Reading the economic signals: What credit professionals need to know now

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If you've been working in credit long enough, you may have experienced multiple economic shifts—whether that be deep recession, rapid expansion or everything in between. As credit professionals, you may have noticed how the economy can drive or hinder business growth and performance.

With business bankruptcies up 22% year-over-year, inflation climbing and long-term interest rates moving in the opposite direction of Fed cuts, credit professionals need a clear-eyed picture of where the economy stands and where it may be heading.

Recent challenges facing U.S. businesses

In May, economists saw signs of a slowing economy and expected that trend to continue in the coming year primarily due to heightened inflation and the global energy supply crisis spurred by the U.S.-Iran conflict. "My best summary of the economy is that it is fragile," said NACM Economist Amy Crews Cutts, Ph.D., CBE® during a Credit Congress session, *An Economic Update: A Look at the Coming Year*. "We're on the knife edge in a lot of situations where if conditions are right, we can avoid recession at least for the overall economy but if conditions worsen, we may very well experience one. Some segments of the economy may already be in recession based on the industry type."

During the session, Cutts emphasized the increased demand for AI data centers weighing on consumers and businesses. "Material suppliers are hitting physical limits, slowing construction of said data centers," said Cutts. "As power demand exceeds or closely approaches the available supply, power grids have become highly unstable. Additionally, rates have increased as electric utilities pass on the costs of infrastructure and generation investment to meet the huge new demand for power. Because of this, consumers have started to push back on data center development."

All signs point to a mixed but improving picture

Despite these challenges, conditions have improved slightly with the consumer price index falling a seasonally adjusted 0.4% in June, bringing the annual inflation down to 3.5%, per the U.S. Bureau of Labor Statistics. The economic news release showed that food prices rose 3% over the year ended June 2026, food at home prices rose 2.7% and food away from home prices rose 3.4%. "Energy prices were up 15.7% over the year, with gasoline prices up 26.7% and electricity prices up 4%. Natural gas (piped) prices were up 3% over the year," reads the report.

Furthermore, NACM's seasonally adjusted combined Credit Managers' Index (CMI) for June 2026 deteriorated 1.5 points to 53.5—a survey that reflects business conditions for the month just completed. "The CMI has deteriorated for three consecutive months but remains in expansion," said Cutts. "The index has been in a range of 53-55 for almost two years with no discernable trend and respondents are noting the building stress in their receivable portfolios, with many mentioning higher shipping charges specifically tied to higher fuel costs."

Credit professionals are trained to be ahead of the curve. Right now, the curve is bending in a direction that warrants caution and preparation. Understanding the macroeconomic forces at play isn't just useful context; it's a risk management tool.

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