



Profits and More Profits

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It isn't being widely reported, but aggregate U.S. corporate profits reached record levels in the 4th quarter of last year, increasing 4.1% after going up 3.4% the previous quarter. The net profit margin for companies in the Standard & Poor 500 index reached 10.7%, and the tech-heavy companies on the NASDAQ exchange reported a 23% aggregate profit over the fourth quarter.

Is this sustainable? Overall, corporate earnings rose 9% last year, which is higher than the 3.3% growth in the economy as a whole. Generally speaking, corporate revenues grow at roughly the same rate as the economy overall, so one might expect future revenues to fall back in line. But the interesting part of the picture is that companies are paying higher wages and still generating greater profits from the products and services they offer. At the same time, inflation is stuck at around 3%—which suggests that companies have the ability to raise their prices without much pushback from consumers and are able to increase profits even as expenses go up incrementally.

This economic picture is generally bright for stock market investors, but perhaps not as bright for people who are rooting for inflation to come down.

Sources:

<https://www.bea.gov/data/income-saving/corporate-profits>

<https://insight.factset.com/sp-500-reporting-lowest-net-profit-margin-in-more-than-3-years-for-q4>

<https://ir.nasdaq.com/news-releases/news-release-details/nasdaq-reports-fourth-quarter-and-full-year-2023-results-revenue>

<https://www.reuters.com/markets/sp-500-q4-2023-earnings-growth-now-seen-9-year-over-year-lseg-2024-02-09/>

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 it 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.



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