



Economic Snapshot for July 2009

Christian E. Weller on the State of the Economy

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We are learning the hard way that Wall Street, the economy, and the labor market are three separate things. While Wall Street enjoyed a bright spring, the economy continues to struggle, and job losses still mount.

The economy may be nearing its bottom, but it hasn't reached it yet. Job growth won't resume until the economy has turned the corner for good, no matter what Wall Street hopes for. A strong, sustained economic recovery will take time and public investments in health care, energy independence, public education, and innovation for years to come. These investments will help create and save millions of jobs right now and foster faster productivity growth that can translate into more and better jobs in the future.

1. **The U.S. economy shrinks quickly.** In the first quarter of 2009, gross domestic product declined at an annual rate of 5.5% after falling by 6.3% in the fourth quarter of 2008.
2. **Massive job losses continue.** The U.S. economy shed 467,000 jobs in June 2009. The economy has lost 6.5 million jobs since the recession began in December 2007, and 3.4 million jobs—or 52.4% of the total—just in 2009.
3. **Unemployment stays high among the most vulnerable.** The unemployment rate was 9.5% in June 2009—the highest level since August 1983. The African-American unemployment rate stood at 14.7% in June 2009, the Hispanic unemployment rate was 12.2%, and the unemployment rate for whites was 8.7%. Youth unemployment jumped to 24.0% last month. And the unemployment rate for people without a high school diploma stayed at a high of 15.5%, compared to 9.8% for those with a high school degree and 4.7% for those with a college degree. **SEE FIGURE 1, NEXT PAGE**
4. **Unemployed are out of a job for record lengths.** The average length of unemployment was 24.5 weeks in June 2009, the median length came to 17.9 weeks, and 29.0% of the unemployed were out of a job for 27 weeks or more. All three of these measures are at their highest levels since the Bureau of Labor Statistics started to collect these data in 1948.

5. After-tax income grows because of public support. After-tax income expanded by an additional \$107 billion on an annual basis as compared to before-tax income from February to May 2009. Lower taxes and social benefits combined amounted to \$361 billion and more than offset lower wages, less capital income, and less proprietor income from February 2009 to May 2009.

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. What's more, total family wealth stood at 467.1% of after-tax income, the lowest level since September 1992. **SEE FIGURE 2**

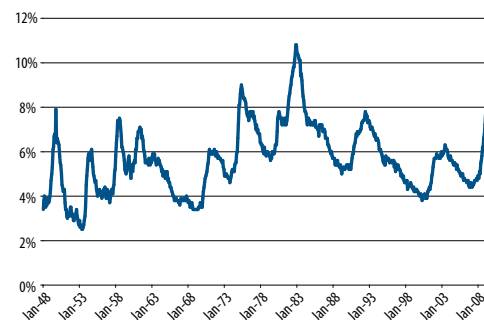
8. The housing market is still sputtering. New home sales in May 2009 amounted to an annualized, seasonally adjusted rate of 342,000—32.8% lower than a year earlier—despite a year-over-year drop in median new home prices of 3.4%. Existing home sales were 3.6% lower and their median sales price 16.8% less than a year earlier.

9. Mortgage troubles mount. One in eight mortgages is delinquent or in foreclosure. In the fourth quarter of 2008, 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 stayed at its record high of 1.4%. **SEE FIGURE 3**

10. Families feel the pressure. Credit card defaults 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

Unemployment rate (percentage)



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

Household wealth to after-tax income

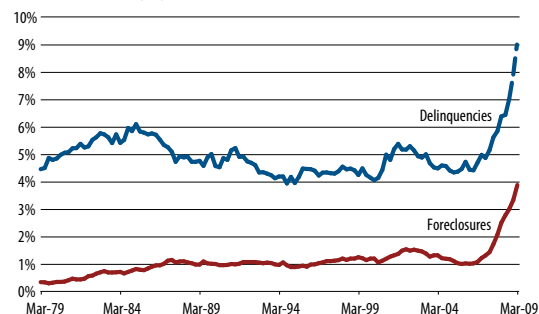
Percent of after-tax income



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

Share of mortgages



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