Center for American Progress

Economic Snapshot for March 2009

Christian E. Weller on the State of the Economy

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The U.S. economy is in the thick of its worst recession in decades. Job and wealth losses are accelerating, contributing to sharp increases in families' economic distress. All private sectors of the economy—consumers, investment, and exports—are shrinking.

The only sector that can help the economy change course is the federal government. But it will be hard to achieve optimal results from the American Recovery and Reinvestment Act because of large looming deficits created by irresponsible management in the past.

1. **GDP growth turns negative.** In the fourth quarter of 2008, GDP declined at an annual rate of 6.2 percent, the largest decline since the first quarter of 1982. The drop in growth reflected a 4.3% decline in consumer spending, a fall of 22.2% of spending on homes, a decrease of 21.1% in business investment spending, and a drop of 23.6% in exports.

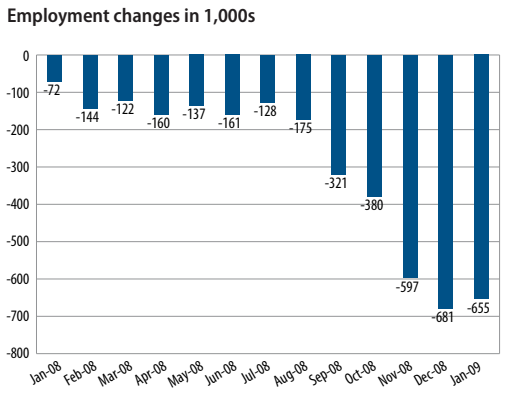
2. **Job losses accelerate.** The U.S. economy shed 651,000 jobs in February 2009. Since the recession began in December 2007, the economy has lost 4.4 million jobs and 2.6 million jobs in just the last four months. SEE FIGURE 1

3. **Broad rise in unemployment rates.** In February 2009, the unemployment rate was 8.1%—the highest level since December 1983. The unemployment rate for African Americans stood at 13.4%, the rate for Hispanics at 10.9% and the rate for whites at 7.3% in January 2009. Youth unemployment has soared to 21.6%. And, the unemployment rate for people without a high school diploma grew to 12.6%, compared to 8.3% for those with a high school degree and 4.1% for those with a college degree.

4. **Hours at work at historic low.** Average weekly hours worked for production workers—the vast majority of the American workforce—remained at 33.3 hours in February, the lowest level recorded since the Bureau of Labor Statistics has calculated these data.

FIGURE 1

Monthly non-farm payroll employment changes (in 1,000s) after December 2007



Source: Calculations based on U.S. Department of Labor, Bureau of Labor Statistics, 2009, "Current Employment Statistics," Washington.

5. **Wages still up due to low inflation.** In January 2009, inflation-adjusted weekly earnings were 3.3% higher and hourly earnings were 4.5% higher than a year earlier, largely because of low inflation in the latter part of 2008. Now prices are again rising faster, so inflation-adjusted wages will likely begin to fall.

6. **Benefits decreased before the crisis.** The share of private sector workers with a pension dropped from 50.3% in 2000 to 45.1% in 2007, and the share of people with employer-provided health insurance dropped from 64.2% in 2000 to 59.3% in 2007.

7. **Family wealth disappears at record pace.** From June 2007—the last peak of family wealth—to December 2008, total family wealth decreased by $15 trillion in 2008 dollars. This reflects a drop of 22.8% during these 18 months, the fastest decline in any 18-month period since the Federal Reserve started to collect these data in 1952. And, total family wealth stood at 483.3% of after-tax income, the lowest level since March 1995. SEE FIGURE 2

8. **The housing market stalls.** New home sales in January 2009 fell to an annualized, seasonally adjusted rate of 309,000, 48.2% lower than a year earlier and the lowest level since the U.S. Census started to calculate these data in 1963, despite a year-over-year drop in median new home prices of 13.5%. At the current, very low rate of new home sales, it will still take 15.1 months to sell all new houses on the market. Existing home sales were 8.6% lower, and their median sales price 14.8% less, than a year earlier.

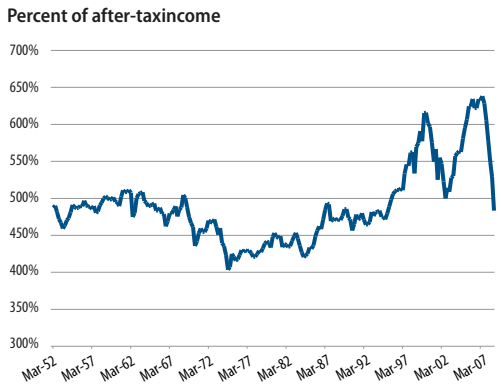
9. **Homeowners' wealth losses mount.** The values of all homes fell by $3.9 trillion from December 2006—the last peak of housing wealth—to December 2008. Home equity to after-tax income has dropped to 74.0%, the lowest level since September 1967, and home equity as a share of home values dropped to a record low of 43.0% by December 2008.

10. **Mortgage troubles mount.** One in nine mortgages is delinquent or in foreclosure. In the fourth quarter of 2008, the share of mortgages that were delinquent was 7.9% and the share of mortgages that were in foreclosure was 3.3%. The share of new mortgages going into foreclosure stayed at its record high of 1.1%. SEE FIGURE 3

11. **Families feel the pressure.** Credit card defaults rose to 6.3% of all credit card debt by the fourth quarter of 2008, an increase of 52.4% from the fourth quarter of 2007.

FIGURE 2

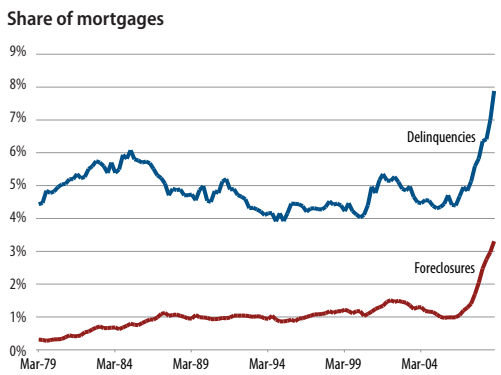
Household wealth to after-tax income



Source: Calculations based on Board of Governors of the Federal Reserve System, Flow of Funds Accounts of the United States, "Release Z.1," Washington.

FIGURE 3

Share of mortgages that are delinquent or in foreclosure



Source: Mortgage Bankers Association, 2009, "National Delinquency Survey," Washington.