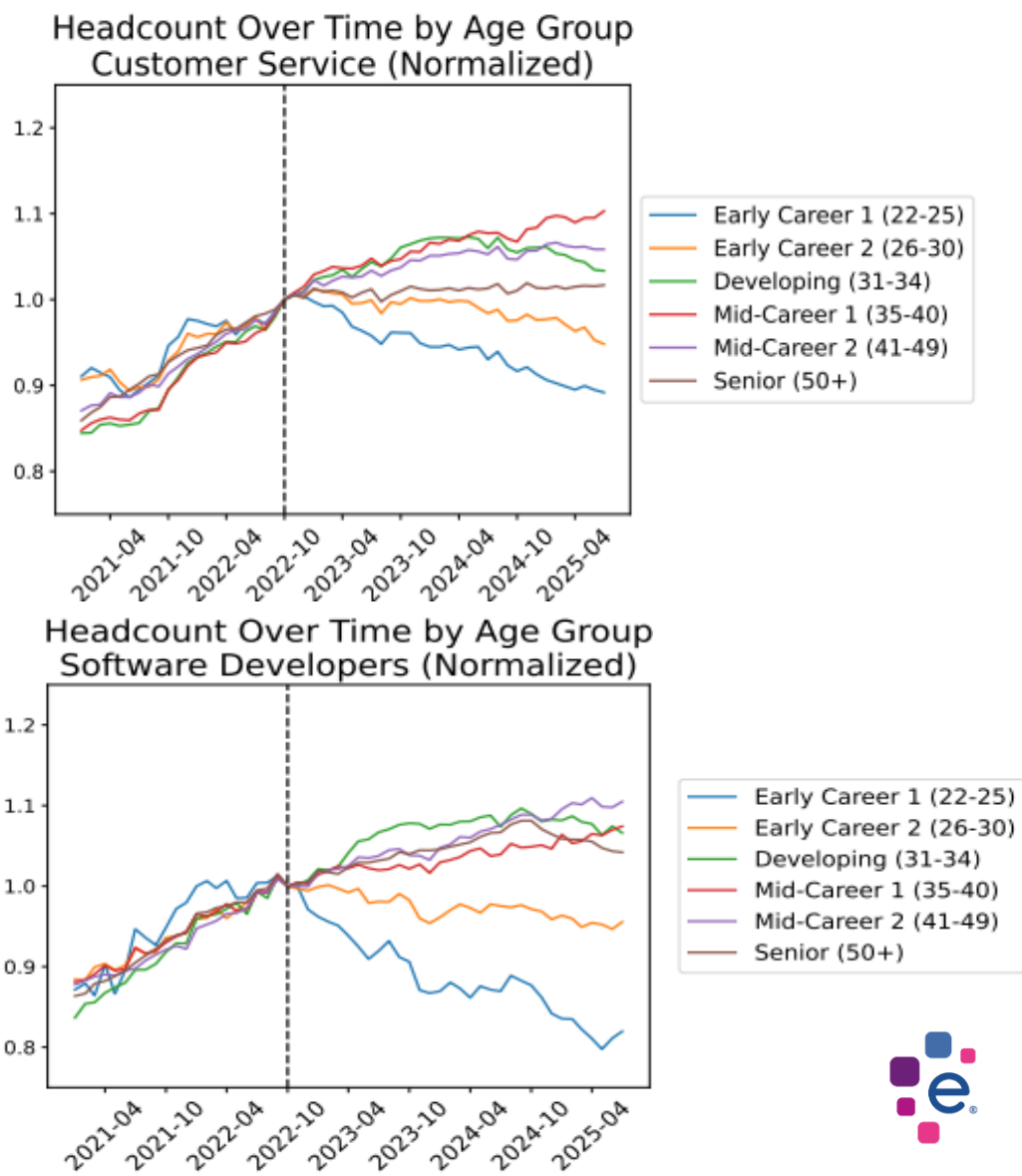
