A Cautious Look at Rhode Island's Economy during a Period of Uncertainty and Political Flux

Taking Aim at Budgetary Issues

…and Each Other

Rhode Island Economic Inclusion Forum December 8, 2014

FDIC

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The Great Recession Ended One Era and began another. **It was Transformational. It not only Changed how the Economic and Political Systems Behaved, it Changed those Systems. The Economic Systems may have become Safer through Additional Regulation and Supervision, but Economies have become less Dynamic. Concurrently, Political Systems have become less Capable, and Societies more Fragmented, as the Outlook for Slower Growth Collides with Generational Pressures to Provide Incomes for the Old and Employment for the Young. Confidence is a Casualty.**

Stress has become a Common Denominator in this Point of View. The Great Recession was more than a Delimiter; it Initiated a Period of Intense Pressures, making Systems Susceptible to Institutional Crises. Institutions have been Weakened, as well as People's Faith in those Institutions.

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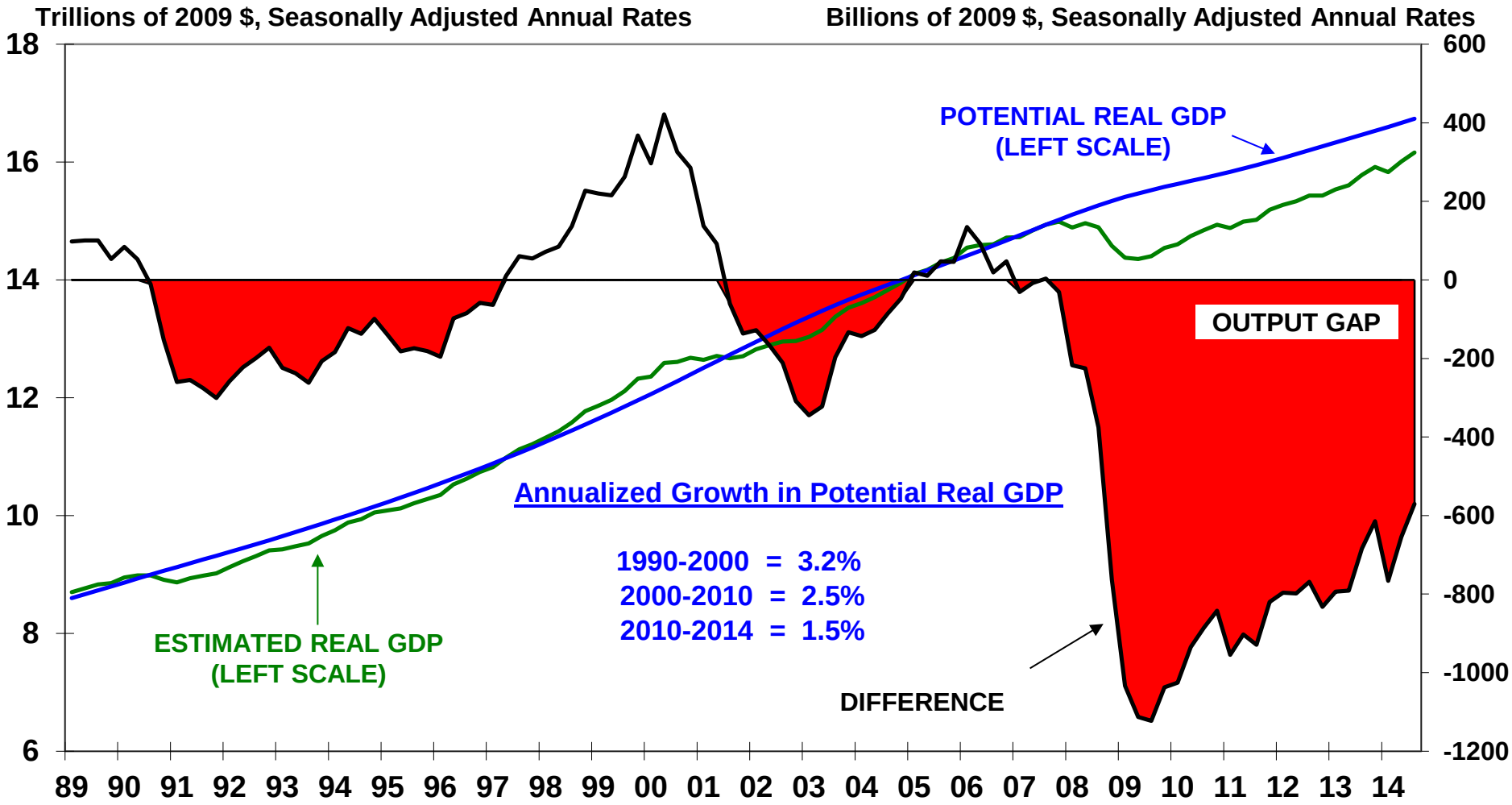
The Crash of 2008 and the Great Recession that followed Separated that Era from this one as their Ongoing Legacy



Sources: Bureau of Economic Analysis, Congressional Budget Office, Haver Analytics

