

AP: Economic Stress Eased In February As Jobs Return

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WASHINGTON (AP) — Economic stress declined in the nation's most troubled areas in February as unemployment stabilized and the pace of foreclosures eased, according to The Associated Press' monthly analysis of conditions in more than 3,100 U.S. counties.

After peaking in January, economic stress dipped in February in half the states and half the 3,141 counties.

"We are not out of the woods yet, and there are still a lot of things that could go wrong, but things are improving," said David Wyss, chief economist at Standard & Poor's in New York.

The AP's Economic Stress Index found the average county's score in February was 11.8. That was down slightly from January's reading of 11.9, the highest average county score since the AP started publishing the index nearly a year ago. The reading in December was 10.8, the previous high.

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

Fewer than 55 percent of counties were deemed stressed in February, slightly less than in January.

The nation's most economically distressed states were, in order: Nevada (21.4), Michigan (17.84), California (16.94), Florida (16.26) and Illinois (15.37). All saw their Stress scores decline from January to February.

Once again, North Dakota was the least stressed state in February with a score of 5.48. Next best were South Dakota (5.97), Nebraska (6.45), Vermont (7.64) and Louisiana. All those states, too, had lower Stress scores in February than in January.

The overall easing of stress was due to two main factors: A slowdown in the pace of foreclosures in battered states like California and Nevada. And a national unemployment rate that's held steady since January at 9.7 percent.

Many economists predict the 10.1 percent unemployment rate reached in October will turn out to be the peak for this downturn, the most severe the country has suffered since the 1930s. But they say the jobless rate will decline only gradually and remain around 9.3 percent by year's end.

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

In March, the economy added a net 162,000 jobs, the best showing in three years, though the unemployment rate remained stuck at 9.7 percent.

"The economy is stabilizing," said Mark Zandi, chief economist of Moody's Analytics. "More industries are showing signs of revival, and that is helping to support growth in more parts of the country."

Louisiana led the nation in economic improvement from January to February: Its score declined from 9.60 to 8.16.

The recession struck Louisiana later than it did most other states. And now it appears to be among a handful of states that have rebounded from it. The number of people with jobs is expected to grow more sharply this year in Louisiana than in the nation as a whole.

"We've actually come out a little before the national economy did," said Loren Scott, an economist in Baton Rouge, La., who helps write the state's annual economic forecast.

The state has been aided by Hurricane Katrina-related construction projects that have led to the rebuilding of bridges and levees. A stable energy sector has helped, too.

And Louisiana's manufacturing sector has benefited from its reliance on shipbuilding and the construction of drilling platforms, rather than on more recession-vulnerable durable goods such as appliances and cars. That's helped it avoid the deep losses of factory jobs other states suffered, Scott said.

In California, the pace of layoffs has leveled off. And some growth is being seen in agriculture and transportation sectors.

Recent changes to the state's foreclosure laws, giving homeowners more time to work out loan modifications with banks, are putting off some foreclosures. Modest increases in home prices over the past year are giving banks incentives to accept short sales on distressed properties, said Mark Schniepp, an economist based in Santa Barbara, Calif.

In a short sale, a homeowner is allowed to sell the home for less than the mortgage amount.

"The state is definitely showing much greater signs of recovery," Schniepp said. "Everything seems to be stabilizing ... so there is a lot more optimism about the economy."

The biggest wild card in California's recovery is the drag from the state's more than \$20 billion budget deficit, Schniepp said. Already, 200,000 state workers are being furloughed three days a month. State officials are considering extending the furloughs and possibly laying off workers to close the budget gap.

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The steepest year-to-year increases in Stress scores in February were in Nevada, Mississippi (Stress score: 13.38), West Virginia (11.82), Idaho (13.24) and Florida.

Once again, counties in Kansas and South Dakota topped the list of economically healthiest counties with populations greater than 25,000 residents. Ford County, Kan., was at the top with a score of 4.08. It was followed by Ellis County, Kan. (4.16); Brookings County, S.D. (4.36); Brown County, S.D. (4.64); and Finney County, Kan. (4.76).

Counties in interior California again dominated the list of distressed counties. Imperial County, Calif. (31.29) led the way, followed by Lyon County, Nev. (28.42); Merced County, Calif. (28.27); San Benito County, Calif.(27.51); and Sutter County, Calif. (26.24).

Source URL (retrieved on 09/20/2014 - 9:03pm):

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