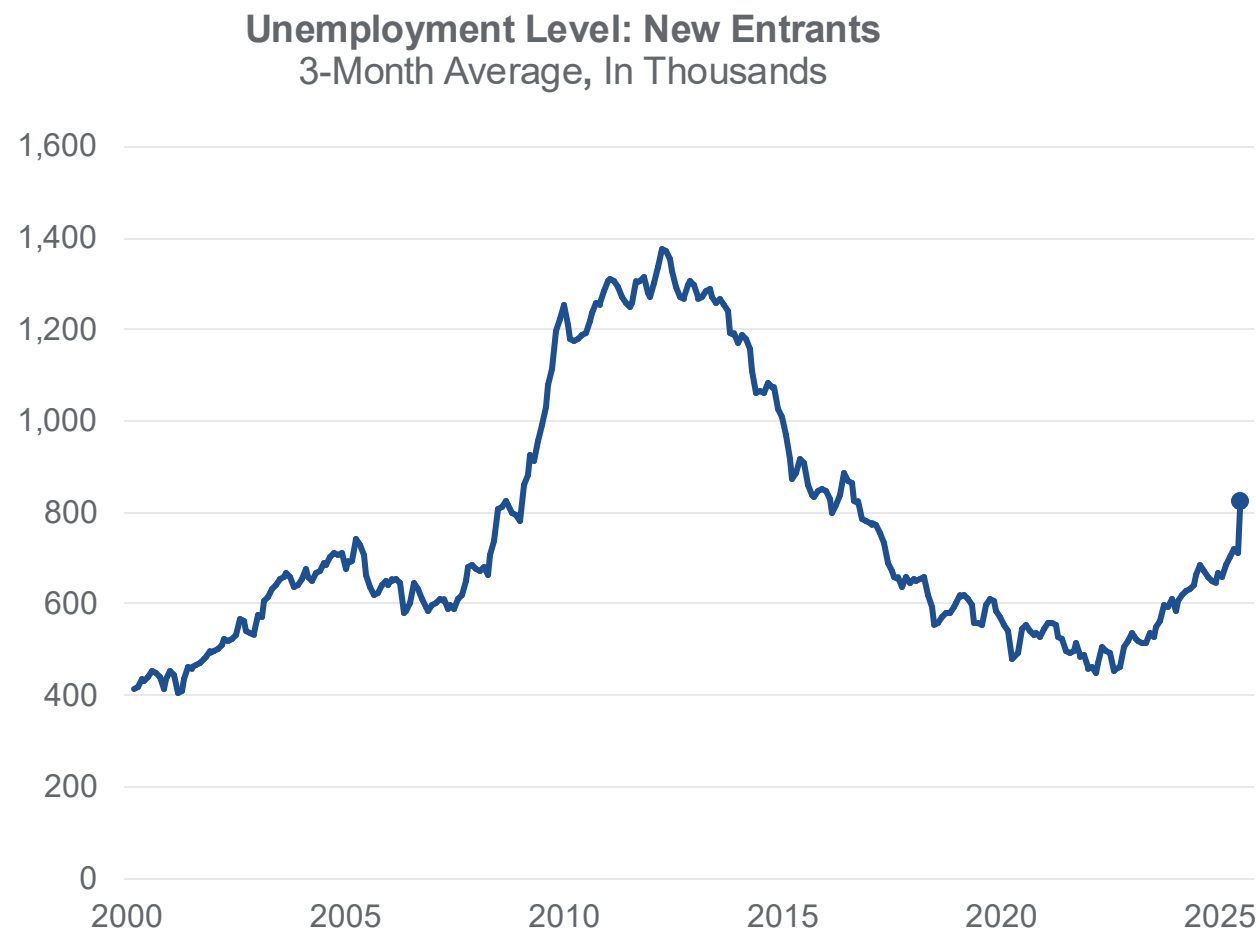


Sources: Bureau of Labor Statistics, Bureau of Labor Statistics, Federal Reserve Bank of San Francisco and Experian Economic Strategy Group

Note: This is a rough view of white-collar labor dynamics. “White Collar” Labor Demand is defined as industry employment plus job openings in: Professional and Business Services, Financial Activities, Information, Private Education and Health Services



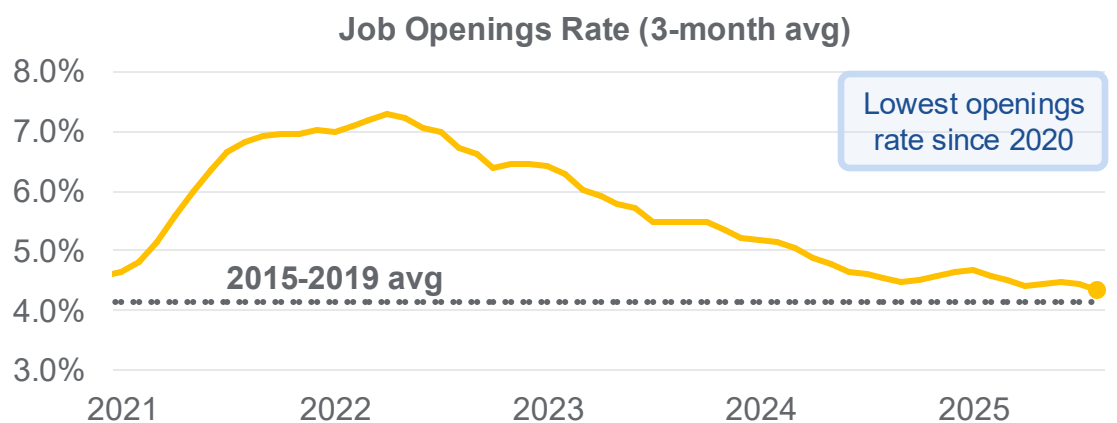
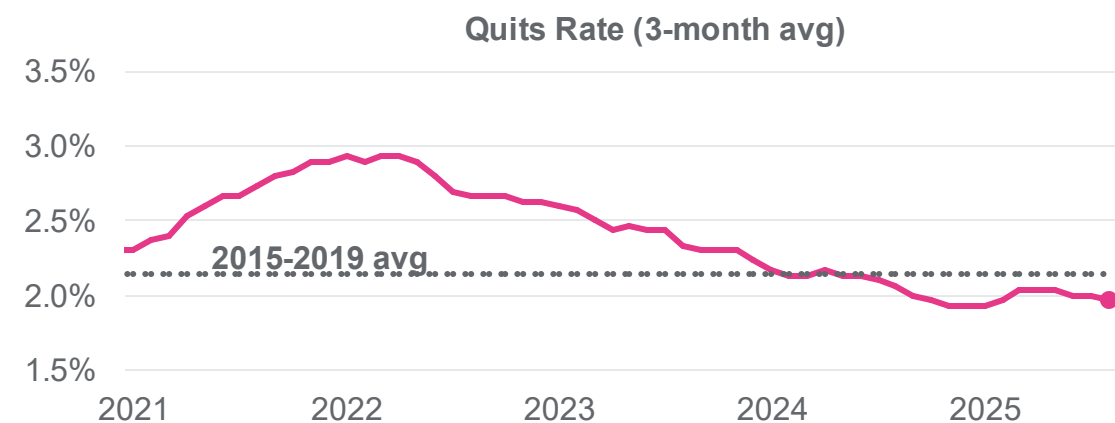
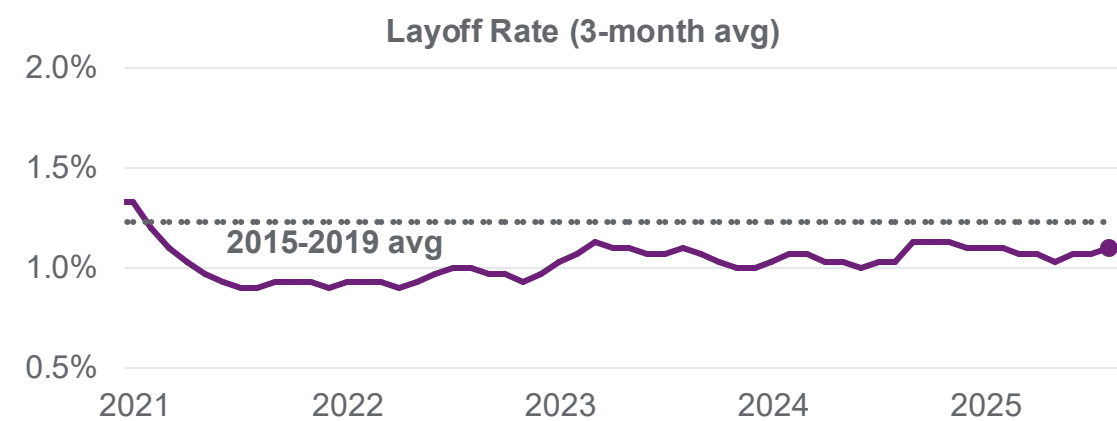
New entrants and early career workers in AI exposed roles impacted



Sources: Bureau of Labor Statistics, Stanford University, and Experian Economic Strategy Group



Labor market remains stagnant with a low hire, low fire environment



Sources: Bureau of Labor Statistics and Experian Economic Strategy Group





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