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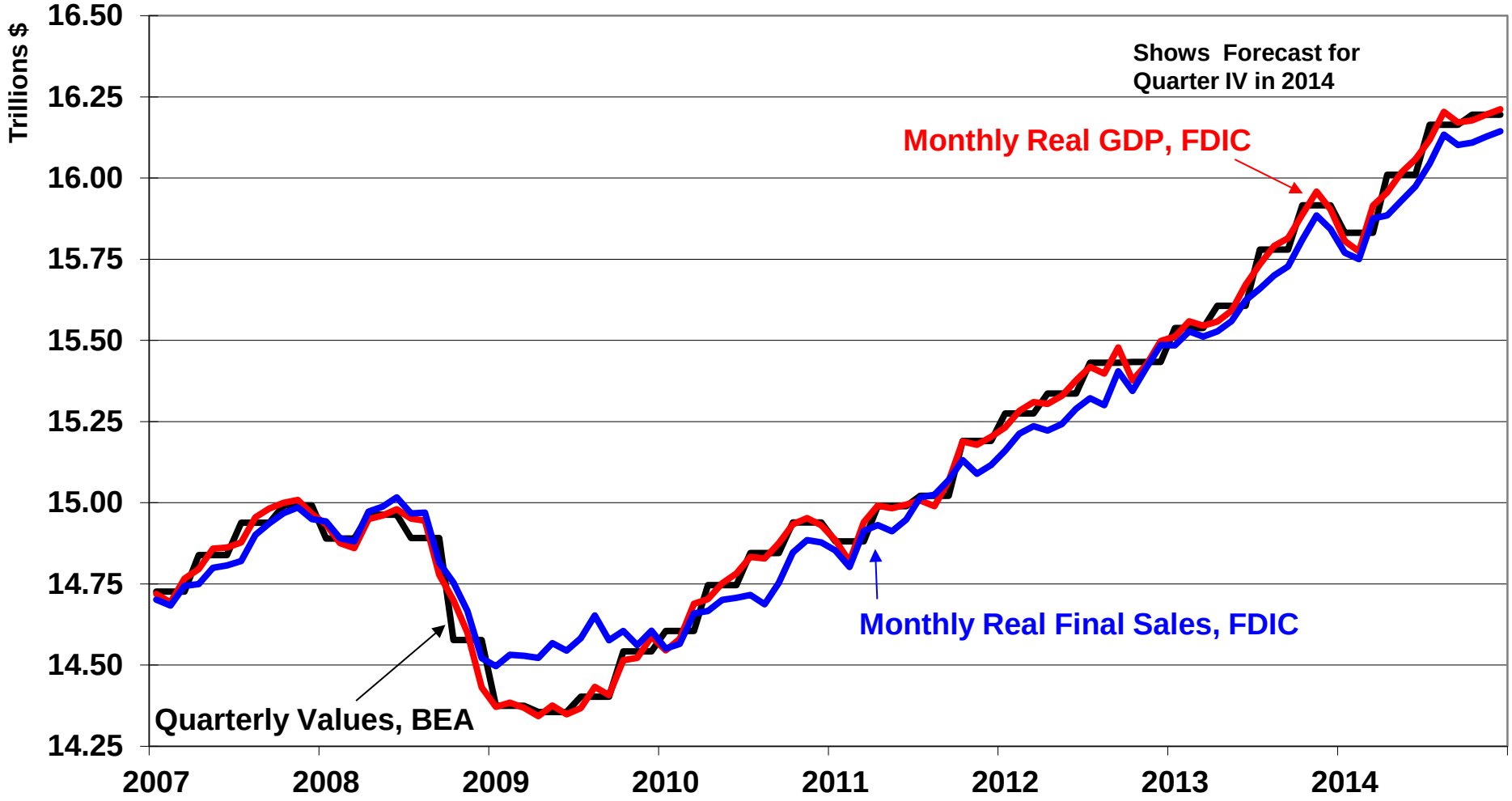
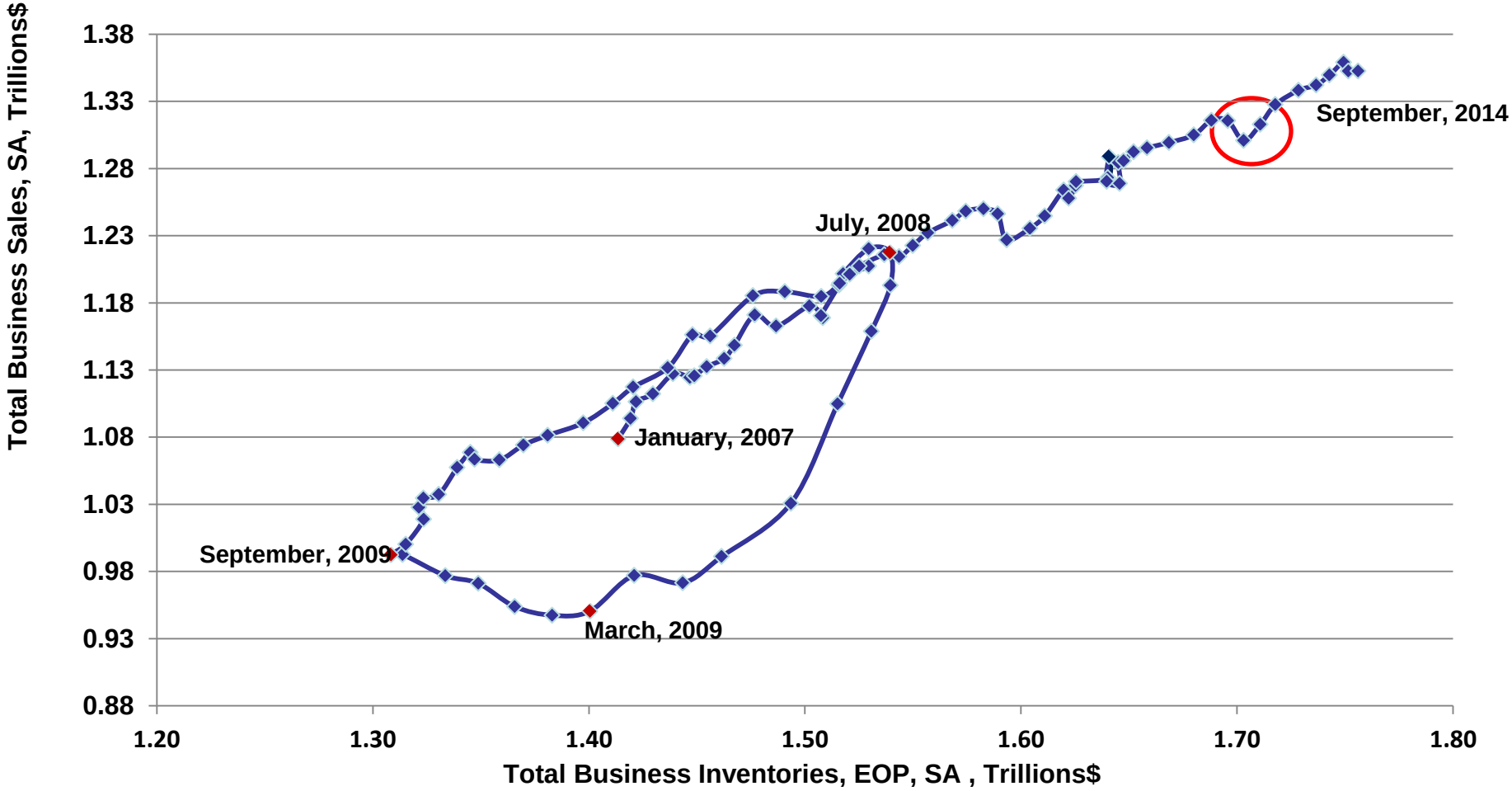
Slow Economic Growth may be the "New Normal"— Q1 Weakness Led to Gains in Q2 and Q3, but not in QIV



