

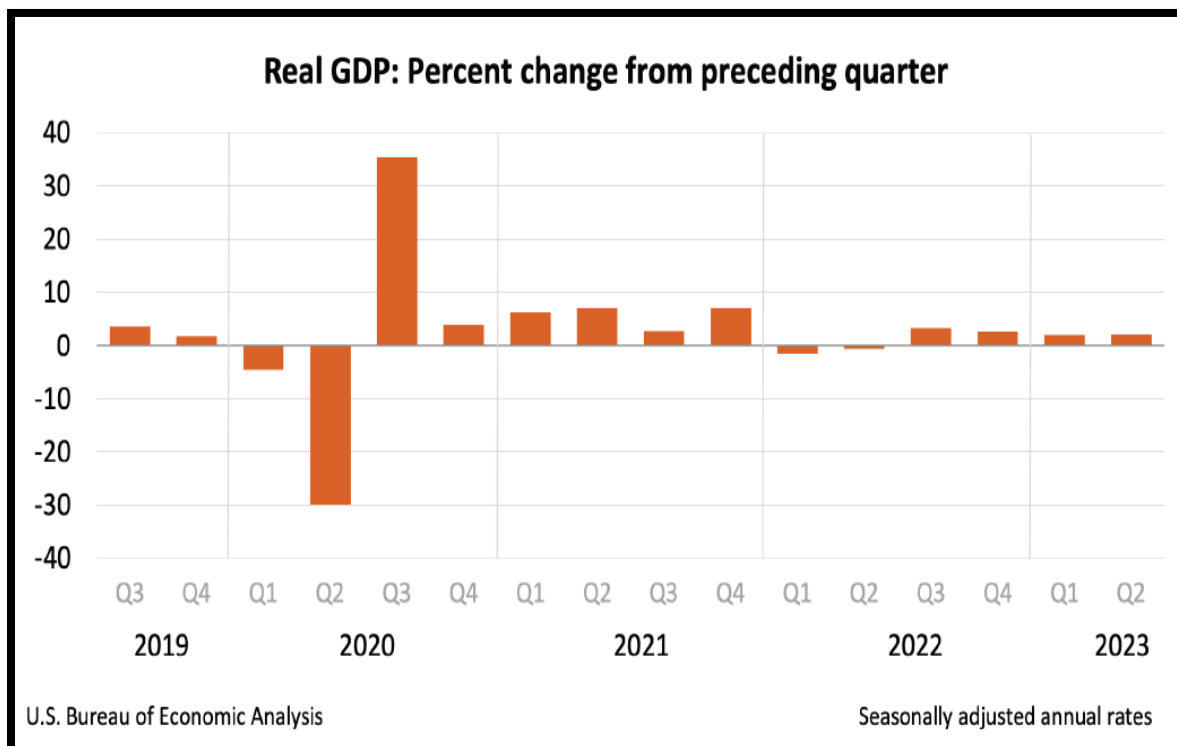


## The Latest Noise

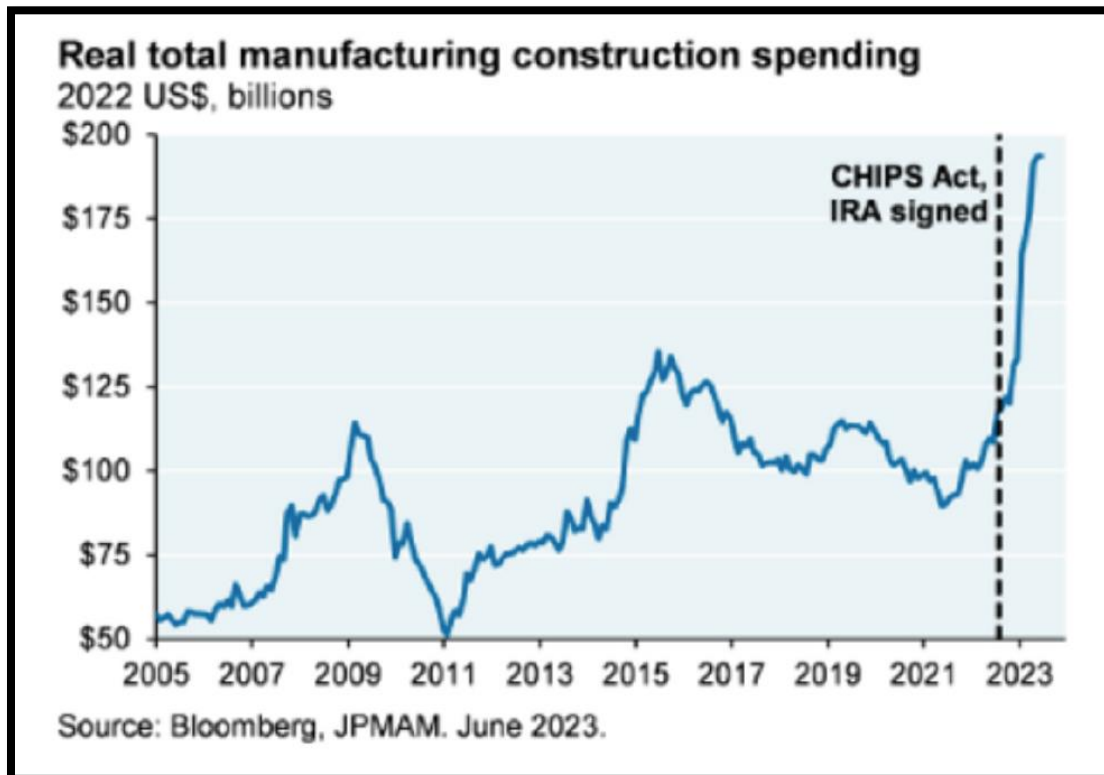
September 08, 2023

After a month of declining stock returns, and constant predictions of an upcoming recession, it's fair to ask: How healthy is the U.S. economy?

Some of the tea leaves that economists are reading offer mixed messages. The 3.8% unemployment rate for August is higher than the previous 3.5% (bad?), but a related number, labor-force participation (the percentage of working-age people working) ticked upward to 62.8%, the highest rate since February 2020 (good?). More people are looking for work after being on the sidelines, which would seem to be a positive sign for economic growth. Also: average hourly earnings are up 4.3% over a year ago, which is higher than the inflation rate (see below).



The economy's growth rate has been anything but robust (2.0% in the first quarter, 2.1% in the second, still to be determined in the third), but it has been consistent since the roller coaster of the pandemic (see table). Inflation? The annualized rate for the 12 months ending in July was 3.2%, up from 3.0%—which might not be ideal, but it is certainly an improvement over the 6.5-7.0 percent rates of the past two years.



Of course, interest rates are much higher now than a year ago, which tends to dampen profits and growth. However, many corporations and individuals took advantage of the lower rates and refinanced. As a result, corporate financing costs as a percentage of profits are at a 60-year low (good, for now). The Inflation Reduction Act and the CHIPS Act have spurred a boom in companies' spending on the construction of factories and facilities (good, but probably temporary).

Of course, the old joke still applies that economic forecasts exist to make the predictions of crystal ball readers and soothsayers look professional. Anybody who tries to tell you that they know that the markets are about to go up or down, or who dare say that a recession will happen in this future month or quarter, should be required to wear a wizard's hat and gypsy shawl while crouched over a crystal ball. We have and will hear, constant predictions about all sorts of things, but the truth is that none of us know where this ride is taking us; only that patient investors have, over time, been rewarded for their ability to tune out the noise.

**Sources:**

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If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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