

Rhode Island Revenue & Caseload Estimating Conference

Economic Forecast & Employment Report

May 7, 2009

Global Insight – At past Conferences Global Insight presented data on the national and Rhode Island economy. They were not present at this conference. It has been explained that Global Insight would not be able to present the current monthly data.

Moody's / Economy.com

Andres Carbacho-Burgos, Economist

Complete Presentation posted on Poverty Institute Website

Rhode Island is less unique than in November, in that other states have now entered a recessionary period. Rhode Island's recession will eventually be as bad as the 1990's recession.

Rhode Island is not yet as badly off as in 1992. Job losses are currently less than it was in the 1991 and 1992. Rhode Island has also has been experiencing a continued loss in population. This appears to be slowing and may see a small increase post 2010.

But things are getting worse, and the downturn will be severe. The employment rate is significantly above the US rate during recessions. Wage income growth has gone into reverse and are forecast to continue to fall. Income growth will not pick back up until 2010, but will not reach a positive number until 2011. Debt performance deteriorates along with US. Household debt in delinquency and default is tracking with the US average but is higher than the other New England states.

The housing market is near bottoming out. After bottoming out in the next quarter, housing begins a long period of recovery in 2010. Housing starts will recover before home prices.

The jobs outlook is weak through 2010. So far Rhode Island had lost 30,000 jobs. This is expected to increase to 40,000 by mid 2010. Unemployment rate will top out at 12.3% in the first quarter of 2010.

Income growth will be slower than the US. 2010 income will see growth. Wage and salary growth will not recover as quickly as other sources of income.

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 unemployment rate is at its highest level (10.5%) in more than 30 years; the total number of unemployed in RI (59,500) is at an historic high; and our resident employment figure is down 40,000 from its peak in May 2007. It is encouraging that our unemployment rate was virtually unchanged during the first quarter of this year. It is too early to tell if this is a temporary lull or the beginning of a longer-term trend, but the February to March stability marks the first time on almost two years that our unemployment rate did not show an increase.

All of our claims data – initial claims, continued claims and final payments – are up significantly over the same period in 2008. These data are at levels we last saw in the late 1990's. Our Insured Employment rate is also up significantly over the last few years and has hit 6.0% for the first time since 1995. The dramatic rise in employer use of our Workshare program is an indication that many employers are doing whatever they can to cut costs during this slowdown.

We now have had twenty consecutive months of year-over-year job losses. And the job losses have been widespread, affecting weight of the ten major industry sectors. Our rate of year-over-year losses continued to accelerate over the last year and a half. We do have some reason to expect that we will be revising our job numbers up, at least a little, based on the fourth quarter 2008 trends in our tax data. And we can expect Construction employment to show some improvement this spring and summer as various stimulus funded projects get underway.

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 considerably more pessimistic than the adopted forecast made in November, 2008. As can be seen in the graph below Nonfarm employment will bottom out in FY2010, but with nearly 15,000 less jobs than what was forecast in November. Similarly the rate of Personal Income growth is significantly below that forecast in November (see below). The current forecast has the Unemployment Rate peaking at 12.0% in FY2010. In November it was forecast to peak at 9.3%

