

Macro Roundup Article

Headline: [Corporate Profits in the Aftermath of COVID-19](#)

Article Link: <https://www.federalreserve.gov/econres/notes/feds-notes/corporate-profits-in-the-aftermath-of-covid-19-20230908.html>

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Publication	Federal Reserve Board
Publication Date	September 12, 2023

Tweet: New @federalreserve research demonstrates elevated corporate profit margins during the pandemic period were a function of government spending and lower interest expenses.

Summary: Using a measure of nonfinancial corporate profits from the national income accounts [before tax profits with capital consumption adjustment] we find that nonfinancial corporate profit margins, or profits over gross value added, increased sharply to about 19% in 2021 Q2 and slipped back to 15% in 2022 Q4, compared to about 13% in 2019 Q4. Our analysis shows that much of the increase in aggregate profit margins following the COVID-19 pandemic can be attributed to (i) the unprecedented large and direct government intervention to support U.S. small and medium-sized businesses and (ii) a large reduction in net interest expenses due to accommodative monetary policy. Without the historically outsized government fiscal intervention and accommodative monetary policy, non-financial profit margins during 2020-2021 would have been more in line with past episodes of large economic downturns. Related: The Curious Incident of the Elevated Profit Margins and "Greedflation" and the Profits Equation

Primary Topic: Financial Markets

Topics: Database, Financial Markets, GDP, Government/NGO, Inflation, Weekly

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