Center for American Progress

Economic Snapshot for February 2010

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The American Recovery and Reinvestment Act's investments have borne their promised fruits. The economy is standing on its own feet again. Tax cuts and public spending filled the massive hole left by the recession in the private sector. And strong growth, rising consumption, and expanding business investment have now taken hold.

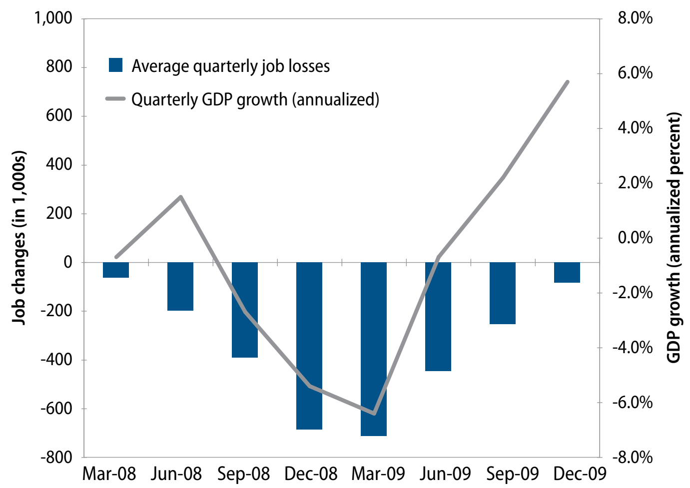
Economic policy must now work to ensure strong job growth to secure this momentum. Millions of Americans need to find jobs that will allow them to repay their large debts and avoid foreclosures, credit card defaults, and bankruptcies, which in turn will boost business investment and economic growth. Public policy interventions now need to help bring back millions of jobs in the private sector and create stronger long-term growth, while also protecting those Americans who are still struggling in the weak labor market, such as the millions of long-term unemployed.

1. **The U.S. economy has turned the corner.** Gross domestic product grew at an annual rate of 5.7 percent in the fourth quarter of 2009, the largest gain since the third quarter of 2003. The American Recovery and Reinvestment Act provided additional income to consumers and businesses, which boosted incentives for businesses to invest more. Business investment in inventory stockpiles and equipment, such as computers and software, explained almost three-quarters, or 73.7 percent, of the fourth-quarter growth. The stimulus bill clearly helped boost private business spending at the end of 2009. SEE FIGURE 1

2. **Job losses continue.** The U.S. economy shed 20,000 jobs in January 2010. The economy has lost 8.4 million jobs since the recession began in December 2007. SEE FIGURE 1

FIGURE 1

Employment and economic growth 2008 and 2009



3. **The rate of job loss has markedly slowed since the stimulus was enacted.** Job losses averaged 35,000 from November 2009 to January 2010, down from an average monthly job loss rate of 726,000 for the same months before the stimulus was passed in February 2009.

4. **Unemployment stays high among the most vulnerable.** The unemployment rate was 9.7 percent in January 2010. The African-American unemployment rate that month stood at 16.5 percent, the Hispanic unemployment rate at 12.6 percent, and the unemployment rate for whites at 8.7 percent. Youth unemployment stood at a high 26.4 percent. And the unemployment rate for people without a high school diploma stayed high at 15.2 percent, compared to 10.1 percent for those with a high school degree and 4.9 percent for those with a college degree.

5. **The unemployed are out of a job for long periods.** In January 2010, 6.3 million people had been looking for a job for 27 weeks or more. The average length of unemployment that month was 30.2 weeks, and 41.2 percent of the unemployed were out of a job for 27 weeks or more—both indicators are at their highest level since 1948. SEE FIGURE 2