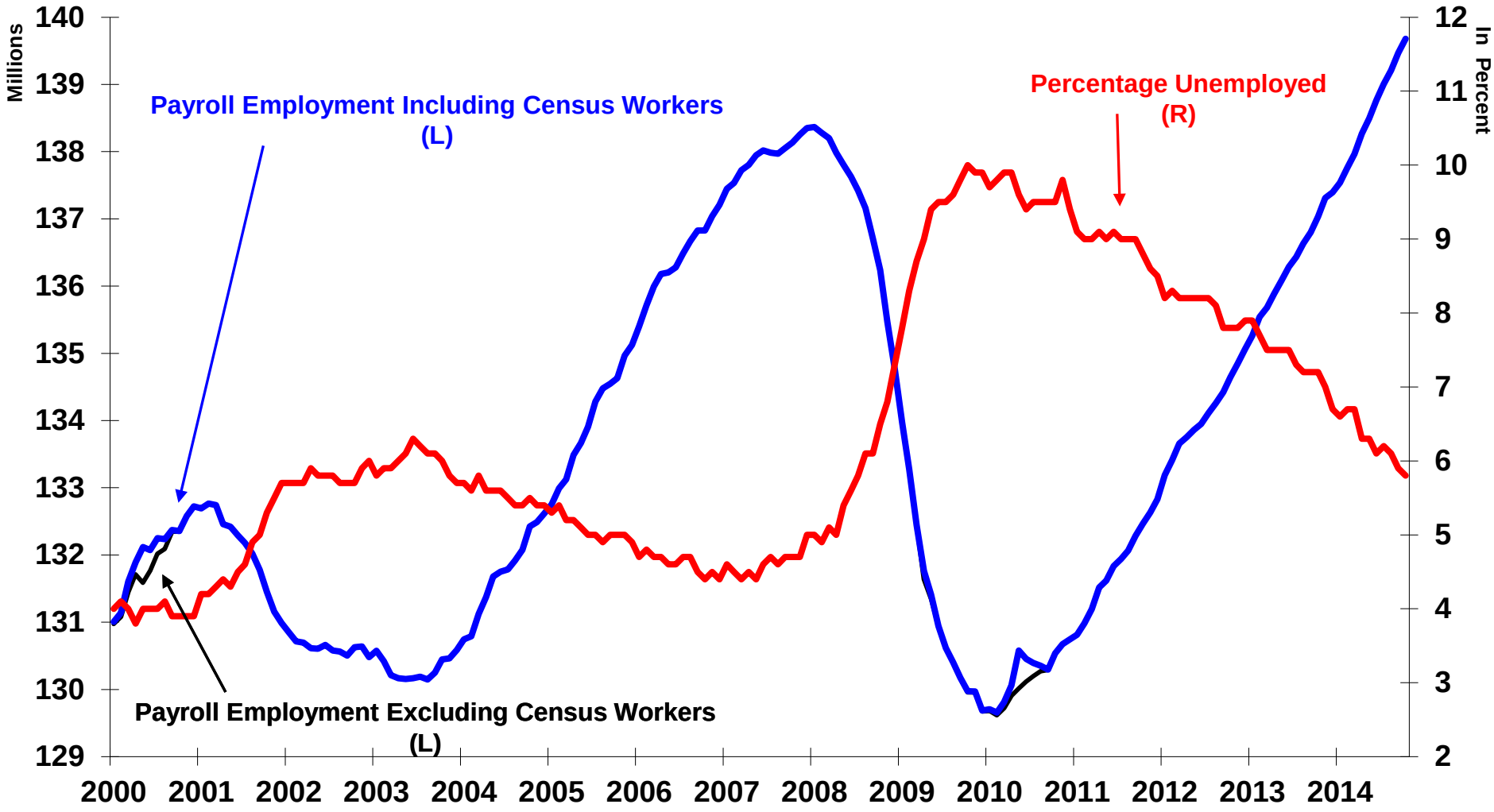
Sources: BEA, FDIC, Haver Analytics

Businesses Had a Particularly Weak January, but a Strong Spring Compensated for the Shortfall



Sources: Census Bureau, Haver Analytics

Although Recent News about Employment has been Improving, People are still Worried about Jobs



Source: Bureau of Labor Statistics, Haver Analytics

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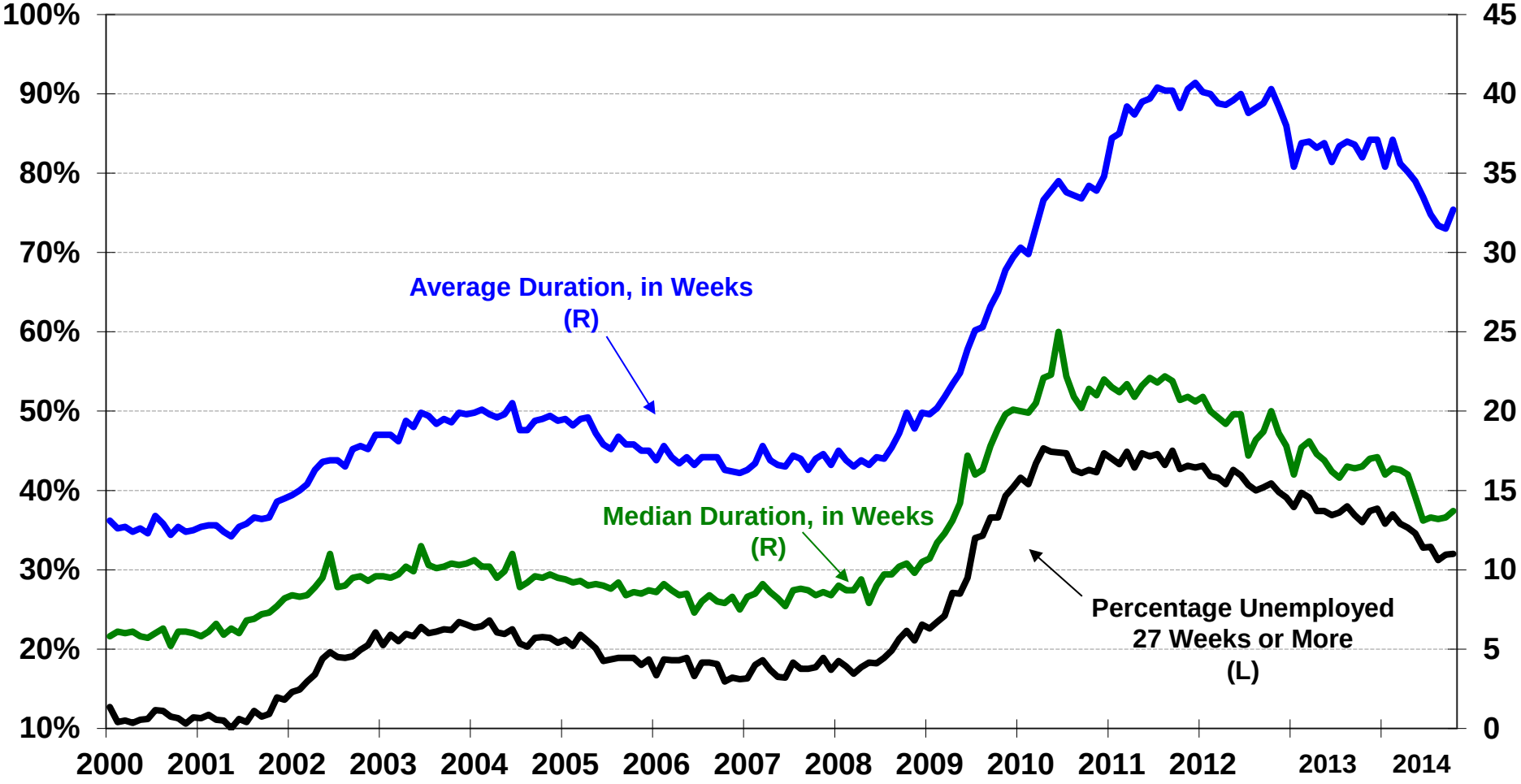
Many Unemployed have been so for a Long Time; Duration had been Declining, but may be Plateauing



