

# **Rhode Island Revenue & Caseload Estimating Conference**

## **Economic Forecast & Employment Report**

**November 4, 2009**

**Moody's / Economy.com**

**Andres Carbacho-Burgos, Economist**

**Complete Presentation posted on Poverty Institute Website**

Rhode Island is starting to emerge from the “great recession”, but slowly. This is the second worst recession in Rhode Island’s history. Rhode Island is not as badly off as in 1992.

Rhode Island’s population has stopped declining and may see an increase in the future, but the rate of growth will be below the national average.

Rhode Island’s unemployment claims are still rising. Job market has not yet bottomed. There will be no appreciable job gains until 2011. The pace of the job market recovery will be slower than United States and New England. The unemployment rate will also remain higher than the United States and New England. The recovery will be protracted.

The housing market is starting to pull out of its decline. There will be no further decline in the market. The number in default has leveled off, but foreclosures will still push down prices. Rhode Island housing begins recovery in 2010.

Income growth has started to recover. When compared to 2008 Rhode Island has stopped losing personal income. But the 2010 – 2012 income growth will lag the United States.

## **RI Department of Labor and Training**

### **Robert J. Langlais, Assistant Director, Labor Market Information**

**Summary taken from written testimony. Complete presentation posted on Poverty Institute Website.**

Our State's unemployment rate (13.0%) has continued to rise to record 30 year highs each month and hasn't shown any signs of peaking yet. The total number of unemployed has also risen to record high levels (74,000) as employers continued to shed jobs. Our number of residents employed is at its lowest level in over twelve years (since December 1996).

We continue to see more individuals filing for and collecting unemployment benefits compared with recent years but the increases over prior years have slowed and are less than what we are seeing on a national level. The number of people exhausting their regular unemployment benefits is up dramatically this year as employers remain reluctant to add workers to their payrolls. We are seeing the first groups of workers who have exhausted all of their benefit entitlements under all three UI programs (regular UI, EUC and EB) which provided workers with up to 79 weeks of benefits.

The use of our Workshare program increased dramatically in 2009. Both the number of initial claims filed and payments made under the program are up sharply this year, well above the levels we had seen in any year since the program began in 1992.

The pace of private sector job losses has not yet showed signs of slowing. The job losses have been widespread throughout most sectors with Manufacturing, Construction, Professional & Business Services and Retail Trade being hit the hardest with over 70% of the job losses since January 2007. Even employment levels in the Educational Services and Health Care & Social Assistance sectors, which had been dependable growth sectors, have failed to add any significant jobs during 2009. RI continues to show greater job losses and unemployment increases than the rest of New England.

And, based on a preliminary review of our quarterly employment data, we expect to see some downward revisions in our employment estimates for the first six months of 2009 over what we had originally estimated.

