

## **AP: Economic Stress Eases In May**

Manufacturing.net

WASHINGTON (AP) -- Two-thirds of U.S. counties became economically healthier in May, thanks to more manufacturing jobs in the Midwest and fewer home foreclosures in the Sun Belt, according to The Associated Press' monthly analysis of conditions around the country.

Yet the improvement appeared to slow in May compared with April, the AP's Economic Stress Index shows. And concerns are arising that the nation's recovery is losing momentum.

Economic stress declined month to month in 33 states in May, aided by lower unemployment. In April, by contrast, stress had eased in every state except two -- and in 90 percent of the nation's 3,141 counties.

Bankruptcy rates around the nation also inched up in May.

The AP's Economic Stress 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 AP's index found the average county's Stress score in May was 10.3, down from 10.6 in April. It was the lowest score since November's 10.2.

"As the government's stimulus winds down and as long as the labor market remains weak, an acceleration in the economy is probably not in the cards," said David Huether, chief economist at the National Association of Manufacturers. "If I were a betting man, I'd bet the economy won't double dip into recession, but it will grow at a much slower pace."

Still, conditions did improve in most of the nation in May. Just under 40 percent of counties were deemed economically stressed in May, compared with 42 percent in April. Job gains in manufacturing, farming and hotels and restaurants helped some of the counties where stress declined the most, according to the AP's analysis.

For the first time since the AP began the stress index in May 2009, the four states that have shown the most stress each month -- Nevada (21.75 in May), Michigan (16.22), California (16.14) and Florida (15.26) -- improved from the prior month. These states benefited from declining unemployment and foreclosure rates.

Arizona rounded out the list of the five worst-performing states in May with a Stress score of 15.04. That was a slight increase from April.

The best-performing states in May were North Dakota (4.03), South Dakota (5.21),

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Nebraska (5.83), Vermont (6.49) and Iowa (7.5).

Despite better conditions in May, analysts say the economy's rebound might be stalling as it enters the second half of this year, when the benefit of federal stimulus spending will start to fade.

A growing number of economists are scaling back their growth forecasts. Michael Feroli, an economist at JPMorgan Chase, for instance, thinks the economy will grow at a 3.2 percent annual pace in the July-to-September quarter, down from a previous 4 percent estimate.

The improvement in May occurred before renewed concerns about the economy emerged last month. Consumer confidence, for instance, tanked in June, and stock prices have sunk. Businesses remain wary of ramping up hiring.

Still, the economy's bright spots -- namely manufacturing -- were evident in May.

Among the states, Michigan, Vermont, Idaho (11.3), Illinois (13.7) and Iowa saw the biggest month-to-month decreases in stress. Economists pointed to gains in manufacturing jobs, which helped reduce unemployment in those states. Counties in the Midwest led the nation in improvement for a second straight month.

Louisiana (8.63), Oklahoma (8.61), Pennsylvania (10.49), Mississippi (12.58) and Arizona (15.04) suffered the biggest month-to-month increases in economic stress. Higher unemployment was the main reason.

The stress in the Gulf states of Louisiana and Mississippi resulted from the BP oil spill. People who lost jobs as a result of the spill are likely to be compensated for their lost income from funds BP announced in June.

Pennsylvania's problems are related, in part, to a slowing in the manufacture of chemicals. Oklahoma's are a result of moderating energy prices. And Arizona's stress is likely related to continued damage from the housing bust.

Economic stress was higher in May than a year ago in 35 states, particularly in the West. Over the past year, stress has grown the most in Idaho, Montana (7.89), Nevada, New Mexico (9.48) and Utah (10.81).

In Utah's case, the state experienced the housing boom about a year and a half behind the Sun Belt states of Arizona, California, Florida and Nevada. That explains why the housing bust and foreclosure crisis hit Utah later than it did others, said James Wood, director of the Bureau of Economic and Business Research at the University of Utah.

Counties of at least 25,000 residents that were the most stressed in May were Imperial County, Calif. (31.74); Yuma County, Ariz. (29.14); Lyon County, Nev. (27.30); Merced County, Calif. (24.55); and Nye County, Nev. (24.45).

The economically healthiest counties were Ward County, N.D. (3.35); Burleigh

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County, N.D. (3.66); Grand Forks, N.D. (4.02); Ellis County, Kan. (4.13); and Brown County, S.D. (4.25).

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