



# Economic Snapshot for June 2009

## Christian E. Weller on the State of the Economy

Christian E. Weller, Associate Professor, Department of Public Policy and Public Affairs, University of Massachusetts Boston, and Senior Fellow, Center for American Progress

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The recession is still getting worse, although at a slower pace than before. Wall Street has enjoyed a good run over the past month, but there are no real “glimmers of hope” for families yet. Job losses are still very large, family wealth continues to sink like a rock, and families’ economic distress is still climbing to historic levels.

The economy will have to grow for an extended period of time and reverse the shrinkage that currently characterizes economic activity before families regain some semblance of economic security. Public investments in health care, energy independence, public education, and innovation are necessary to achieve this turnaround in the economy. These investments will help create more jobs in the short term and foster faster productivity growth and thus rising 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 5.7%, after falling by 6.3% in the fourth quarter of 2008.

**2. Massive job losses continue.** The U.S. economy shed 345,000 jobs in May 2009. The economy has lost 6.0 million jobs since the recession began in December 2007, and 2.9 million jobs—48.7% of the total—just in 2009.

**3. Unemployment stays high among the most vulnerable.** In May 2009, the unemployment rate was 9.4%—the highest level since August 1983. The African-American unemployment rate stood at 14.9%, the Hispanic unemployment rate at 12.7%, and the unemployment rate for whites at 8.6% in January 2009. Youth unemployment stayed high at 22.7%. And the unemployment rate for people without a high school diploma jumped to 15.5%, compared to 10.0% for those with a high school degree and 4.8% for those with a college degree.

#### 4. The unemployed are going without a job for record lengths.

The average length of unemployment was 22.5 weeks in May 2009, and the median length of unemployment was 14.9 weeks. These are the highest levels since the Bureau of Labor Statistics started to collect these data in 1948. **SEE FIGURE 1**

**5. Wages are still up due to declining prices.** In April 2009, inflation adjusted weekly earnings were 2.6% higher and hourly earnings were 4.3% higher than a year earlier, largely because of declining prices over the past year. This is unlikely to last even 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.

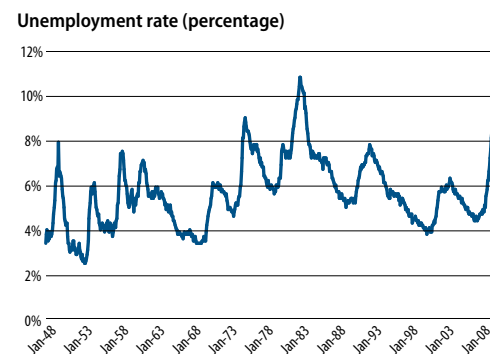
**7. Family wealth disappears at record pace.** Total family wealth decreased by \$16 trillion in 2009 dollars from June 2007—the last peak of family wealth—to March 2009. This reflects a drop of 24.2% during these 21 months, the fastest decline in any 21-month period since the Federal Reserve started to collect these data in 1952. And total family wealth stood at 467.1% of after-tax income, the lowest level since September 1992. **SEE FIGURE 2**

**8. The housing market is still sputtering.** New home sales in March 2009 amounted to an annualized, seasonally adjusted rate of 352,000—34.0% lower than a year earlier, despite a 14.9% year-over-year drop in median new home prices. Existing home sales were 3.5% lower and their median sales price 15.4% less than a year earlier.

**9. Mortgage troubles mount.** One in eight mortgages is delinquent or in foreclosure. In the first quarter of 2009, the share of mortgages that were delinquent was 9.1%, and the share of mortgages that were in foreclosure was 3.9%. The share of new mortgages going into foreclosure surged to a new record high of 1.4% of all mortgages. **SEE FIGURE 3**

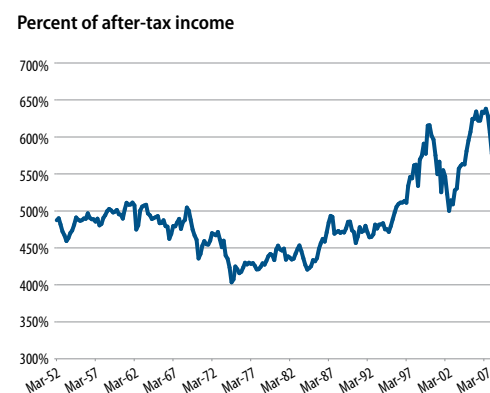
**10. Families feel the pressure.** Credit card defaults sharply rose to 7.5% of all credit card debt by the first quarter of 2009—an increase of 79.2% from the fourth quarter of 2007.

### Unemployment rate, 1948 to 2009



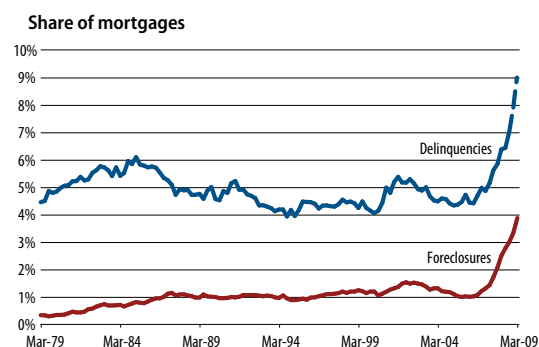
Source: Bureau of Labor Statistics, 2009, Current Population Survey, Washington, DC: BLS.

### 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.

### Share of mortgages that are delinquent or in foreclosure



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