Americans recovering lost wealth

Stocks deliver biggest boost

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THE ASSOCIATED PRESS

WASHINGTON — Americans got wealthier for a second straight quarter in the fall, thanks to gains in stock investments and home values.

Net worth — the value of assets such as homes, bank accounts and investments, minus debts like mortgages and credit cards — rose 5 percent from the second quarter to $53.4 trillion, the Federal Reserve said Thursday.

Yet even with that gain, Americans' net worth remains far below the revised peak of $64.5 trillion reached before the recession began. That underscores the vast loss of wealth over the past two years. Net worth would need to rise an additional 21 percent just to return to its pre-recession peak.

And many analysts don't expect a repeat of the strong second- and third-quarter gains anytime soon. That's why Scott Hoyt, senior director of consumer economics at Moody's Economy.com, thinks household wealth won't match its pre-recession peak until about 2012.

"We're clearly moving in the right direction, although we have questions about whether we can get there as quickly as we have in the past couple of quarters," Hoyt said.

Investments delivered the biggest boost in the July-September period. The value of corporate equities jumped $1.04 trillion, slightly less than the previous quarter's rise.

That increase mirrored the stock market's powerful showing. The Standard & Poor's 500 index, a barometer of the market, rose 15 percent during the third quarter. And it's surged 60 percent since March.

Still, even with an additional 4 percent gain so far in the fourth quarter, the S&P index is still 32 percent off the peak of October 2007. The recession began in December 2007.

The gains in net worth are expected to slow, along with the broader economic recovery. Credit remains tight. And consumers still aren't spending freely.

Some analysts fear the Fed's policy of cheap lending and the weak dollar are inflating stock market performance and encouraging too much speculation. They say the gains of recent quarters aren't sustainable.

"We will eventually recover the loss in net worth, but it may take three to five years," said Mark Vitner, senior economist for Wells Fargo Securities in Charlotte, N.C.

Real estate was a smaller part of the increase in third-quarter net worth. The value of American households' real estate holdings rose 2 percent, or $348 billion. Analysts expect prices to dip again this winter as foreclosures spread and economic growth remains modest.

Americans also are paying off debt at record levels, the Fed said. They reduced mortgages, credit cards and other loans by 2.6 percent in the third quarter and have been cutting household debt for a year.

FRIDAY, DECEMBER 11, 2009 THE GREENVILLE NEWS