



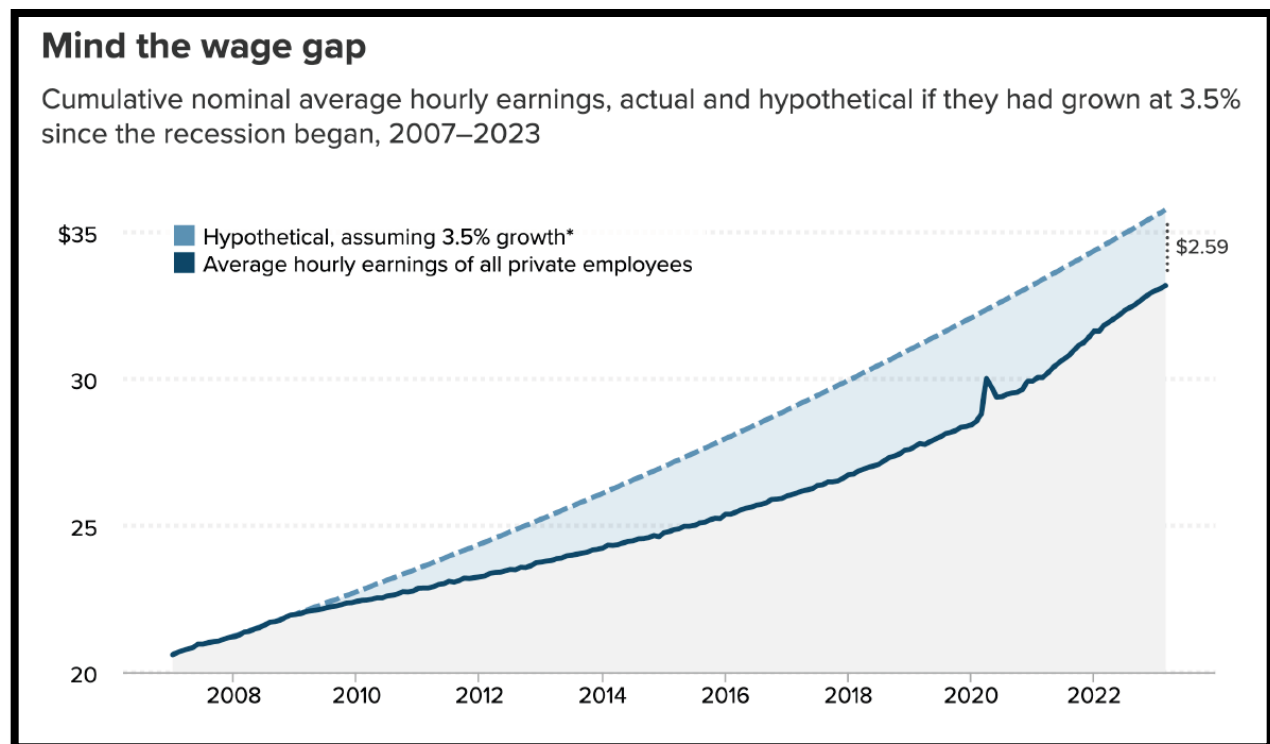
Wage Growth vs Inflation

May 23, 2023

The reason we have inflation is that, in this tight labor market, workers are demanding higher pay and they're getting outrageous raises. Right?

Actually, the numbers show that, even though there does seem to be a shortage of workers in several industries, employers are still getting a bargain with their labor costs.

There are several ways to measure this, but the simplest is to compare the growth of wages with the inflation rate. Since April of 2021, inflation has averaged 4.2%, while wages, across the economy, have grown by just 3.2%. Another way to look at the situation is to compare the inflation rate since the Great Recession with the growth in average hourly earnings—and you can see from the chart that there has been a persistent lag. At present there is no sign that the gap is closing.



The point of this is that wage growth has not been a driver of inflation, and in fact it has functioned as a moderating influence. That may change in the future, but this is something to keep in mind when you read that the Federal Reserve Board is concerned about ‘structural inflation’—meaning a spiral relationship between higher wages, leading to higher production costs, leading to higher prices, and on and on and on. Inflation is stubbornly persistent, but workers don’t seem to be the cause of it.

Sources:

<https://www.epi.org/nominal-wage-tracker/>?

<https://www.statista.com/statistics/1351276/wage-growth-vs-inflation-us/#:~:text=The%20rate%20of%20inflation%20exceeded,2021%20in%20April%20of%202023.>

<https://www.bls.gov/blog/2023/more-ways-to-look-at-wages-and-inflation.htm>

<https://www.epi.org/blog/wage-growth-has-been-dampening-inflation-all-along-and-has-slowed-even-more-recently/>

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](#).

Please feel free to forward this article and offer to anyone you know who might have financial questions or need some unbiased advice. Most financial advice is sales advice. In stark contrast, we are fee-only (non-commissioned) fiduciary advisors. We just provide truthful, unbiased advice to our clients.



Jeffrey Broadhurst
MBA, CFA, CFP
Broadhurst Financial Advisors, Inc.



****PRIVACY NOTICE****

This message is intended only for the individual or entity to which it is addressed and may contain information that is privileged, confidential, or exempt from disclosure under applicable federal or state law. You are hereby notified that any dissemination, distribution, or copying of this communication, except in accordance with its intended purpose, is strictly prohibited.

Our physical and mail address:

1911 West Point Pike
P.O. Box 301
West Point, PA 19486-0301

Contact us:

Phone: (215) 325-1595
Email: jeff@broadhurstfinancial.com