Center for American Progress

ECONOMIC SNAPSHOT

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For much of the last year, the economy and the labor market have been caught in a low-growth cycle, hampered by the fallout from the end of the housing and mortgage boom. We run the danger in this low-growth pattern that policymakers will become complacent about the economy's long-term fortunes and accept small gains rather than taking the large steps necessary to put the economy back on track for strong, stable, and equitably shared growth.

1) **Wage growth is low.** Factoring in inflation, hourly wages were 2.7% higher and weekly wages were 1.9% higher in October 2007 than in March 2001.

2) **Weak job growth continues.** Monthly job growth since March 2001 has averaged an annualized 0.7%. From November 2006 to November 2007, the average monthly job growth was 127,100 jobs, compared to 186,600 in the preceding 12 months, and 208,900 in the 12 months before that.

3) **Benefits are disappearing.** The share of private sector workers with a pension dropped from 50.3% in 2000 to 43.2% in 2006, the last year for which data are available, and the share of people with employer-provided health insurance dropped from 64.2% to 59.7%.

4) **Family debt is on the rise.** In the third quarter of 2007, household debt averaged a record 133.0% of disposable income. In the second quarter of 2007, families spent 14.3% of their disposable income to service their debt, up from 13.0% in the first quarter of 2001.

5) **Families feel the pressure.** The share of mortgages entering foreclosure was 0.8% in the third quarter of 2007—the sixth increase in a row to the highest level on record since 1979. The share of all mortgages in foreclosure also reached a record 1.7%.

6) **Housing market slows.** New home sales in October were 23.5% lower than a year earlier, and existing home sales were 20.7% lower. The median sales price of existing homes was 5.1% lower in October 2007 than a year earlier, and the median sales price of new homes dropped 13.1%. The average monthly supply of homes for the six months ending in October was 8.5 months—the highest since February 1991.

7) **Home equity declines.** Home equity dropped by 2.5 percentage points relative to disposable income in the third quarter of 2007—the seventh decline in a row—ending the largest year-over-year drop since June 1992.

8) **Poverty stays high.** The poverty rate fell slightly to 12.3% in 2006, down from 12.6% in 2005, but still substantially higher than the last low point in 2000, when it was 11.3%.

9) **Business investment is low and productivity growth slows.** Business investment averaged 10.8% of GDP between March 2001 and September 2007—the lowest share since the 1960s. Net investment, after accounting for depreciation of capital goods, averaged 2.0% of GDP at the same time—the lowest share of any business cycle. And labor productivity growth fell below 2.0% in 2005 and 2006 for the first time since 1997.

10) **Improvements in government's finances are temporary.** In August 2007, the Congressional Budget Office estimated that the deficit for 2007 amounted to $158 billion—$14 billion less than projected in January. Yet the cumulative budget deficit from 2008 to 2012 increased sharply from $194 billion to $696 billion in CBO's projections.

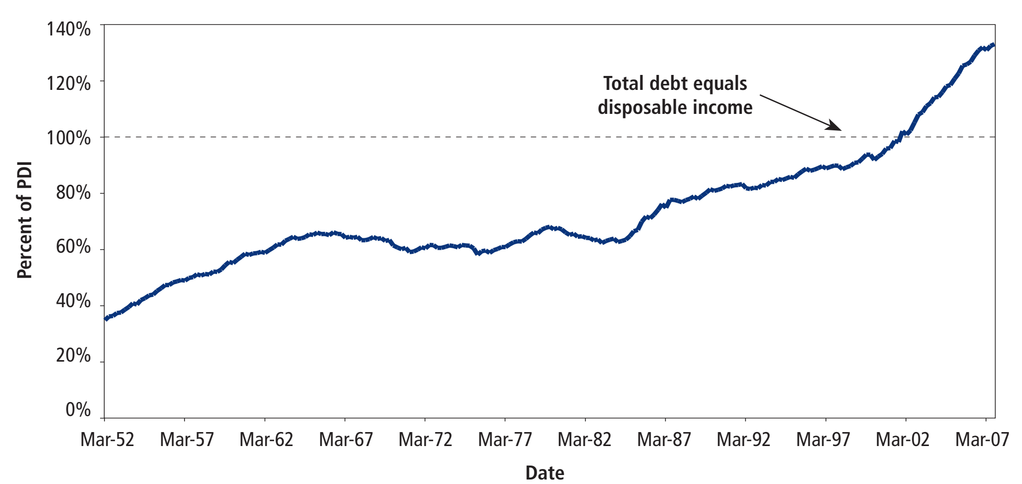
11) **Tax cuts do not pay for themselves.** The Joint Committee on Taxation estimated that the tax enacted since 2001 would cost $300 billion in 2007 alone, such that the federal government would show a surplus had it not been for President Bush's tax cuts.