Source: Bureau of Labor Statistics, Haver

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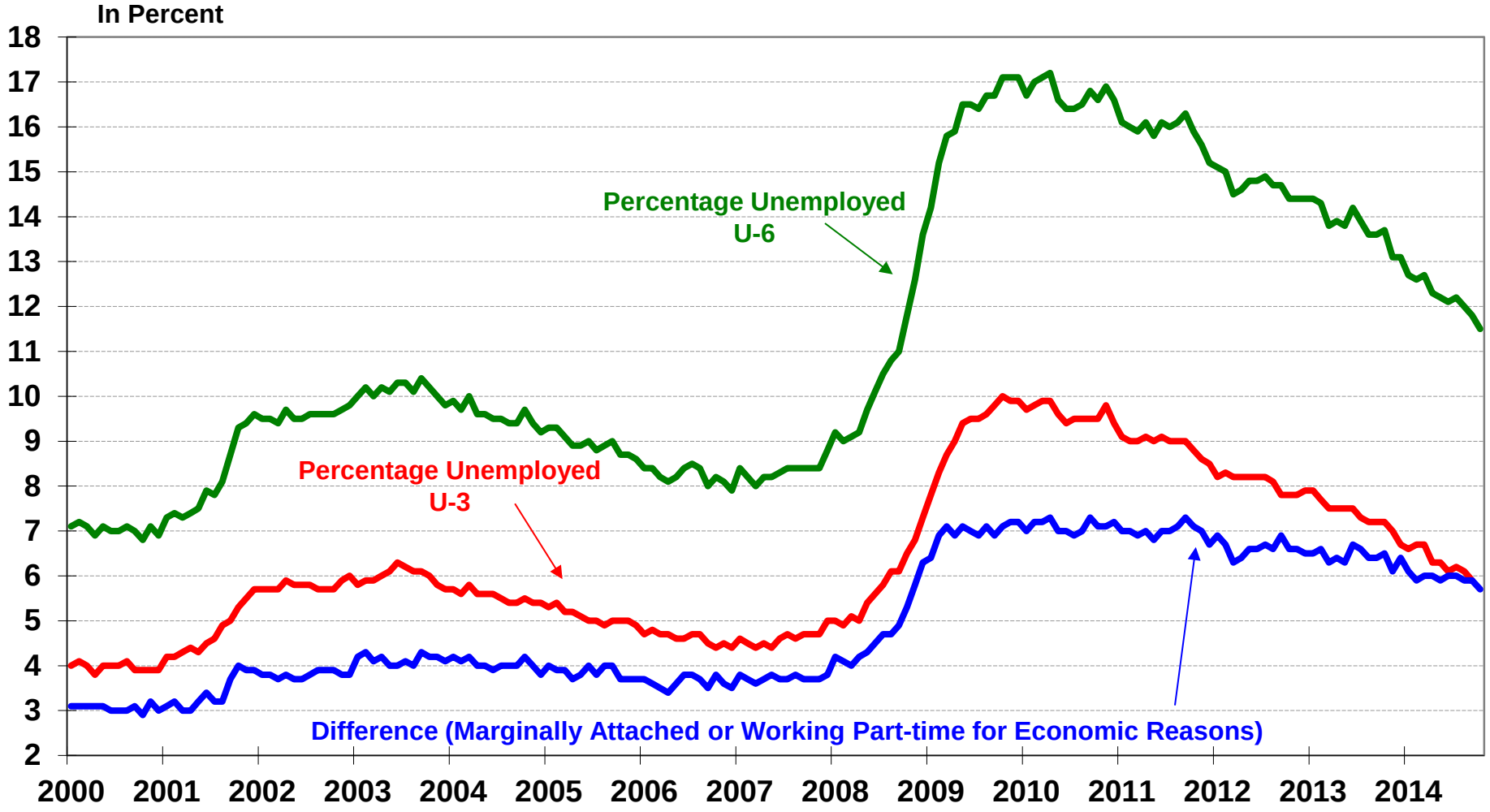
Those Discouraged or Under-employed are Making Less Progress than Others in the Civilian Labor Force



Source: Bureau of Labor Statistics, Haver Analytics

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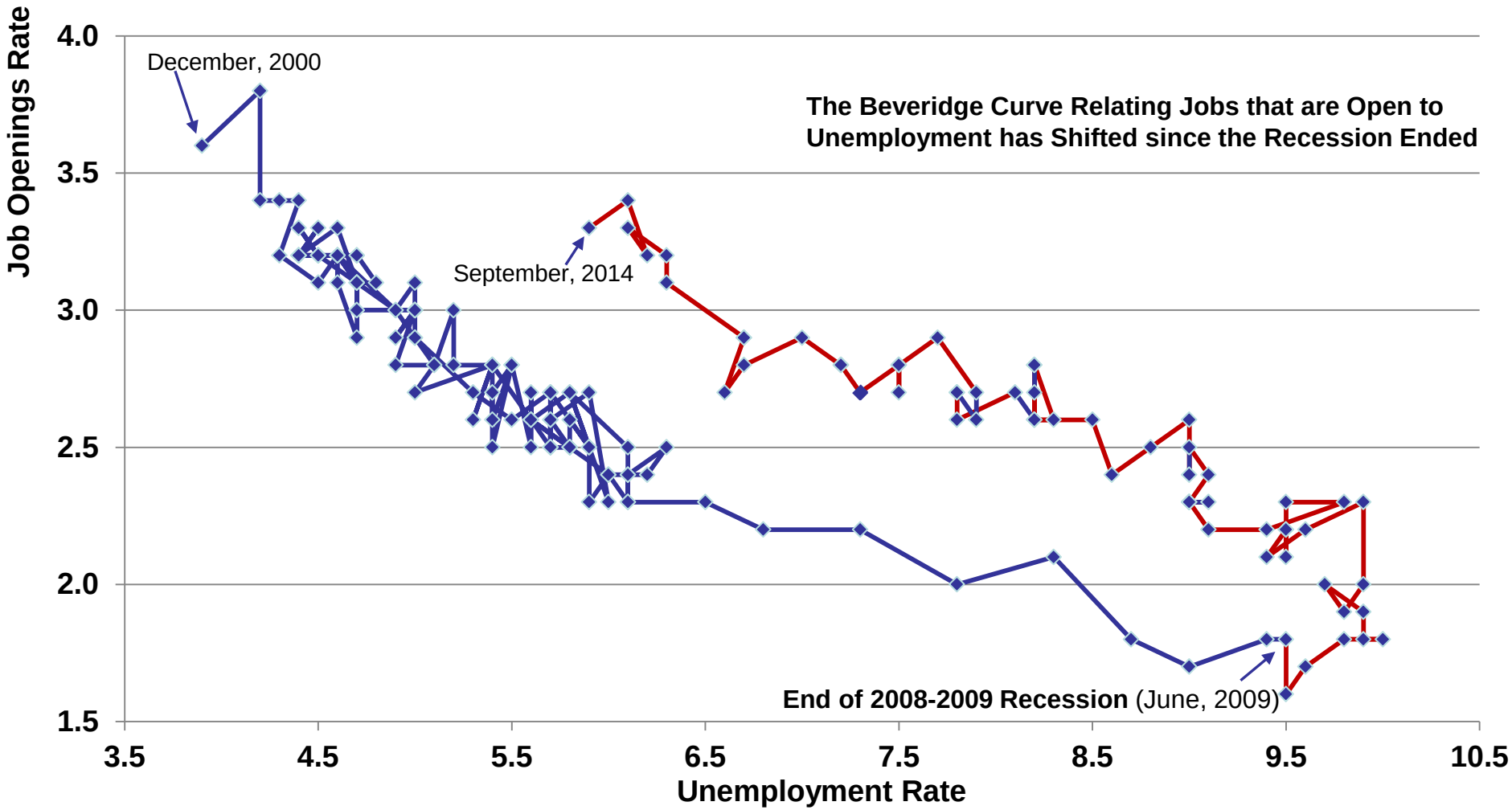
A Shift in the Job Openings/Unemployment Relationship is Evident following the Recession



