Center for American Progress

Economic Snapshot for August 2009

Christian E. Weller on the State of the Economy

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The longest recession since the Great Depression may be coming to an end. This is quite different from a recovery, never mind a strong one. And the country needs a strong and sustained recovery to reduce the economic slack that is obvious everywhere. Economic slack means that the economy is able to produce a lot more than people are currently buying, which is crucially reflected in the highest unemployment rate since the early 1980s. The failings of an unfettered private market have built up the current underutilization of precious economic resources and it will take years to bring the unemployment rate down to pre-crisis levels. Public support for private and public investments in health care, energy independence, public education, and innovation 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 is still shrinking.** GDP declined at an annual rate of 1.0% in the second quarter of 2009 after falling by an annual average rate of 2.8% during the first five quarters of the recession, from December 2007 to March 2009.

2. **Many firms are idle.** In June 2009, only 68.0% of the country's industrial capacity—factories, mines, power stations, and people—were in use. This is the smallest share of industrial capacity in use since the Federal Reserve started to collect these data in 1967.

3. **Job losses continue.** The U.S. economy shed 247,000 jobs in July 2009. The economy has lost 6.7 million jobs since the recession began in December 2007. More than two-thirds—or 4.5 million jobs—were lost before the economic stimulus package was enacted at the end of February 2009, and job losses have sharply declined since then. SEE FIGURE 1, NEXT PAGE

4. **Unemployment stays high among the most vulnerable.** The unemployment rate was 9.4% in July 2009. The African-American unemployment rate that month stood at 14.5%, the Hispanic unemployment rate at 12.3%, and the unemployment rate for whites at 8.6%. Youth unemployment stood at a high 23.8%. And the unemployment rate for people without a high school diploma remained high at 15.4%, compared to 9.4% for those with a high school degree and 4.7% for those with a college degree.

5. **Unemployed are out of a job for record lengths.** The average length of unemployment in July 2009 was 25.1 weeks, and 33.8% of the unemployed were out of a job for 27 weeks or more—the highest level of long-term unemployment since 1948.

6. **Benefits decreased even 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 a 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 24.2% drop during these 21 months—the fastest decline in any 21-month period since the Federal Reserve started to collect these data in 1952. SEE FIGURE 2

8. **After-tax income grows because of public support.** After-tax income increased by $111 billion during the first six months of 2009, while before-tax income declined by $244 billion. Lower taxes and increased transfers payments, such as unemployment insurance and Social Security, gave families a $592 billion boost during this period and thus more than compensated for the loss of wages and proprietor income.

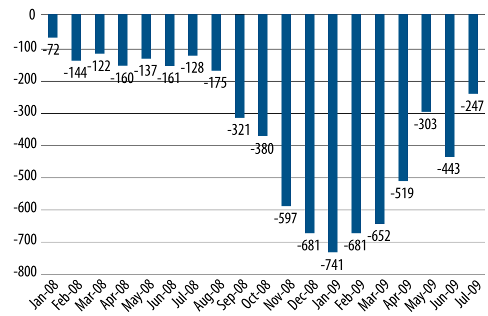
9. **Many houses are empty and home sales are still sluggish.** In the second quarter of 2009, 10.6% of rental properties were vacant—the highest level since the Census collected these data in 1956. The vacancy rate for owner-occupied houses was a relatively high 2.5%; prior to 2006, this rate never exceeded 2.0%. With many homes empty, home sales are struggling. New home sales in June 2009 amounted to an annualized, seasonally adjusted rate of 384,000—21.3% lower than a year earlier—despite a 12.0% year-over-year drop in median new home prices. Existing home sales were 0.2% lower and their median sales price 15.4% less than a year earlier.

10. **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 stayed at its record high of 1.4%. SEE FIGURE 3

11. **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.

FIGURE 1

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



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

FIGURE 2

Household wealth to after-tax income

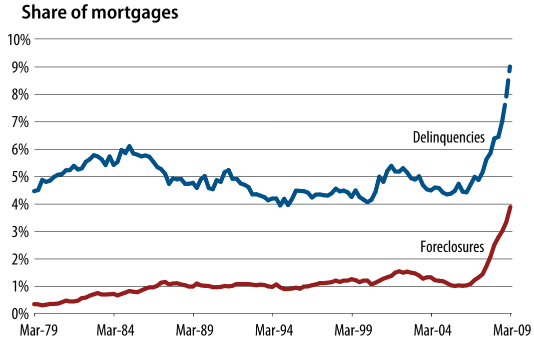
Percent of after-tax income

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

FIGURE 3

Share of mortgages that are delinquent or in foreclosure

Share of mortgages



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