12) **This endangers our economic independence.** Foreign investors bought 77.2% of new Treasury debt and the share of U.S. foreign-held debt grew to 46% in September 2007 from 31% in March 2001. Interest payments from the federal government to foreigners rose to $39 billion in the second quarter 2007 from $21 billion in the first quarter of 2001.

13) **Trade deficit remains high despite strong export growth.** In the third quarter of 2007, the trade deficit fell slightly to 5.0% of Gross Domestic Product from 5.2% in the second quarter of 2007. Yet, the last trade deficit is still larger than any trade deficit since the Great Depression recorded before the second quarter of 2004.

In the fall of 2006, America's middle class continues to struggle and the economy remains on an unsustainable path.

HOUSEHOLD DEBT RELATIVE TO PERSONAL DISPOSABLE INCOME (PDI), 1952 TO 2007



Calculations based on Board of Governors, Federal Reserve, 2006, Flow of Funds of the United States, Washington, D.C.: BOG.

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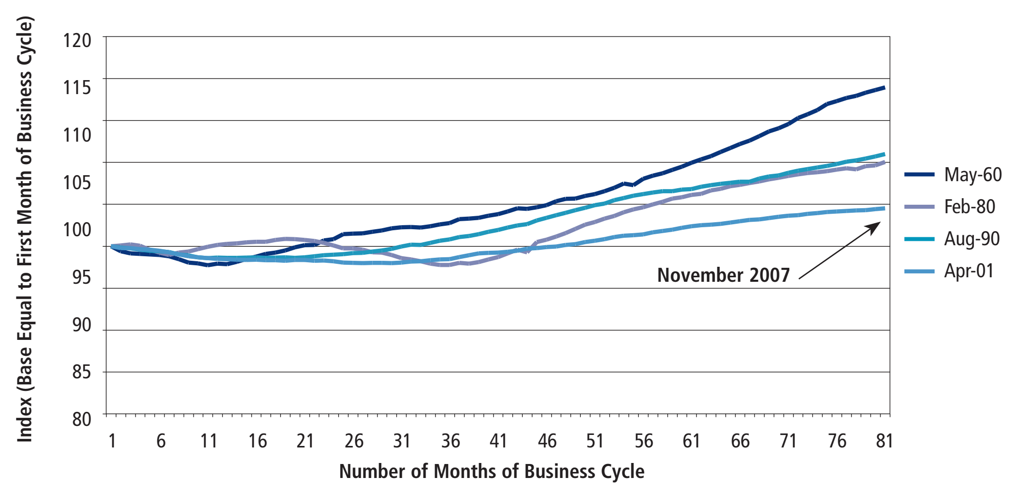
EMPLOYMENT GROWTH IN BUSINESS CYCLES THAT LASTED AT LEAST 80 MONTHS, INDEXED TO FIRST MONTH OF BUSINESS CYCLE



Calculations based on Bureau of Labor Statistics, 2007, Current Employment Survey, Washington, D.C.: BLS.

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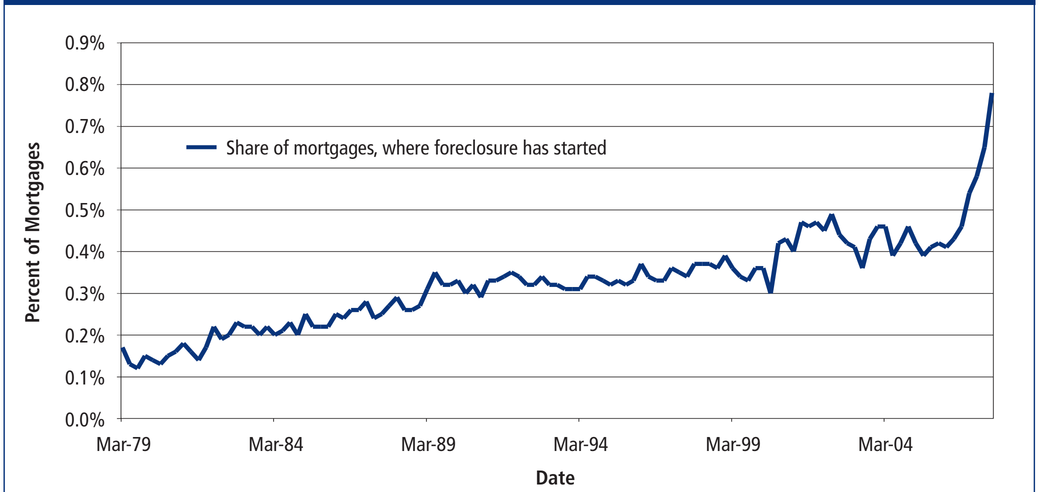
SHARE OF MORTGAGES, WHERE FORECLOSURE PROCEDURES HAVE STARTED, 1979 TO 2007



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