



## Economic Snapshot for June 2010

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The economic recovery that has been under way since the middle of 2009 has gained momentum. The business investment outlook has strengthened and the labor market has added an ever larger number of jobs in each of the five months in 2010. But there are a number of trouble spots that require policy attention to protect the fledgling recovery.

The U.S. trade deficit is growing again because imports are increasing faster than exports, which is reducing current economic growth. State and local governments are struggling with their troubled finances, laying off workers, and weakening the accelerating jobs growth. And jobs and wage growth will have to continue to allow families to reduce their still large debt burdens, while also increasing their consumption.

1. **The U.S. economy has turned the corner.** Gross domestic product grew at an annual rate of 3.0 percent in the first quarter of 2010, the third quarter of increasing economic activity in a row. The American Recovery and Reinvestment Act provided additional income to consumers and businesses, which led to more business investments. Investment in inventory stockpiles and in equipment, such as computers and software, explained almost two-thirds, or 64.7 percent, of the first-quarter growth. The initial policy intervention in the economy thus helped boost private business spending into 2010.
2. **The trade deficit rises again.** The U.S. trade deficit stood at 3.4 percent of GDP in the first quarter of 2010, up from its latest trough of 2.4 percent of GDP in the second quarter of 2009. U.S. exports are still rising, but U.S. imports, especially for industrial supplies and capital goods, are growing even faster.
3. **The labor market recovery takes hold.** The U.S. economy added 431,000 jobs in May 2010 for a total of 982,000 jobs in the first five months of 2010 when the labor market added new jobs each month. The economy still has 7.4 million fewer jobs than at the start of the recession in December 2007. And state and local government employment continues to decrease with a drop of 22,000 jobs in May.

4. **Unemployment stays high among the most vulnerable.** The unemployment rate was 9.7 percent in April 2010. The African-American unemployment rate that month stood at 15.5 percent, the Hispanic unemployment rate at 12.4 percent, and the unemployment rate for whites at 8.8 percent. Youth unemployment stood at a high 26.4 percent. And the unemployment rate for people without a high school diploma stayed high at 15.0 percent, compared to 10.9 percent for those with a high school degree and 4.6 percent for those with a college degree.

5. **The unemployed are out of a job for long periods.** In May 2010, 6.8 million people had been looking for a job for 27 weeks or more. The average length of unemployment that month was 34.4 weeks, and 46.0 percent of the unemployed were out of a job for 27 weeks or more. This is the highest long-term unemployment on record since 1948. **SEE FIGURE 1**

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 in 2008 to \$50,303 (in 2008 dollars). 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

Long-term unemployment

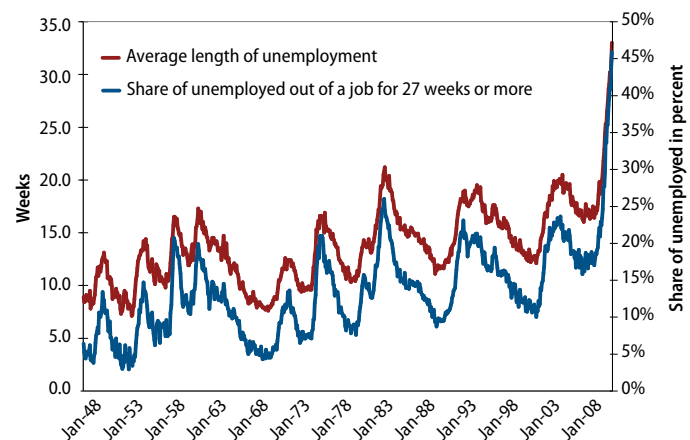


FIGURE 1

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

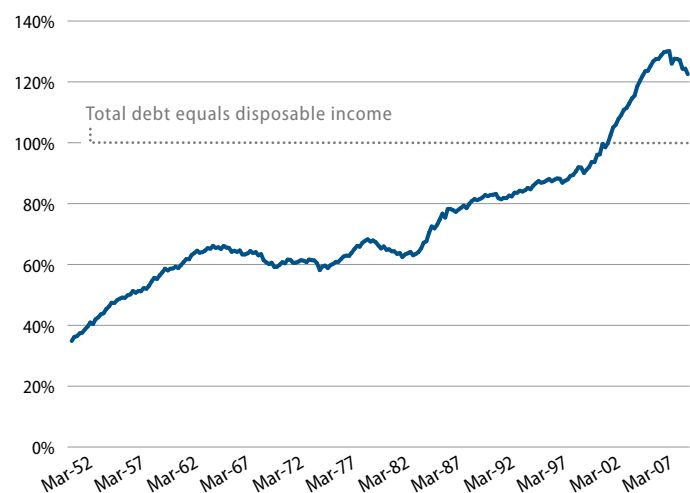


FIGURE 2

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

since 1997. More than one-third of African-American children, or 34.7 percent, lived in poverty in 2008, compared to 10.6 percent of white children and 30.6 percent of Hispanic children.

9. **Corporate profits soar.** Profits in the nonfinancial corporate sector rose in inflation-adjusted terms by 70.3 percent before taxes and 73.5 percent after taxes from December 2008 to March 2010. Corporate nonfinancial inflation-adjusted profits in December 2009 were thus higher than at any point before 2005, although they are still far from the last boom's peaks.

10. **Family wealth begins to recover.** Total family wealth increased by \$5.3 trillion, or 10.8 percent in 2010 dollars from March 2009—the lowest point—to March 2010, largely as a result of higher stock prices. Home values rose by only \$177 billion in comparison, or 1.1 percent during the same period. Household wealth was still \$14.8 trillion below the level of June 2007—the last peak of family wealth.

11. **Debt levels are still high.** Total household debt equaled 121.7 percent of after-tax income in the first quarter of 2010. This is down from a record high of 130.7 percent in the first quarter of 2008, but still higher than at any point before the second quarter of 2005.

SEE FIGURE 2

12. **Mortgage troubles stay high.** One in seven mortgages is delinquent or in foreclosure. The share of mortgages that were delinquent was 10.1 percent in the first quarter of 2010, and the share of mortgages that were in foreclosure was 4.6 percent. SEE FIGURE 3

13. **Families feel the pressure.** Credit card defaults rose to 10.0 percent of all credit card debt by the first quarter of 2010—an increase of 137.4 percent from the fourth quarter of 2007.

