Center for American Progress

Economic Snapshot for May 2009

Christian E. Weller on the State of the Economy

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May 18, 2009

Families are still reeling from the economic pains of a recession and a financial market crash, even as Wall Street begins to celebrate "glimmers of hope." Job losses are still very large, family wealth has been decimated, and families' economic distress remains high by historic standards.

It will take an extended turnaround period before families feel economically secure again and the United States begins to see positive economic growth. Public investments in health care, energy independence, public education, and innovation are all necessary to make this happen. These investments will help create more jobs in the short term and foster faster productivity growth, which will boost living standards over the longer term.

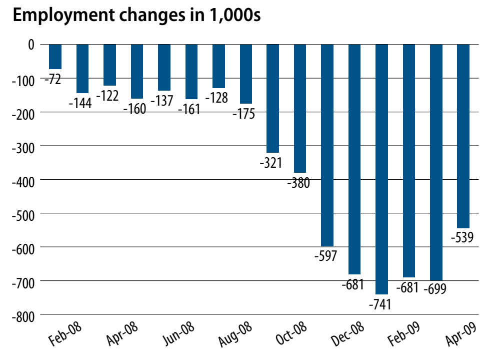
1. The U.S. economy is shrinking quickly. In the first quarter of 2009, the gross domestic product declined at an annual rate of 6.1 % after falling by 6.3% in the fourth quarter of 2008. This is the first time since 1947, when the Bureau of Economic Analysis started to collect these data, that the economy shrank by more than 6% in two consecutive quarters.

2. Massive job losses continue. The U.S. economy shed 539,000 jobs in April 2009, and 5.7 million since the recession began in December 2007. Of these, 2.7 million have been lost—46.4% of the total—just in 2009. SEE FIGURE 1

3. Unemployment stays high among the most vulnerable. In April 2009, the unemployment rate was 8.9%—the highest level since September 1983. The African-American unemployment rate stood at 15.0%, the Hispanic unemployment rate at 11.3%, and the unemployment rate for whites at 8.0% in January 2009. Youth unemployment stayed high at 21.5%. The unemployment rate for people without a high school diploma jumped to 14.8%, compared to 9.3% for those with a high school degree and 4.4% for those with a college degree.

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.

4. The unemployed are going without a job for record lengths. The average length of unemployment was 21.4 weeks in April 2009, and 27.2% of the unemployed were out of a job for 27 weeks or more. These are the highest levels since the Bureau of Labor Statistics started to collect these data in 1948.

5. Wages are still up due to low inflation. In March 2009, inflation-adjusted weekly earnings were 2.6% higher and hourly earnings were 4.3% higher than a year earlier, largely because of low inflation in recent months. This is unlikely to last when prices for energy and other items start to rise again.

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 is disappearing at a 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 in December 2008, the lowest level since March 1995. SEE FIGURE 2

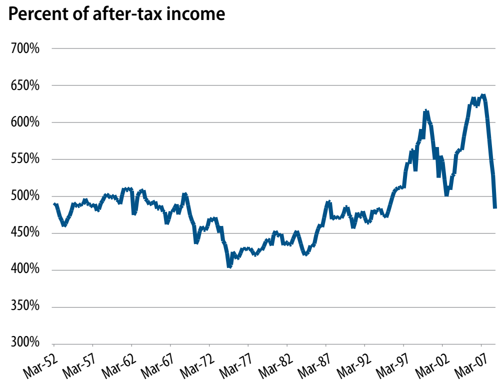
8. The housing market is still sputtering. New home sales in March 2009 amounted to an annualized, seasonally adjusted rate of 356,000—30.6% lower than a year earlier, despite a 12.2% year-over-year drop in median new home prices. Existing home sales were 7.1% lower and their median sales price 12.4% less than a year earlier.

9. 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

10. Families feel the pressure. Credit card defaults rose to 6.3% of all credit card debt by the fourth quarter of 2008—a 52.4% increase from the fourth quarter of 2007.

FIGURE 2

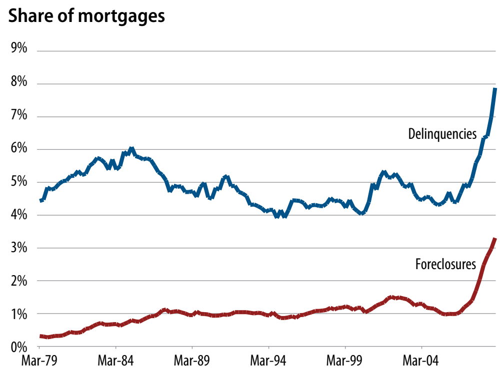
Household wealth to after-tax income



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.