

Surge in foreclosures, production cuts signal deepening slump in US

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Economic reports released this week show that the US economic crisis, far from abating, is deepening. Leaving aside bank profits and stock prices, virtually every major indicator points to an acceleration of the downturn in production and consumption and increasing social misery.

On Thursday, RealtyTrac, a firm that lists foreclosed properties around the US, reported that home foreclosure filings—including default notices, auction sale notices and bank repossessions—surged in March to a level 46 percent higher than in March 2008. The total number of properties affected, over 340,000, was 17 percent higher than in February of this year.

In the first three months of this year, according to RealtyTrac, one in 159 US housing units received at least one foreclosure notice, for a total of more than 803,000.

The surge in foreclosure activity in March reflected stepped-up efforts by banks and mortgage lenders to evict delinquent borrowers, after temporary foreclosure moratoriums were lifted. RealtyTrac executive Rick Sharga indicated that those homeowners falling behind in their mortgage payments were increasingly victims of layoffs, rather than victims of predatory lending practices, as in earlier cases.

Mark Zandi, chief economist at Moody's Economy.com, said, "I think we'll see foreclosures surge through the summer." Some 1.7 million homes were foreclosed in 2008 and Moody's Economy.com predicts the figure will rise to 2.1 million this year.

Defaults on credit cards are also rising rapidly. Capital One, a major credit card company, said Thursday that the percentage of credit card debt it expects never to collect rose to nearly 9.33 percent, up by 1.27 percentage points in only one month. The

company said that the rise in credit card default rates is starting to outpace changes in the unemployment rate. While the two have moved together in the past, the huge decreases in the value of homes and retirement savings have caused borrowers to default at even higher rates than had been expected.

Industrial production contracted even faster in March than it did in April. Output at factories, mines and utilities fell by 1.5 percent last month, according to figures released Wednesday by the Federal Reserve. The report was far worse than had been predicted by economists. Production has fallen in 14 out of the last 15 months, and the percentage of US manufacturing capacity in use fell to 69.3 percent, the lowest level since at least 1967.

The construction of new homes, one of the few economic indicators that had recently shown some improvement, once again fell sharply. Housing starts fell at an annualized rate of 10.8 percent in March and were down by 48.4 percent over March of 2008. Housing starts have fallen in eight of the past nine months.

Retail sales, another indicator recently cited by the Obama administration as suggesting a "glimmer of hope" for the economy, also fell sharply last month. The Commerce Department announced on Tuesday that sales fell by 1.1 percent in March and were down by 9.4 percent from a year ago. Sales had shown an uptick of 0.3 percent in February, prompting much talk of a bottoming out of the recession.

Indicative of the near collapse in retail sales, General Growth Properties, one of the largest owners of shopping malls in the US, filed bankruptcy papers on Thursday. The company owns over 200 malls.

Continuing jobless claims rose to 6.02 million, according to the report on new unemployment claims

released by the Labor Department on Thursday. This is the highest figure since records began in 1967. The report said 610,000 people applied for new unemployment claims last week. The official unemployment rate hit 8.5 percent in March and is likely to approach 9 percent by May.

Unemployment in the state of Michigan, the highest in the country, rose to 12.6 percent in March, up from 12 percent in February.

Among major layoff announcements this week, the Los Angeles School District said it plans to terminate 5,000 teachers and other school employees; Hallmark, the greeting card maker, said it would lay off up to 750 workers; in Chicago, Discover Financial and steelmaker Acelormittal announced 500 and 400 layoffs, respectively.

Contradicting the Obama administration's efforts to portray the economy as turning the corner, the *Financial Times* wrote in its Thursday editorial: "The US household sector, usually a reliable source of demand, is over-leveraged. Already drowning in debt, US households' total liabilities have increased by 2.5 percent to \$14,242 billion since mid-2007. Their assets, however, have fallen in value by 16 percent to \$65,719 billion."

In recent weeks, the Obama administration has sought to equate the sharp rally on the stock market and a revival of bank profits with a recovery in the broader economy, attempting in this way to claim a commonality of interests between Wall Street and "Main Street." But the dire reality indicated in the latest statistics exposes the cynical and fraudulent character of such claims.



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