

Credit Cards and Foreclosures - The Tale of an Unsustainable Recovery? You Decide.

February 23, 2011 - It is a month of very strange economic data. TransUnion is reporting that credit card delinquencies are down dramatically. At the same time, foreclosures have jumped in the past month and there is now information showing that a widely watched report from the National Association of Realtors (NAR) contains significant errors regarding home sales. The government continues to beat a drum stating that the economy is recovering; pointing to increased home sales, a run up in the stock market and a lower unemployment number. At the same time, it ignores and manipulates data that it doesn't like. So, is there a recovery going on? Well, you decide. It is a tale of the good, the bad and the ugly!

[Tweet](#)

```
(function() {  
var s = document.createElement('SCRIPT'), s1 = document.getElementsByTagName('SCRIPT')[0];  
s.type = 'text/javascript';  
s.src = 'http://widgets.digg.com/buttons.js';  
s1.parentNode.insertBefore(s, s1);  
})();
```

The good news has to be TransUnion's announcement of reduced credit card delinquencies. When looking at severely delinquent borrowers - those 90 or more days late - TransUnion is reporting a 32% drop in delinquencies on a year over year basis. That is an absolutely huge change. It goes hand in hand with a variety of reports showing that consumers have been reducing the amount of credit card debt that they are carrying.

Last month, housing sales also increased. While that could be considered good news, it is tempered by two things. First, the number of foreclosures nationwide jumped in January. Second, and just as important, there is a report in the Wall Street Journal stating that National Association of Realtors may have been overstating home sales since 2007. If true, and even if it was inadvertent, it is extremely disturbing because the NAR numbers are watched closely by the industry, home buyers and investors. According to the report, the NAR numbers may have been off by as much as 20%. If it turns out to be true, it could have an impact on real estate prices.

The increase in foreclosure activity along with inaccurate home sale data presents a real problem for anyone who argues that we are in the midst of a recovery. There is no historical precedent for a sustained economic recovery when housing markets are soft. It also presents a real problem for those that are bullish on the stock market; for the very same reason. And it could mean that even though consumers are now trying to reduce their debt, they may not be able to continue down that path over a long period of time.

In addition to all of this, crude oil prices now exceed. \$100 per barrel and gas prices are skyrocketing. Any hopes of a recovery could be dashed simply because of higher energy prices. Every dollar increase in the cost of a barrel of oil removes \$100 Billion from the economy. Crude oil has jumped more than \$10 in the past two weeks. If you just heard and imaginary "POOF!", that was just the sound of \$1 Trillion going up in smoke.

Even with all of this bad data, the federal government keeps saying that there are signs that the economy is recovering. They say that unemployment dropped from 9.4% to 9% and in the same breath they report that more jobs were lost last month. Does that really make sense to anyone? Never mind the fact that they removed more than $\frac{1}{2}$ million people from

the work force because according to the government these are discouraged workers who should no longer be counted as unemployed. I wonder if those "discouraged workers" would agree.

The federal government is also ignoring inflation. According to the FED, inflation remains low. They can make that claim because the "core" inflation number they use excludes energy and food costs. Of course, that is not the real world. As of January, the year over year increase in the cost of a gallon of gas had increased 69%. Gold prices had gone up more than 60%. Soy beans were up 42%. Corn prices had increase 78.1%. And most impressively, raw sugar cane prices were up 164% in a single year. But again, the government says that inflation is low.

So, what do you think? Is this a recovery? Or is talk of a recovery nothing more than wishful thinking? Let us know what you think of the state of the economy.

by Jim Malmberg

Note: When posting a comment, please sign-in first if you want a response. If you are not registered, click [here](#). Registration is easy and free.

Follow me on Twitter: