



Rhode Island Revenue & Caseload Estimating Conference Economic Forecasts & Employment Report

Adoption of Rhode Island Forecast – At previous conferences a Rhode Island Economic Forecast has been adopted. This was not done because of the out-of-date nature of the two economic forecasts. Both economists indicated that their forecast will be revised, probably downward, in the next few days. The Conference decided to postpone its adoption of the economic forecasts on 7 November 2008.

Global Insight – Dave Iaia & Mike Lynch, US Regional Services

Economy is already in recession. What type of recession is the question? The risks are rising of a recession comparable to the worst since World War II. Three forecast scenarios are made. These are baseline, optimistic and pessimistic. The probability of each scenario is given. The risks are rising that it will be a deep recession, therefore closer to the pessimistic forecast. The probability of the pessimistic forecast is now 50%, up from 25% a month ago. The forecast that was presented was prepared in early October so it is therefore nearly a month old.

Summary of Rhode Island Forecast:

Employment – Rapid declines in total employment levels that began in early 2007 have shown no signs of letting up. Biggest story line has been the soaring unemployment rate.

Housing – Housing starts, sales, and prices have all plummeted over the past year and we expect declines to continue. Rhode Island recently recorded the 4th highest foreclosure rate on subprime loans, with 15.4% of all subprime loans in foreclosure by the 2nd quarter of 2008. Leading cause of Rhode Island's downturn was the housing and subprime market crisis.

Short Term Outlook – Rhode Island will close out the year with another poor quarter and several more thereafter. Real Estate markets will continue their period of free fall well into 2009, with little cause for optimism. There is little cause for optimism in the short term.

Where is the bottom? – Recovery is not immediately on the horizon. Regarding housing, the vicious circle of the real estate market and weak economy connection will be difficult to escape. The full recovery will not occur until 2013, with job losses being between 22,000 and 23,000 which is a loss of 4% to 5%. [Comment: Based on history this may be understated.]

**Moody's/Economy.com – Steve Cochrane & Andres Carbacho-Burgos,
Economists**

Rhode Island has led the way, leading the United States into a recession. This forecast is based on the late-September and early-October numbers. There is no longer just a risk of a recession, because there is already a global recession. The credit markets are not loosening up as hoped. The November forecast will not be as optimistic as this forecast. The November forecast will be available the first week of November, 2008.

Summary of Rhode Island Forecast

Employment – When payroll employment growth one year ago is compared to the three-month growth performance, Rhode Island is contracting and is the worse of any of the states in the northeast and middle Atlantic areas.

Basic Indicators – Employment and population are at their worst levels since 1991. Both service producing and goods producing employment are now falling. Service producing jobs had been growing. Most worrying is the financial sector. Wage and salary income in Rhode Island has halted.

Housing – The percentage of delinquency rates on first mortgages is higher than United States average, higher than CT and MA, and there does not appear to be any improvement soon. The cause of the high delinquency rates is that Rhode Island's median income was consistently under what was needed to purchase a home. Therefore many subprime loans were made.

Outlook – There will be a slow turnaround, with the jobs outlook weak through 2009. The banking sector will continue to lay off employees and not turn around until 2010. Income growth rate will be slower than the US rate.

RHODE ISLAND Department of Labor and Training – Robert J. Langlais, Assistant Director, Labor Market Information

Summary – Our State's unemployment rate (8.8%) has risen significantly this year as it rose to the highest in the nation in September. The total number of unemployed has risen to record high levels (50,200) as employers continued to shed jobs. The decline in the number of residents employed since last September (-25,300) represents our largest year over year decline on record.

There were more individuals filing for and collecting unemployment benefits compared with recent years. We have also seen a large increase in the number of people exhausting their unemployment benefits this year.

The national economic situation led the federal government to implement a federal emergency unemployment program providing up to 13 weeks of additional benefits to those who have exhausted their regular unemployment benefits. Rhode Island's own high unemployment has now triggered an additional 20 weeks of federal /state extended

benefits as well. (Comment: The total number of weeks that someone can now collect unemployment is 59 weeks [26 regular +13 federal + 20 federal / state = 59]).

The use of our Workshare program increased markedly in 2008. The number of initial claims filed and payments made under the program are up significantly this year. They are the highest levels since the program's inception in 1999.

The pace of the private sector job losses continued to increase in early 2008 before leveling off over the last few months. The job losses have been widespread throughout most sectors. Even employment levels in the Educational Services and Health Care & Social Assistance sectors, which had been dependable growth sectors, have been flat during 2008. Rhode Island has been hit much harder and was hit earlier than the rest of New England.

The only good news is that we expect to see some upward revisions in our employment estimates for the March through June 2008 period. While we will still be showing year-over-year declines, the rate of job loss will be slightly less than our original estimates indicated.