Source: Bureau of Labor Statistics, Haver Analytics

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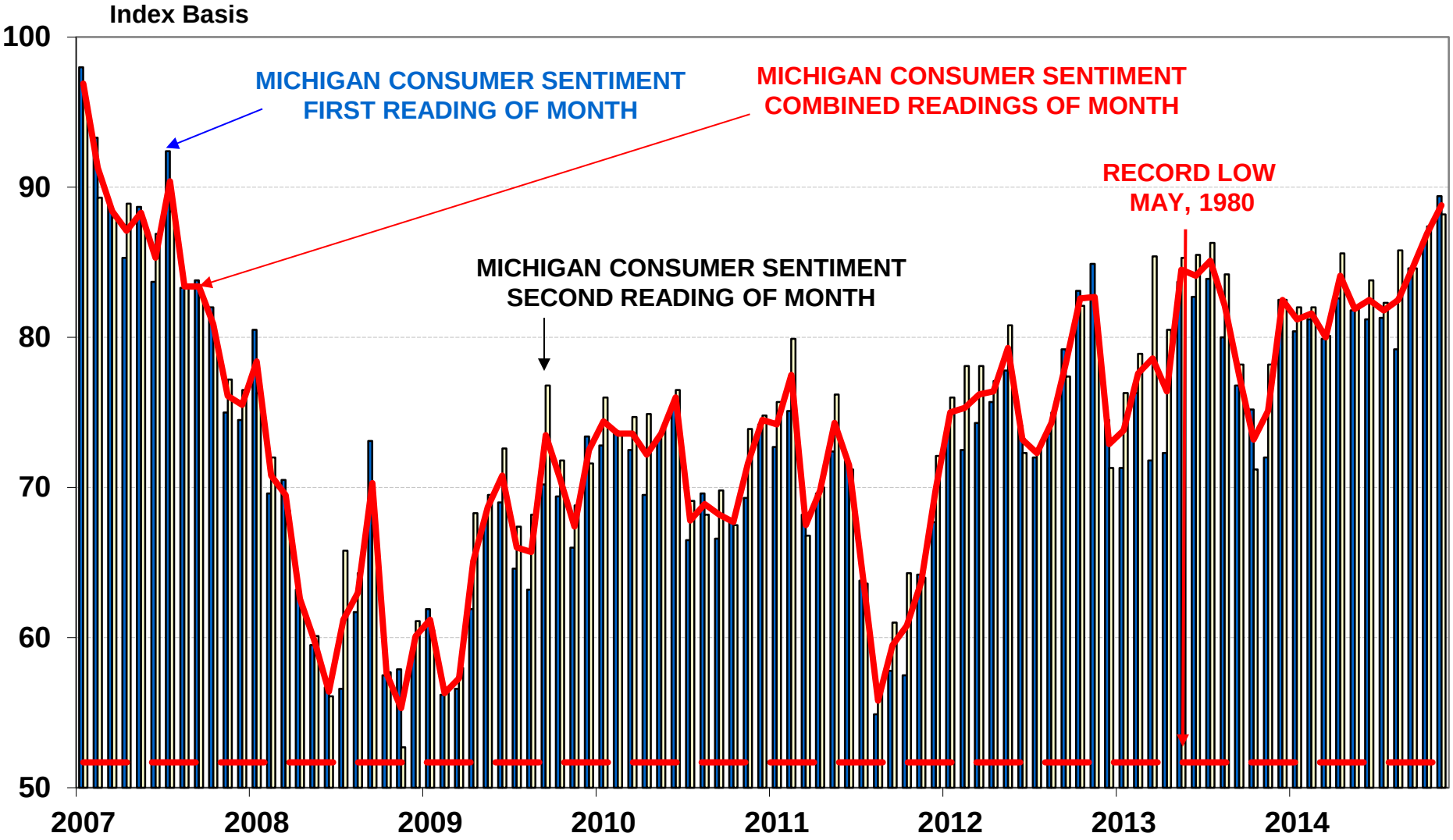
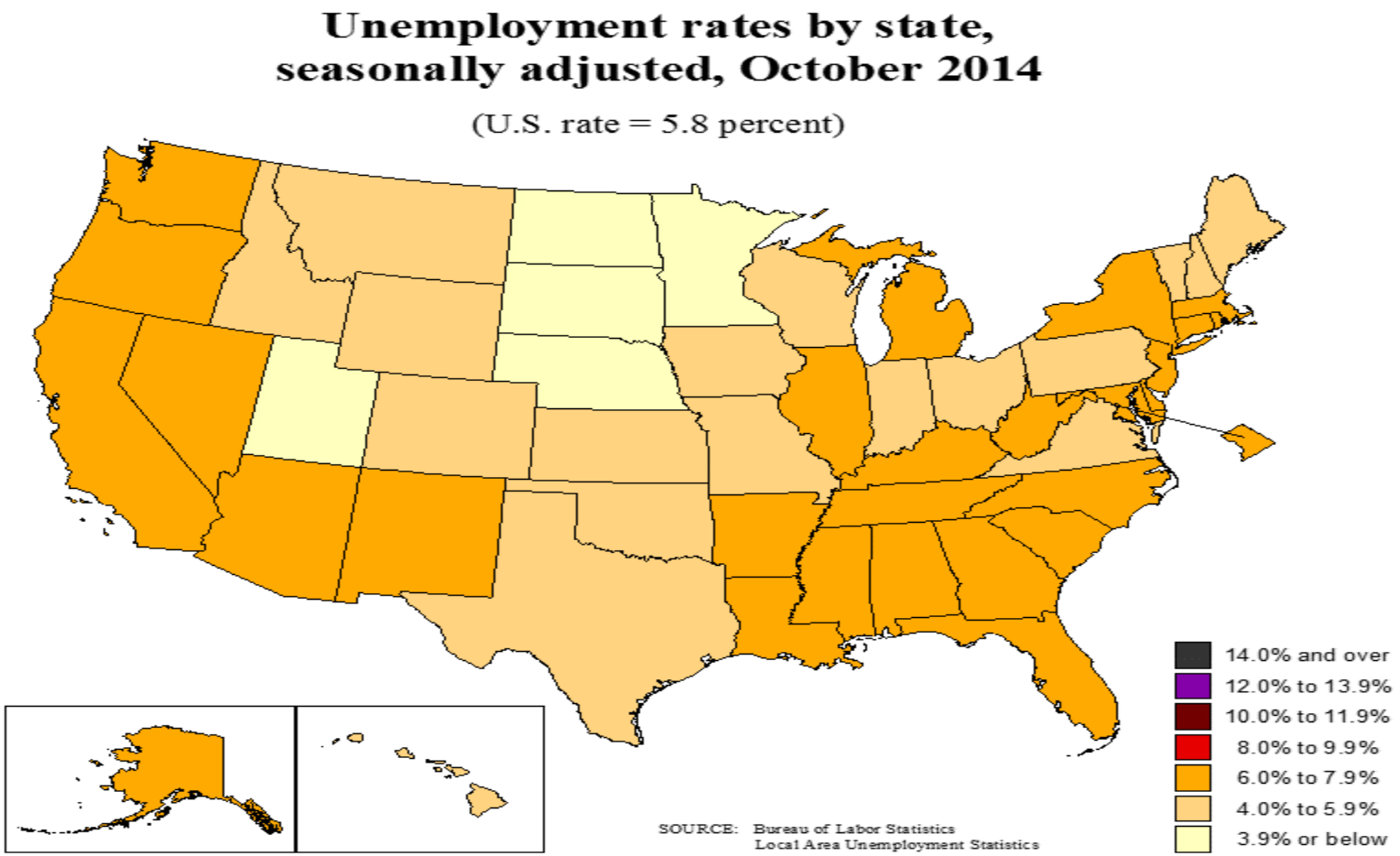
Consumer Confidence is Up and Slowly Rising



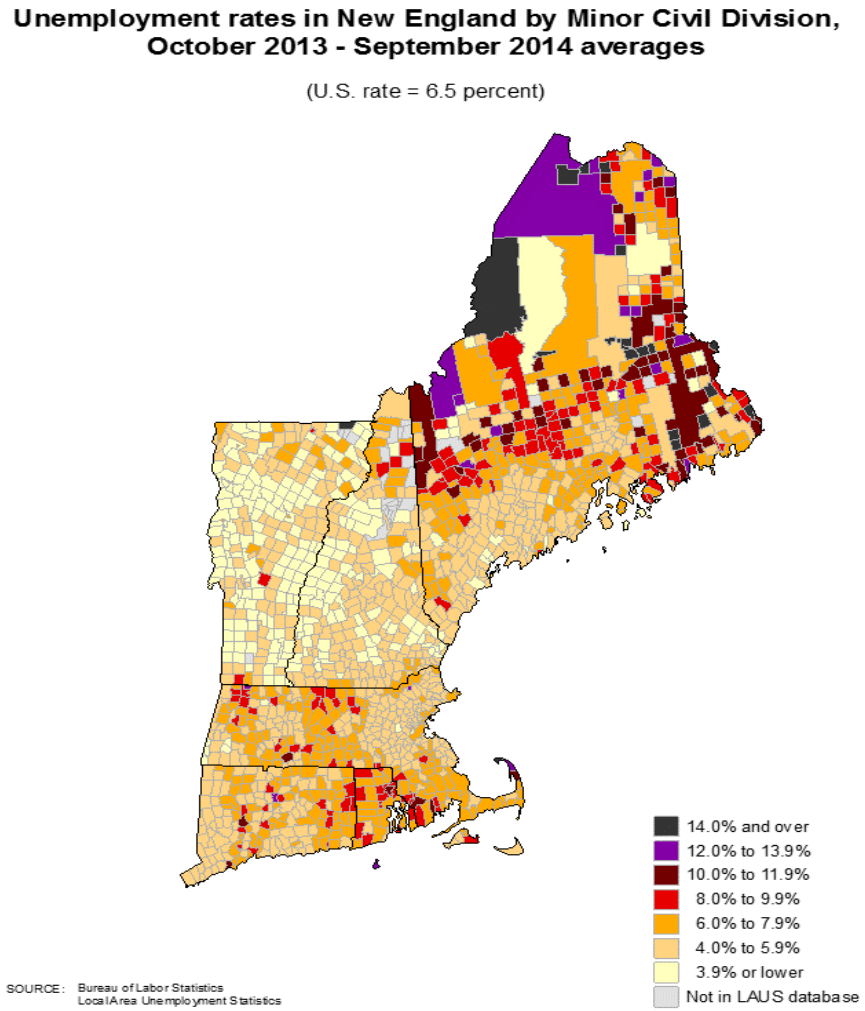
Source: University of Michigan Survey of Consumers, Haver Analytics

