

Economic Decline In RI Expected To Continue

By Steve Peoples
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PROVIDENCE — The bottom may be in sight, but Rhode Island's economy will continue to fall deeper into recession before beginning to recover, according to Andres Carbacho-Burgos, an economist at Moody's Economy.com.

Another 10,000 Rhode Islanders will lose their jobs before the Ocean State hits rock bottom, which should be in "mid-2010," the economist told a panel of state government's top budget officials yesterday. He predicted that Rhode Island's 10.5 percent unemployment rate — already at its highest point in more than three decades — would peak at 12.3 percent.

"Right now, for 2009, we're forecasting that it's going to be a very bleak year for Rhode Island and the U.S.," Carbacho-Burgos said, describing the current conditions as "the worst economic downturn" since World War II. "Since modern economic history began in the 1940s, in terms of data tracking, this is the big one."

The dismal forecast does not come as a surprise for a state that was among the first to slide into recession and has since led the majority of states in negative economic indicators. The expectation, however, offered little solace to those gathered in the State House basement committee room yesterday.

The panel, brought together for the bi-annual Revenue and Caseload Estimating Conference, included the top budget officials for Governor Carcieri and both chambers of the General Assembly. By early next week, the group will decide exactly how much money the state can spend in the coming fiscal year.

That number — tied directly to the health of the economy — will determine how much is available for local education, public transportation, senior centers, the state's hospitals and health-care programs for the elderly and disabled.

In a sign of the significance of yesterday's discussion, organized labor and social service organizations were among those in attendance.

"I think we know now about when the end may be," Russell Dannecker, a fiscal policy analyst for Rhode Island College's Poverty Institute, said of Rhode Island's recession. "But I'm not sure if there's a great deal of light at the end of the tunnel."

It was not all bad news yesterday, however.

While a record number of Rhode Islanders are out of work — at least 59,500 people, Rhode Island no longer stands alone as having one of the most depressed economies in the country, according to Robert J. Langlais, assistant director of market information for the state Department of Labor and Training.

Indeed, after battling Michigan for several months for the unwanted distinction of the top unemployment rate, the Ocean State now is ranked as sixth worst, according to federal data. States that fared worse include Michigan (12.6 percent), Oregon (12.1 percent), South Carolina (11.4), California (11.2) and North Carolina (10.8).

Further, over the last year, Rhode Island's job losses aren't the worst in New England. Langlais reported that while the Ocean State lost 4.7 percent of its private-sector jobs between March 2008 and March 2009, Vermont lost 5.2 percent; the New England average was a 3.7 percent drop.

Additionally, Langlais noted that Rhode Island's unemployment rate didn't deteriorate between February and March, the first time in a 20-month stretch that the jobless rate didn't rise.

"It may be a sign that things aren't going to get extremely worse," Langlais said.

Carbacho-Burgos agreed.

"In general, you could say that in just a couple of months, another quarter or two at most, the worst should be over for Rhode Island," he said, explaining that the pace of decline should slow.

But that doesn't mean things will turn around right away. Housing prices, for example, won't begin to rise again "until 2011 at the latest," he said. "But, of course, it's going to be many, many years before they return to their boom levels of 2005 and early 2006."

The employment forecast is of particular interest to state budget officials, largely because the state income tax is Rhode Island government's largest revenue source.

When people lose their jobs, the state also loses income. And the worse it gets, the more pressure there will be on state lawmakers to cut spending or raise taxes to make up the difference.

"It's not a very rosy picture for the next year or two," said John Simmons, executive director of the business-backed Rhode Island Public Expenditure Council. "It could mean more reductions in programs or benefits. It could mean [higher] taxes."

House Fiscal Adviser Michael O'Keefe, among the most powerful budget officials in state government, described the economic forecast as "somewhat disappointing."

"There is a light at the end of the tunnel, but it's the oncoming train," he said. Economic snapshot

- Consumer borrowing plunged in March at the fastest pace in 18 years as Americans put away their credit cards and hoarded cash. The Federal Reserve said Thursday that consumer borrowing dropped 5.2 percent in March, the biggest decline since December 1990.

- General Motors moves a step closer to bankruptcy after it reports that it lost \$6 billion during the first three months of the year.

- New applications for jobless benefits plunge to the lowest level in 14 weeks, a possible sign that the massive wave of layoffs has peaked. Still, the number of unemployed workers getting benefits climbs to 6.35 million.