



Economic Snapshot for December 2009

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December 15, 2009

Financial markets have eased, the economy is in recovery, and job losses are shrinking. Economic policy now has two challenges: ensuring strong job growth and securing durable economic growth. These goals are intertwined. Millions of Americans need to find jobs that will allow them to repay their large debts and avoid high foreclosures, credit card defaults, and bankruptcies, which in turn will boost business investment and economic growth.

The successes of past economic policies are apparent. Credit markets have substantially eased from the panic of last year, and the recession ended more quickly than would have been the case without the stimulus. Public policy interventions now need to help bring back millions of jobs and create stronger long-term growth.

- 1. The U.S. economy has turned the corner.** GDP grew at an annual rate of 2.8% in the third quarter of 2009, the first increase since the second quarter of 2008 and the largest gain since the third quarter of 2007. The American Recovery and Reinvestment Act helped to increase consumer spending, home purchases, and federal government spending in the summer of 2009, which all contributed to faster growth.
- 2. Job losses continue.** The U.S. economy shed 11,000 jobs in November 2009. The economy has lost 7.2 million jobs since the recession began in December 2007. **SEE FIGURE 1**
- 3. The rate of job loss has markedly slowed.** Job losses averaged 87,000 from September to November 2009, down 72% from the preceding three months and 82% from the average during March, April, and May 2009.
- 4. Unemployment stays high among the most vulnerable.** The unemployment rate was 10.0% in November 2009. The African-American unemployment rate that month stood at 15.6%, the Hispanic unemployment rate at 12.7%, and the unemployment rate for whites at 9.3%. Youth unemployment stood at a high 26.7%. And the unemployment rate for people without a high school diploma stayed high at 15.0%, compared to 10.4% for those with a high school degree, and 4.9% for those with a college degree.
- 5. The unemployed are out of a job for long periods.** The average length of unemployment in November 2009 was 28.5 weeks, the median length of unemployment was 20.1 weeks, and 38.3% of the unemployed were out of a job for 27 weeks or more—all of these indicators are at their highest level since 1948.

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

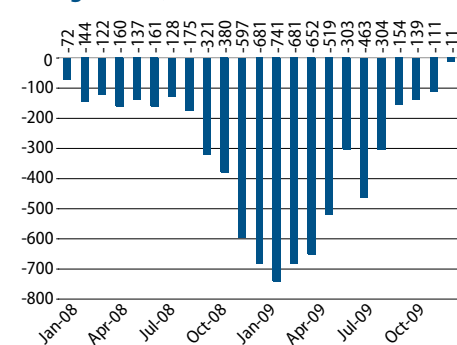
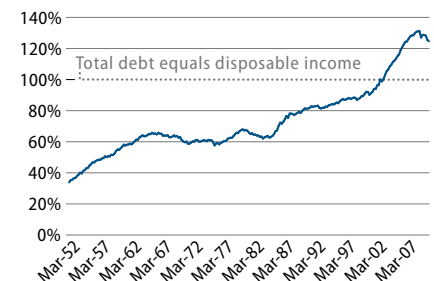


FIGURE 1

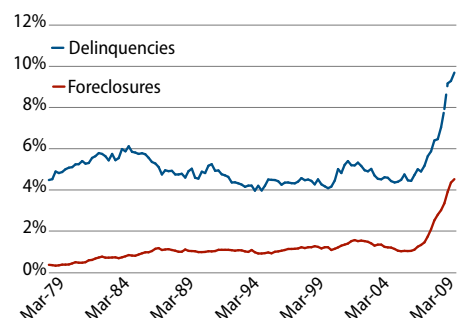
6. **Employer-provided benefits continue to disappear.** The share of private sector workers with a pension dropped from 50.3% in 2000 to 45.1% in 2007 and 43.6% in 2008, and the share of people with employer-provided health insurance dropped from 64.2% in 2000 to 59.3% in 2007 and 58.5% in 2008.
7. **Family incomes drop sharply in the recession.** Median inflation-adjusted family income fell by \$1,860 to \$50,303 (in 2008 dollars) in 2008 from 2007. This was the lowest family income since 1997. White family income stood at \$55,530, compared to African-American family income, which was \$34,218, or 61.6% of white income. Hispanic family income was \$37,913 in 2008, or 68.2% of white income.
8. **Poverty continues to rise.** The poverty rate stood at 13.2% in 2008—its highest rate since 1997. The African-American poverty rate was 24.6%, the Hispanic rate was 23.2%, and the white rate was 8.6% in 2008. The poverty rate for children under the age of 18 rose to 19.0%—also the highest level since 1997. More than one-third of African-American children (34.7%) lived in poverty in 2008, compared to 10.6% of white children, and 30.6% of Hispanic children.
9. **Family wealth begins to recover.** Total family wealth increased by \$4.9 trillion, or 10.2% in 2009 dollars, from March 2009 to September 2009, largely as a result of higher stock prices. Home values rose by only \$851, in comparison, or 5.4% during the same period. Household wealth was still \$12.6 trillion below the level of June 2007—the last peak of family wealth.
10. **Many houses are empty.** In the third quarter of 2009, 11.1% 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 2.6%; this rate never exceeded 2.0% prior to 2006.
11. **Home sales level off at low levels.** New home sales in October 2009 amounted to an annualized, seasonally adjusted rate of 430,000—5.1% higher than a year earlier—and median new home prices were 0.5% lower than a year earlier. Existing home sales were 23.5% higher than a year earlier, in part due to a 7.1% drop in the median sales price. **SEE FIGURE 2**
12. **Debt levels are still high.** Total household debt equaled 123.9% of after-tax income in the third quarter of 2009. This is down from a record high of 130.2% in the first quarter of 2008, but still higher than at any point before the first quarter of 2006. **SEE FIGURE 3**
13. **Mortgage troubles mount.** One in seven mortgages is delinquent or in foreclosure. The share of mortgages that were delinquent was 9.6% in the third quarter of 2009, and the share of mortgages that were in foreclosure was 4.5%.
14. **Families feel the pressure.** Credit card defaults rose to 10.2% of all credit card debt by the third quarter of 2009—an increase of 143.2% from the fourth quarter of 2007.

Household debt relative to personal disposable income (percent of PDI), 1952 to 2009



Calculations based on Board of Governors, Federal Reserve, 2009, Flow of Funds Accounts of the United States, Washington, D.C.: BOG

Share of mortgages that are delinquent or in foreclosure



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