

Are Standards of Living Improving?

The **Consumer Price Index** (CPI) rose 1.1 percent during the past 12 months (highlighted in yellow in the chart below). An average annual price appreciation of 1.1 percent for all goods and services is what I'd call lackluster, at best. Every day, Americans strive to better themselves by working hard, adopting an attitude of perpetual learning, gaining new experience through trial and error, and putting acquired knowledge to use by adding value to their respective employers and/or customers. If the value these inventive, hardworking persons provide is perceived well in the marketplace, they benefit by earning more money. When people provide incremental value to businesses or consumers, they generally are compensated for it. The greater the perceived value provided, the greater the compensation paid to the individual putting forth the effort. So, what's that have to do with the last month's CPI report? In some ways a lot. Inventive, hardworking people are driven to better themselves and their families, and to secure their future. They believe in themselves; they are not looking for handouts, but welcome guidance, a helping hand, friendship and community. These folks believe that if they put forth the effort, they can achieve their goals and aspirations.

The green bar illustrates the average weekly earnings growth for U.S. workers. For the period August 2015 – 2016, average weekly earnings grew at a 1.5% annualized rate. During this period, consumers benefitted from lower gasoline costs, meats & poultry and dairy, -17.8%, -6.5% and -2.4% respectively. Earnings outpaced general inflation (CPI) by 0.4%, a negligible amount. There were areas where price increases significantly outweighed wage growth. Automobile insurance, medical care and shelter rose by 6.5%, 4.5% and 3.4% accordingly. Considering the fact that insurance, health care and housing are big ticket items, outsized cost increases in these areas hit consumers especially hard. Earnings are said to be the lifeblood of the American way. For workers to achieve financial independence, their earnings must outpace the inflation rate, and they must continue to earn more than they spend.

Consumer Price Index August 2015 - 2016