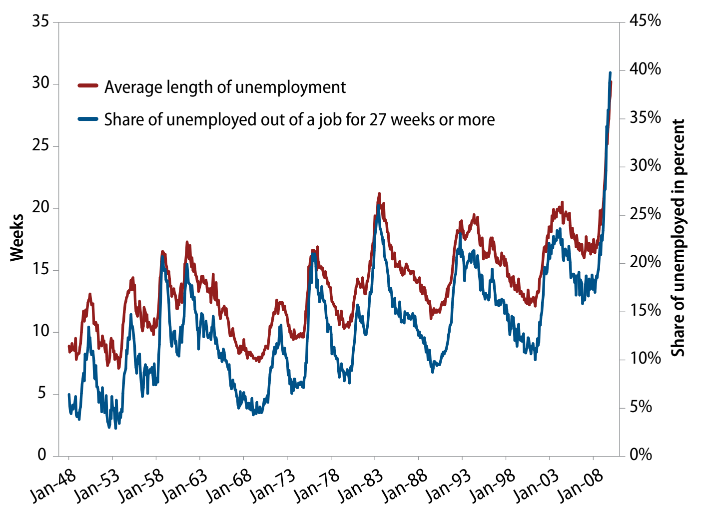
6. **Employer-provided benefits continue to disappear.** The share of private sector workers with a pension dropped from 50.3 percent in 2000 to 45.1 percent in 2007 and 43.6 percent in 2008, and the share of people with employer-provided health insurance dropped from 64.2 percent in 2000 to 59.3 percent in 2007 and 58.5 percent 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 $52,163 in 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 percent of white income. Hispanic family income was $37,913 in 2008, or 68.2 percent of white income.

8. **Poverty continues to rise.** The poverty rate stood at 13.2 percent in 2008—its highest rate since 1997. The African-American poverty rate was 24.6 percent, the Hispanic rate was 23.2 percent, and the white rate was 8.6 percent in 2008. The poverty rate for children under the age of 18 rose to 19.0 percent—also the highest level since 1997. More than one-third of African-American children (34.7 percent) lived in poverty in 2008, compared to 10.6 percent of white children and 30.6 percent of Hispanic children.

FIGURE 2

Long term unemployment indicators

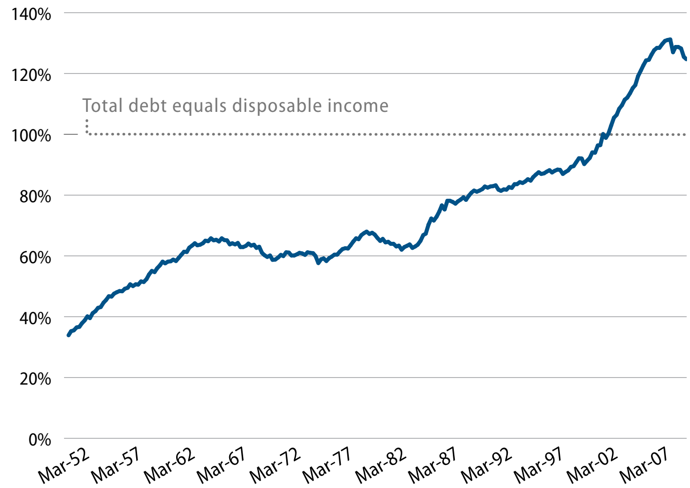


9. **Family wealth begins to recover.** Total family wealth increased by $4.9 trillion, or 10.2 percent, in 2009 dollars from March 2009 to September 2009, largely as a result of higher stock prices. Home values rose by only $851, or 5.4 percent, during the same period. Household wealth was still $12.6 trillion below the level of June 2007—the last peak of family wealth.

10. **Corporate profits soar.** Profits in the nonfinancial corporate sector rose in inflation-adjusted terms by 32.7 percent before taxes and 37.1 percent after taxes from December 2008 to September 2009. This was the fastest three-quarter before-tax gain since the three quarters that ended in March 2005, and the fastest after-tax gain over three quarters since the three-quarter period that ended in September 2004. Corporate nonfinancial inflation-adjusted profits in September 2009 were thus higher than at any point before 2005, although they are still far from the peaks of the last boom.

FIGURE 3

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

11. **Home sales show mixed picture.** New home sales in December 2009 amounted to an annualized, seasonally adjusted rate of 342,000—8.6 percent lower than a year earlier—and median new home prices were 3.6 percent lower than a year earlier. Existing home sales, in stark contrast, were 15.0 percent higher than a year earlier, and existing home prices rose by 1.5 percent over that period. SEE FIGURE 3

12. **Debt levels are still high.** Total household debt equaled 123.9 percent of after-tax income in the third quarter of 2009. This is down from a record high of 130.2 percent in the first quarter of 2008, but still higher than at any point before the first quarter of 2006.

13. **Mortgage troubles stay high.** One in seven mortgages is delinquent or in foreclosure. The share of mortgages that were delinquent was 9.5 percent in the fourth quarter of 2009, and the share of mortgages that were in foreclosure was 4.6 percent.

14. **Families feel the pressure.** Credit card defaults rose to 10.2 percent of all credit card debt by the third quarter of 2009—an increase of 143.2 percent from the fourth quarter of 2007.