AP analysis: Economic stress up in much of nation

Cycle of rising unemployment, foreclosures and bankruptcies raising economic stress

- By Jeannine Aversa and Mike Schneider, Associated Press Writers
- On Monday July 6, 2009, 9:22 am EDT
-

California, Michigan and South Carolina suffered the most financial pain in May as unemployment, home foreclosures and bankruptcies rose, according to The Associated Press' monthly analysis of economic stress in more than 3,100 U.S. counties.

The latest results of the AP's Economic Stress Index show the worst financial crisis since the 1930s causing lingering damage even as other signs suggest the recession is winding down.

The average county's Stress score, fueled by worsening unemployment, foreclosures and bankruptcies, rose to 10 in May, from 9.7 in April.

In May 2008, the average Stress score was 6.2. The pain was lower then because the economy was still expanding. In fact, the second quarter of 2008 was the last time the economy grew.

The AP calculates a score from 1 to 100 based on each county's unemployment, foreclosure and bankruptcy rates. The higher the score, the higher the economic stress.

Under a rough rule of thumb, a county is considered stressed when its score zooms past 11. In May, 36 percent of the counties scored 11 or higher, up from 34 percent in April. But the latest reading was slightly better than February and March, when nearly 40 percent of counties were at or above that threshold.

Federal Reserve Chairman Ben Bernanke and many other economists predict the recession will end later this year. Even if it does, unemployment, foreclosures and bankruptcies are likely to keep climbing and cause further harm in many communities, economists predicted.

"The pain will linger well after the recession is over, making for a subdued economic recovery," said Richard Yamarone, economist at Argus Research.

Many economists say the recession eased from April to June and that the economy might start growing again as soon as the current July-to-September quarter.

Among states, California, Michigan and South Carolina showed the most economic stress in May, with their counties' scores averaging 16, 15.9 and 15, respectively, the AP analysis shows.

California has been battered by the housing bust, and Michigan has absorbed the brunt of the auto industry crisis.

"And South Carolina is a little bit of everything," said Sean Snaith, economics professor at the University of Central Florida. "Manufacturing and construction jobs have been hard hit in the state."

One common thread running through all three states is heavy jobs losses. Rising unemployment, in turn, is escalating foreclosures and bankruptcies.

The rising economic stress comes as California, saddled with a whopping $24.3 billion budget deficit, and other states are scrambling to cope with fiscal crises.

Over the past year, South Carolina, Oregon and Indiana have suffered the most stress. The loss of manufacturing jobs has deepened Indiana's and South Carolina's woes. And Oregon has been hurt by the real-estate bust and falling demand for construction materials like plywood and windows that are produced in the state.

North Dakota and Nebraska were the least stressed states in May, with county scores averaging under 5. Those Plains states also fared the best over the past year. North Dakota has been helped by the oil business. Nebraska has benefited from the relative strength of two of its main industries: agriculture and food-production.

"Those are also some of the few places that didn't experience the housing boom and therefore escaped the intense problems of the housing bust," said John Silvia, chief economist at Wachovia.

At the county level, the highest scores in May for those with populations of at least 25,000 residents were Imperial County, Calif; Merced County, Calif.; Yuma County, Ariz.; Lauderdale County, Tenn.; and Stanislaus, Calif.

Merced and Stanislaus have endured some of the nation's highest foreclosure rates in the past year. And even in good times, Imperial, Lauderdale and Yuma have been among the most impoverished U.S. counties.

The counties (of at least 25,000 residents) that suffered the sharpest increases in stress scores over the past year were manufacturing communities: Williams County, Ohio; Elkhart County, Ind.; Huntingdon County, Pa.; Howard County, Ind.; Union County, S.C.; and Noble, Ind.

AP's analysis also found that foreclosure rates climbed over the past year in areas hardest hit by the housing crisis: Arizona, California, Florida, Nevada and metro Atlanta.

Foreclosures also jumped in some Utah counties that had experienced rapid growth in the past decade.

"It was a speculative bubble, and when the economy popped, it hit us hard," said Dean Cox, administrator for Washington County in southwest Utah, where the foreclosure rate more than doubled to 4 percent in the past year.

Bankruptcy rates also grew in areas where the housing bust struck hardest: Southern California, southern Oregon and Las Vegas.

"It's not surprising, since the inability to make your mortgage payment is a pretty good proxy of the financial situation households are in," said Samuel Gerdano, executive director of the American Bankruptcy Institute.

Gerdano says he foresees an estimated 1.5 million bankruptcy filings this year -- the most since the nation's bankruptcy laws were tightened in 2005.

Associated Press Writer Evelyn Nieves in San Francisco contributed to this report.

http://finance.yahoo.com/news/AP-analysis-Economic-stress-apf-2726778711.html?x=0&sec=topStories&pos=4&asset=&ccode=