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unemployment and the addition of 162,000 jobs to the economy in July. Both are positive trends, especially on the heels of news that second-quarter GDP grew at an annual rate of 1.7 percent.

Aug. 08, 2013



Last week's report showing U.S. unemployment fell and 162,000 jobs were added in July was positive, especially on the heels of news that second-quarter GDP grew at an annual rate of 1.7 percent.

Nevertheless, the numbers beg the question of whether the U.S. economy and job growth are where they should be at this point in the recovery, according to Brian Hamilton, chairman of [Sageworks](#), a financial information company that serves financial institutions and accounting firms.

“We’re currently 48 months into this period of economic expansion, and historically

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seeing strong financial results,” he said. “They’re seeing double digit sales growth and strong profit margin expansion.”

The latest [Private Company Report](#) by Sageworks showed that private companies, on average, were generating revenue growth at an annual rate of about 10 percent as of May 31, and average net profit margins were nearly 7 percent, which is higher than a year earlier.

But despite the growth, companies aren’t consistently hiring as they refrain from adding overhead in an uncertain environment, Hamilton noted. According to a recent [Sageworks survey of CPAs](#), private companies they work with are largely planning to maintain, not increase, their employment levels.

Looking historically from 1945-2009, the average expansionary period is 58 months, according to data from the [National Bureau of Economic Research](#). The fact that companies aren’t hiring much despite GDP growth at this stage of the cycle raises the question of what will happen to hiring if the U.S. encounters a contraction in 2014, or around when the historical average would predict a contraction to occur.

Hamilton has been expressing concern for months that job growth could get stymied by the cyclical nature of the U.S. economy. In April, he noted in an [interview](#) that the U.S. typically has about four years of economic expansion for every one year of recession. “When is that next recession coming? It’s hard to say, but we’re on the back end of the expansion,” he said, adding that with unemployment above 7 percent in a positive part of the economic cycle, it’s disconcerting to think that it’s likely to increase when the economy begins to contract.

“It’s very odd that we have economic growth without ... very strong employment growth,” Hamilton has said.

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