

AP: U.S. Economic Stress Eased In August

Martin Crutsinger and Mike Schneider, Associated Press Writers

WASHINGTON (AP) — The nation's economic stress eased slightly in August thanks to lower foreclosure rates in the hardest-hit states, according to The Associated Press' monthly analysis of conditions around the country.

But the improvement was meager, and it added to evidence of sluggish economic growth. Even the dip in foreclosure rates resulted mainly from lenders delaying foreclosure proceedings rather than an improved housing market. Unemployment rates ticked up slightly, and bankruptcy rates remained unchanged.

Counties whose workers were concentrated in farming, mining, wholesale trade, information technology and professional, scientific and technical fields endured less stress in August, the AP's Economic Stress Index shows. By contrast, counties with many workers in real estate and retail sales tended to feel higher economic stress.

Stress declined in August in 33 of the 50 states and in two-thirds of the nation's 3,141 counties, the AP's index shows.

The index calculates a score for each county and state from 1 to 100 based on 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.

The average county's Stress score in August was 10.3, down slightly from July's score of 10.5. Forty percent of the nation's counties were found to be stressed. That was down slightly from 42 percent in July.

Nevada remained by far the most-stressed state in August, with a score of 21.58. California (16.291) displaced Michigan (16.288) for the second spot. Those states were followed by Florida (16.18) and Arizona (15.15).

North Dakota again enjoyed the least stress, with an August score of 4.24, unchanged from July. It was followed by South Dakota (5.17), Nebraska (5.54), Vermont (6.09) and Wyoming (7.24).

The biggest improvements occurred in three of the most troubled states: Nevada, California and Michigan

Over the past half-year, conditions have improved in every state except Arizona, Georgia, Louisiana, Nevada and Utah. Still, the average county's Stress score has changed little since March, reflecting an economy growing only modestly.

"Stagnation might be a little stronger word than I would use, but it comes pretty close to it," said David Denslow, an economist at the University of Florida. "It's a

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very sluggish recovery."

Economists generally predict that weak growth will persist. Households remain leery about boosting spending because of high unemployment. And many businesses are putting off hiring because of low consumer demand.

"The economy is moving forward, but certainly not at a pace that would make people feel like we are making a lot of progress," said Mark Zandi, chief economist at Moody's Analytics.

The national unemployment rate rose slightly in August to 9.6 percent from 9.5 percent in July. The government will issue the September unemployment report on Friday.

Zandi said he thinks the jobless rate will still be stuck somewhere between 9.5 percent and 10 percent by this time next year.

Some of the biggest month-to-month improvements in August were due to dips in foreclosure rates. The national rate ticked down to 1.5 percent from 1.6 percent in July.

Foreclosures eased in the worst-off states of Arizona, California, Florida and Nevada. Some lenders delayed initiating the foreclosure process in markets already saturated with distressed homes. Homeowners could get further relief as GMAC Mortgage LLC, JPMorgan Chase and Bank of America suspend some foreclosures to review documents that might contain errors.

Economists say delayed foreclosures may only prolong the pain.

"These foreclosures have to happen before we can talk about being on the other side of the housing crisis," said Sean Snaith, an economist at the University of Central Florida.

The average state bankruptcy rate remained at 1.2 percent in August.

In August, stress worsened most in the Southeastern states of Florida, Georgia, Louisiana and South Carolina. The higher stress in Louisiana and Florida was due, in part, to a drop in tourism and to fishing and drilling restrictions caused by the BP oil spill.

Also contributing to the weakness in the Southeast were sluggish construction, slack home sales and slower growth in manufacturing activity.

Still, two Southern states, Alabama and Mississippi, have posted the sharpest gains in economic conditions over the past six months. Their improving fortunes can be traced to gains in auto manufacturing.

Many plants that laid off workers in the summer of 2009 have rehired them, many as temps, said Ahmad Ijaz of the University of Alabama's Center for Business &

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Economic Research. That's occurred as demand abroad and domestically has strengthened.

"We have pockets in the state that are doing really well, even though employment isn't going up as rapidly as we would like to see," Ijaz said.

The most stressed counties with populations of at least 25,000 were Imperial County, Calif. (34.11); Yuma County, Ariz. (32.08); Lyon County, Nev. (26.27); Nye County, Nev. (25.38); and Yuba County, Calif. (24.12).

The least stressed were Ward County, N.D. (3.26); Brown County, S.D. (3.75); Burleigh County, N.D. (3.80); Buffalo County, Neb. (4.07); and Ellis County, Kan. (4.26).

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