Unemployment is Returning to more Normal Levels; also in Rhode Island, which is Highest in the Region



Source: Bureau of Labor Statistics

This is a View of New England using Detailed BLS Data



Source: Bureau of Labor Statistics

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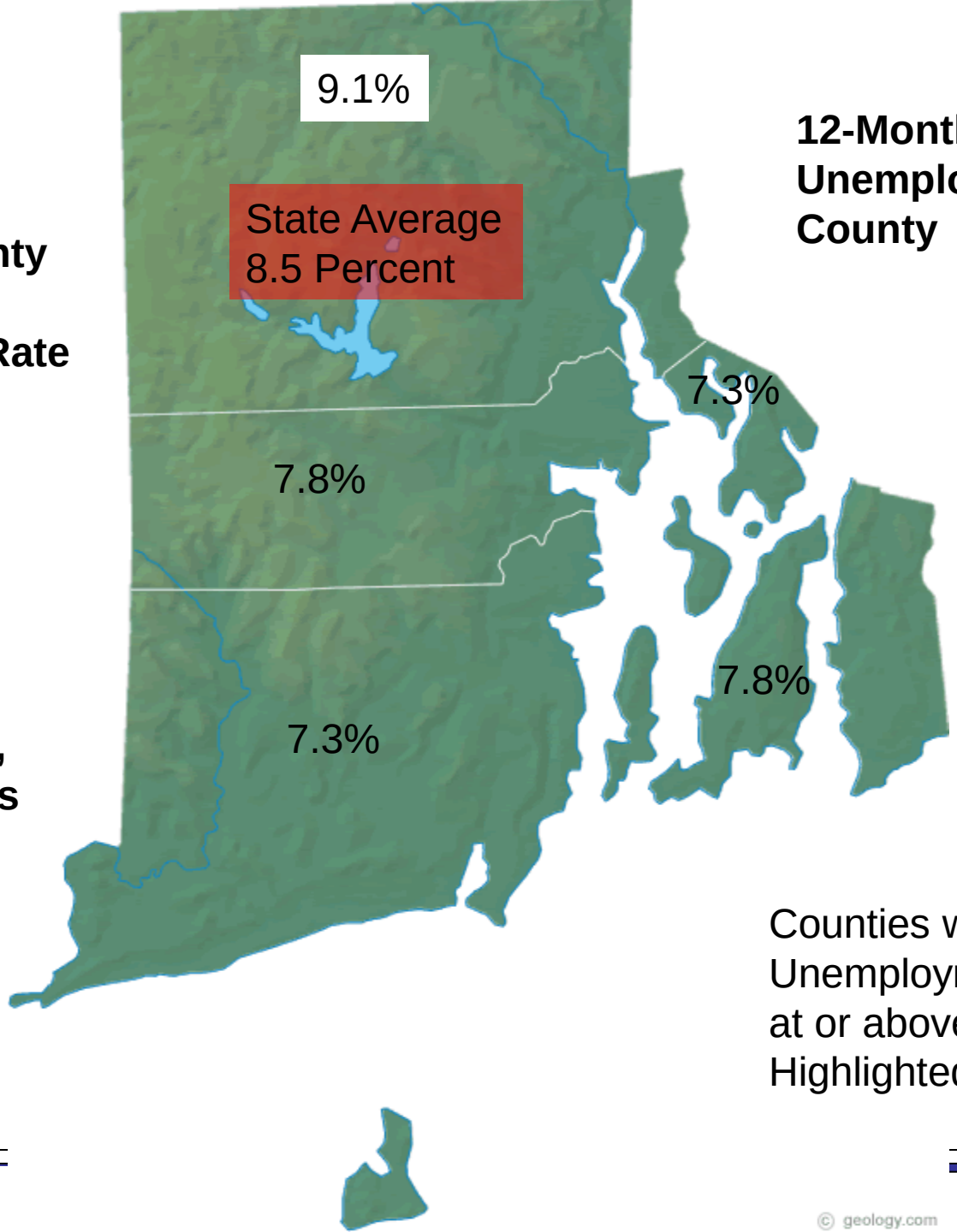
Providence County has the Highest Unemployment Rate In Rhode Island

