

Economy Reached Breaking-Point In December

Mike Schneider, Associated Press Writer

NEW YORK (AP) — Weakness in Western energy-producing states helped raise the average U.S. county's economic stress in December to its highest point since the recession began in December 2007, according to The Associated Press' monthly analysis of conditions in more than 3,100 U.S. counties.

States such as Alaska, Wyoming and Montana lost jobs related in part to a drop in energy and mining exploration. Those states in the past had generally defied the national economy's weakness.

Economic strains in the final month of last year were evident throughout the nation. Foreclosure and bankruptcy rates rose even as the national unemployment rate held steady. The spillover to Western states was inevitable, some economists say.

"It's hard to stay above water when much of the rest of the country is going down around you," Sean Snaith, an economist at the University of Central Florida, said of those states.

The AP's Economic Stress Index found that the average county's score in December was 10.8. That's a sharp jump from the 10.2 reading in November. The previous worst reading since the recession began in December 2007 was 10.3 in March 2009.

The index calculates a score from 1 to 100 based on a county's unemployment, foreclosure and bankruptcy rates. A higher score indicates more economic stress. Under a rough rule of thumb, a county is considered stressed when its score exceeds 11.

Nearly 45 percent of the nation's 3,141 counties were deemed stressed in December. That compares with less than 39 percent in the previous month.

Nevada was again the most economically distressed state in December, with a Stress score of 21.08. It had the nation's worst foreclosure and bankruptcy rates and second-worst unemployment rate.

It was followed by Michigan (17.43), California (16.25), Florida (15.78) and Illinois (14.12). All except California saw their Stress score rise from November to December.

North Dakota (4.99) was again the least-stressed state in December. Next were South Dakota (5.47), Nebraska (5.63), Vermont (7.14) and Montana (7.71). Still, each saw its Stress score worsen from November to December.

The leading energy-producing states remained economically healthier than the nation as a whole. But they suffered the biggest jump in economic stress during the

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

second half of 2009. These states had previously managed to sidestep the worst of the economy.

No longer. Alaska's 21-year streak of job growth ended late last year, when it lost 2,100 jobs. Alaska's Stress score rose from 8.37 in December 2008 to 9.95 in December 2009.

A downturn in energy exploration dragged Wyoming into a recession last year, more than a full year after the national recession started, said Wenlin Liu, a senior economist with the state.

Wyoming's Stress score doubled from 4.16 to 8.33 in the year that ended in December, driven by higher unemployment. The loss of high-paying mining jobs has been especially painful in the nation's least-populous state.

Wyoming avoided the foreclosure crisis suffered by Sun Belt states. But residential building permits have shrunk to a level not seen in a decade.

"Income is down," Liu said. "Revenue is down."

Montana has ranked consistently among the least economically stressed states in the AP index. Yet it's begun to show cracks. The state's wood-products industry has been declining. And the closing of a Smurfit-Stone linerboard mill at the end of December was a blow to the Missoula area. Each job paid an average \$70,000 a year.

Montana's Stress score rose from 6.04 in December 2008 to 7.71 in December 2009. The state suffered housing price declines, a sluggish mining sector and sharp drop in overtime pay for workers, said Patrick Barkey, director of the Bureau of Business and Economic Research at the University of Montana.

"It's not like Montana was doing so great," Barkey said. "It's just that the rest of the country was doing worse."

In the past six months, foreclosure rates have risen fastest in a stretch of Western counties extending from Montana to Arizona. Foreclosures also have surged in manufacturing counties in the industrial Midwest, parts of Florida and metro Atlanta.

"Consistently high unemployment continues to feed into the foreclosure problem," Snaith said. "We've already got significant foreclosures taking place already. Now, more traditional ones are taking place because one or more household members have lost their jobs."

Bankruptcy rates in the past six months have grown fastest in Nevada, Arizona, California and Utah.

Counties with populations of at least 25,000 that saw the sharpest jump in year-to-year Stress scores in December all had sizable work forces in manufacturing and mining: Marshall County, Tenn.; Clinton, Ohio; Maury County, Tenn.; Jackson County,

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W.Va.; and Highland County, Ohio.

The sharpest year-to-year increases in Stress scores in December for states were in Nevada, Alabama, West Virginia, Florida and Wyoming.

The counties that endured the biggest increase in Stress over the past six months were summer vacation spots: Cheboygan County, Mich.; Worcester County, Md.; Cape May, N.J.; and Dare, N.C. Unemployment in these areas spiked after hotels, stores and restaurants closed for the season.

Source URL (retrieved on 09/19/2014 - 4:08am):

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