The Flat-Lined Economy

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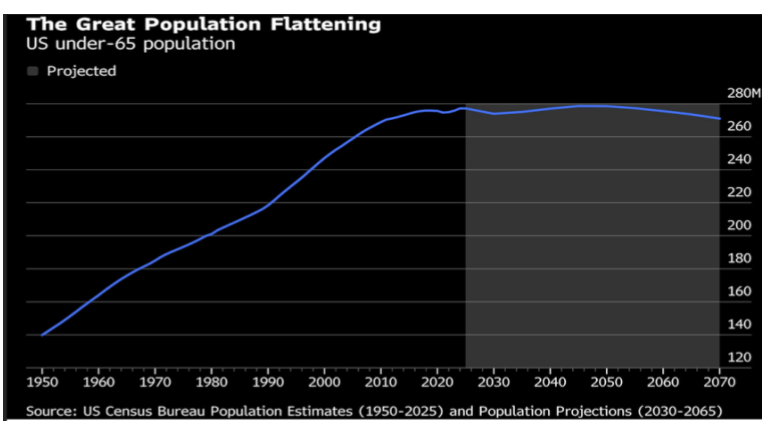
By some accounts, economists are scratching their heads these days over an economic phenomenon so unusual that it doesn't even have a name. Consider: existing home sales, which normally go through boom and bust cycles, are currently running at an annual pace of 4.06 million. In 2023, at this time of year, the pace was 4.08 million—in other words, flat for just over three years and counting.

Meanwhile, the unemployment rate is more or less the same today as it was in 2016, and mostly every year since, except for a huge temporary spike during Covid. U.S. payrolls, in aggregate, have grown at an annual 0.2% rate since 2016, after rising at a 1.2% annual pace over the previous decade. Auto sales and industrial production show the same flat-lined graph, once again excepting the huge temporary pandemic-related drop.

What gives? How is it possible that so many economic statistics are experiencing slow or no growth, then were whacked by Covid, and then recovered to basically the same flat-lined pattern?

One explanation, put forward by market bears, is that this is the pause before the storm. If so, it's quite a long pause, and one wonders whether the pause can go on indefinitely without triggering a catastrophe. After all, there's nothing particularly alarming about steady home sales, auto sales or unemployment.



Another explanation could be demographic. One of the most important drivers of economic growth and expansion is population growth, and there is evidence that the U.S. worker population is in the early stages of a long, protracted stall. The graph shows how rapidly America's under-65 population grew from 1950 to around 2015, at which time it leveled off—and, perhaps not coincidentally—so too did growth across the statistical board. Going forward, the U.S. Census Bureau expects roughly zero growth until 2050. After that, due to a low birth rate and government policies that discourage immigration, the projections suggest a long, slow population decline.

There is nothing inherently wrong with a declining population, so long as we temper our expectations about U.S. economic growth and its weight in the global economy. The danger comes from the doomsayers, who point to the flat-lined statistics and try to make a case that the end is near. There's always a case to be made for catastrophe; the harder argument is to ignore the pundits who get paid to sound alarms.

Source:

https://www.advisorperspectives.com/articles/2026/08/17/economic-statistics-stuck-neutral

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