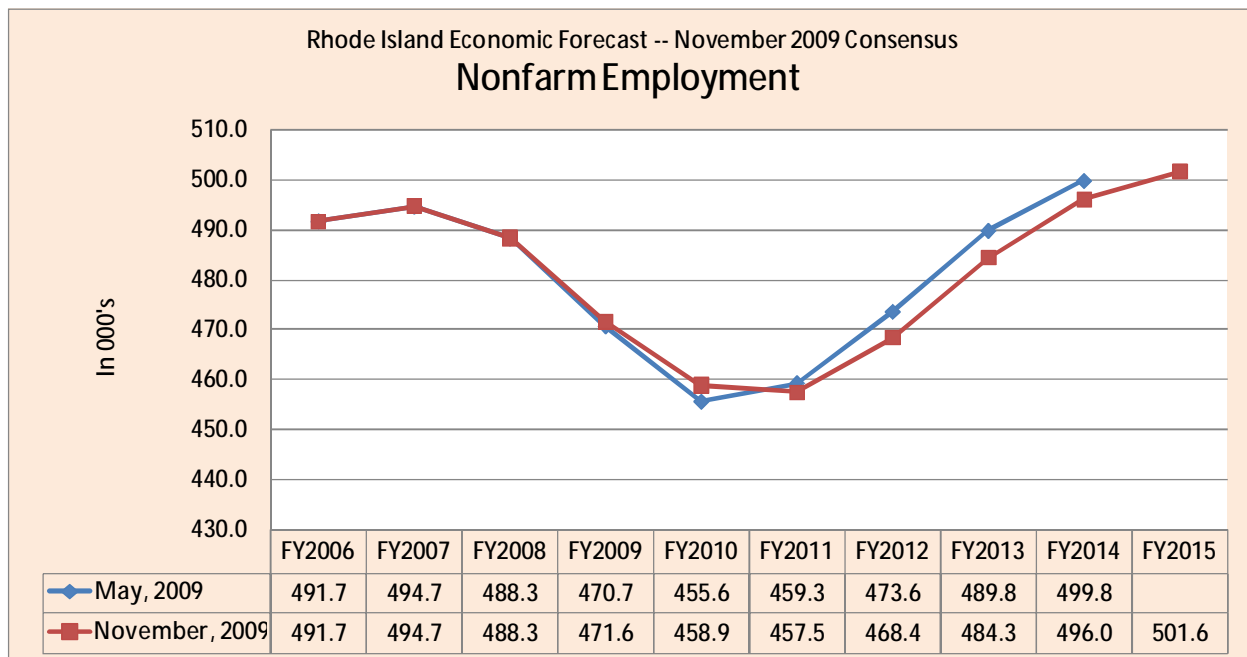
## Consensus Economic Forecasts

### Revenue Estimating Conference

**Complete Consensus Economic Forecast posted on Poverty Institute Website.**

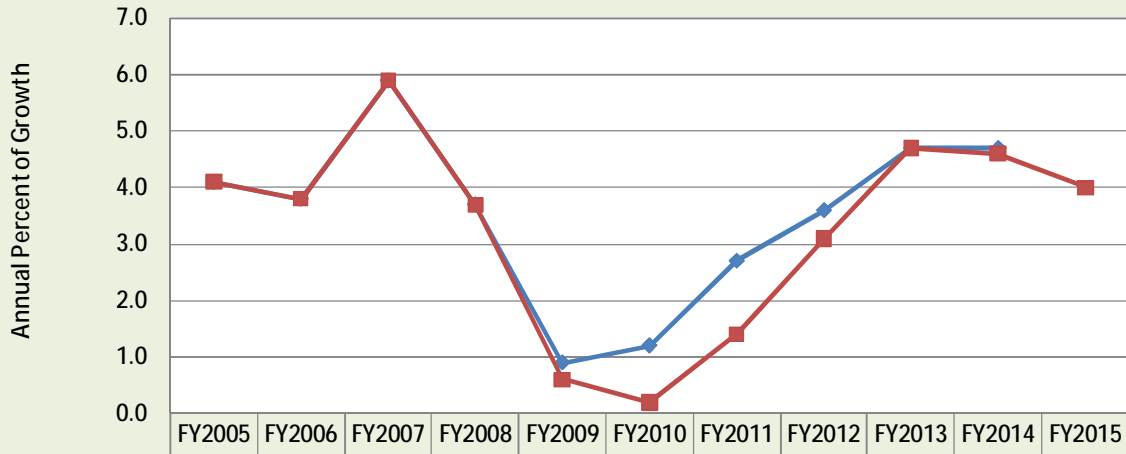
By law the Revenue Estimating Conference is to adopt a Consensus Economic Forecast which becomes a basis for the revenue estimates. The Conference estimates: Nonfarm Employment; Nonfarm Employment Growth; Personal Income; Personal Income Growth; Wage and Salaries Income Growth; Dividends, Interest and Rent Growth; Unemployment Rate; Consumer Price Index; Ten Year Treasuries Rate; and Three Month Treasuries Rate.

The Conference adopted a forecast which is more pessimistic especially about the potential of recovery than the adopted forecast made in May, 2009. As can be seen in the graph below Nonfarm employment will bottom out in FY2011 not FY2010 as estimated in May, 2009. Employment will remain below the previous estimate for the entire forecast period. Similarly the rate of Personal Income growth is significantly below that forecast in May, with the FY2010 rate of a meager 0.2%, down from 1.2% (see below). The current forecast has the Unemployment Rate peaking at 13.4% in FY2010 up from the previous estimate of 12.0%. In November, 2009 it was forecast to peak at 9.3%. Unemployment will remain above thirteen percent during FY2011, and drop to 10.7% in FY2012.



Rhode Island Economic Forecast -- November, 2009 Consensus

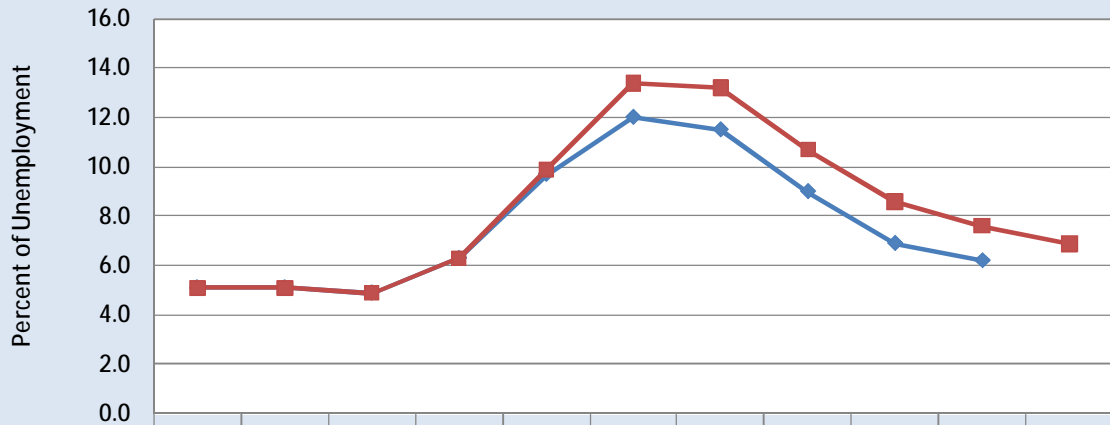
Personal Income Growth



May, 2009	4.1	3.8	5.9	3.7	0.9	1.2	2.7	3.6	4.7	4.7	
November, 2009	4.1	3.8	5.9	3.7	0.6	0.2	1.4	3.1	4.7	4.6	4.0

Rhode Island Economic Forecast -- November, 2009 Consensus

Unemployment Rate



May, 2009	5.1	5.1	4.9	6.3	9.7	12.0	11.5	9.0	6.9	6.2	
November, 2009	5.1	5.1	4.9	6.3	9.9	13.4	13.2	10.7	8.6	7.6	6.9