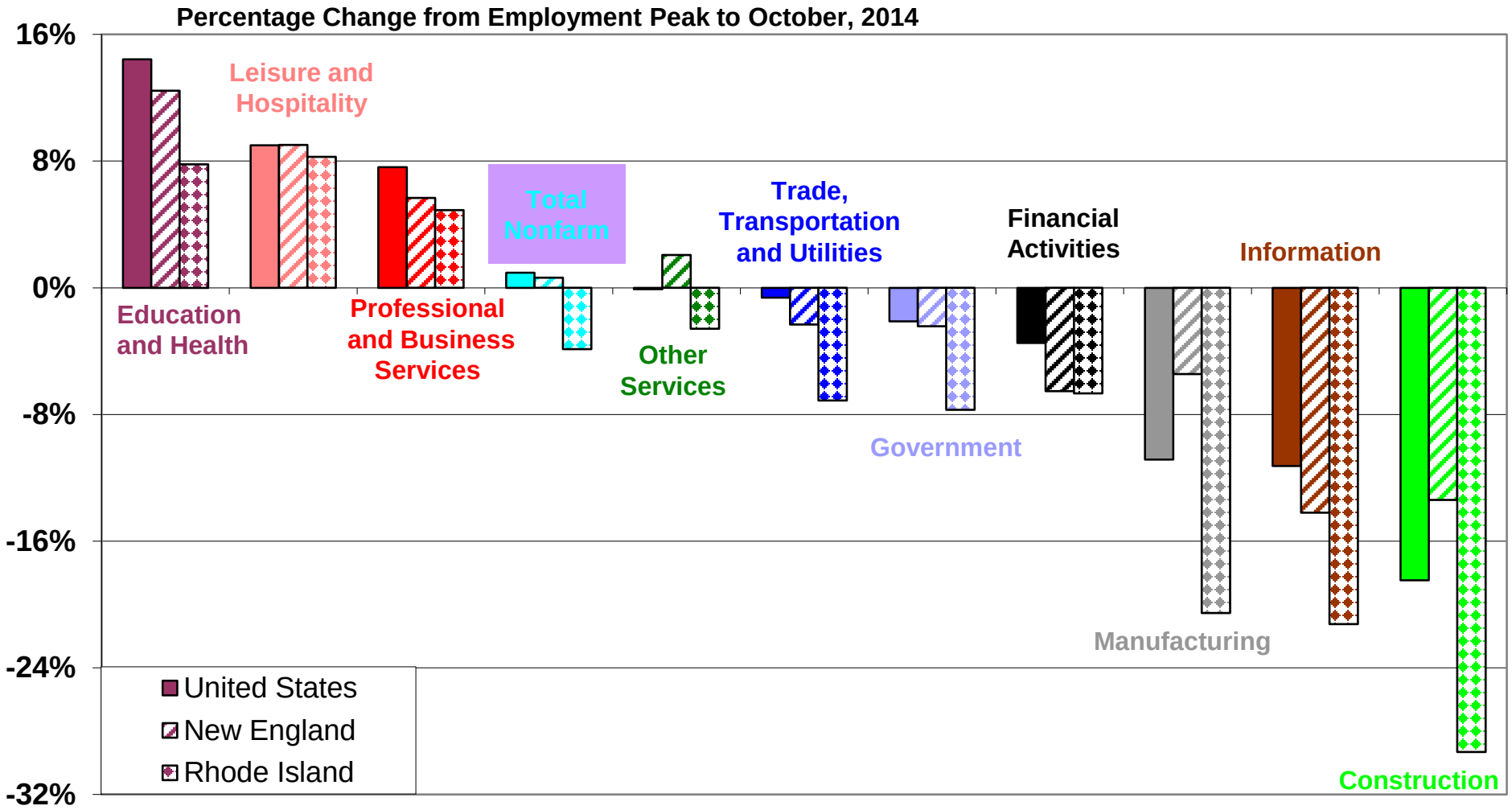
12-Month Averages of Unemployment Rates by County



Sources: BLS, Haver Analytics

Counties with 12-month Unemployment Rates at or above 9.0 Percent Highlighted in White

Rhode Island has Lagged New England and the Nation in Terms of Recovering Jobs Lost



Source: Bureau of Labor Statistics, Haver Analytics

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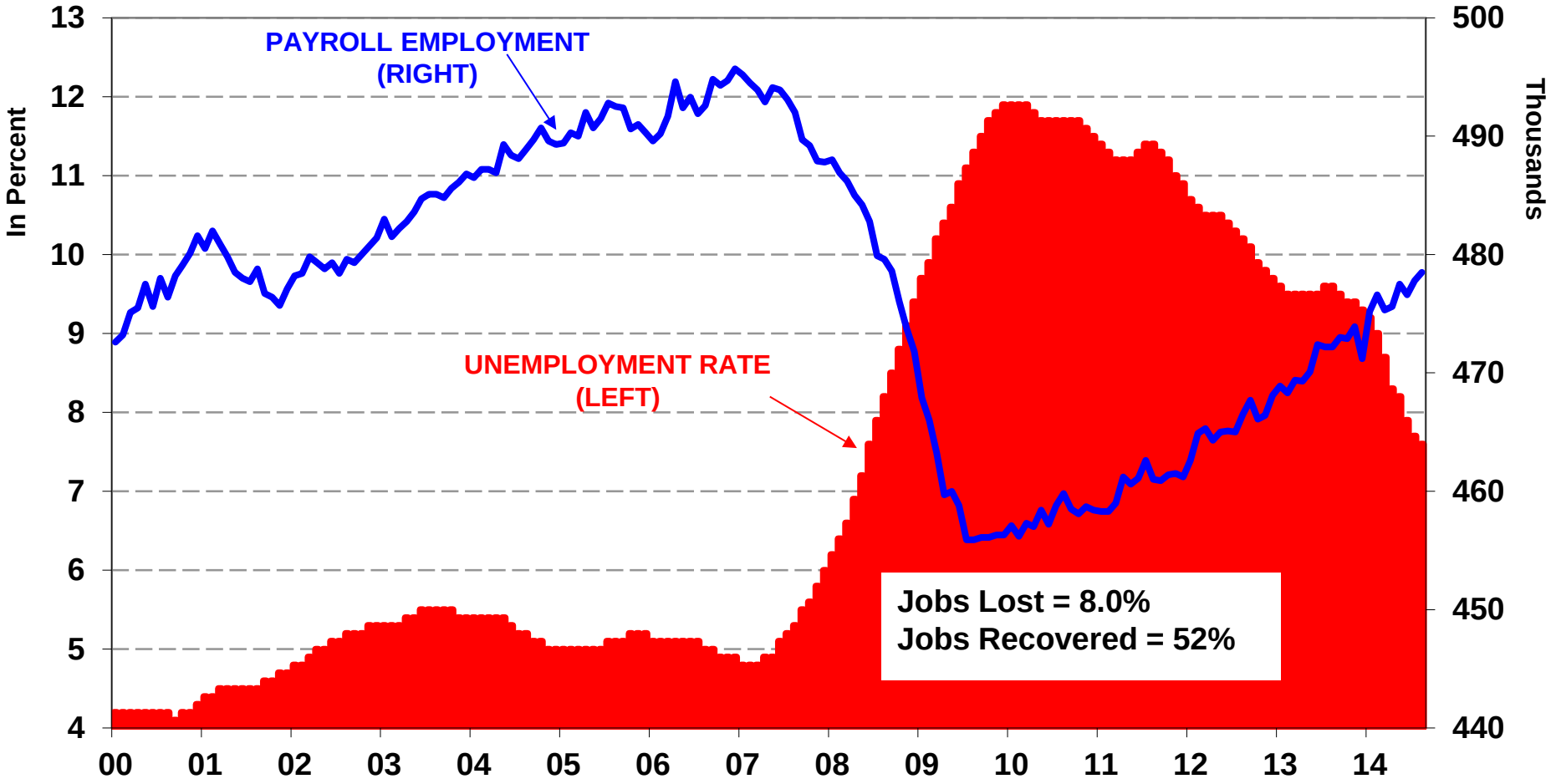
Rhode Island Lost 8.0 Percent of Its Jobs and as of now has Recovered slightly more than One-half



Source: Bureau of Labor Statistics, Haver Analytics

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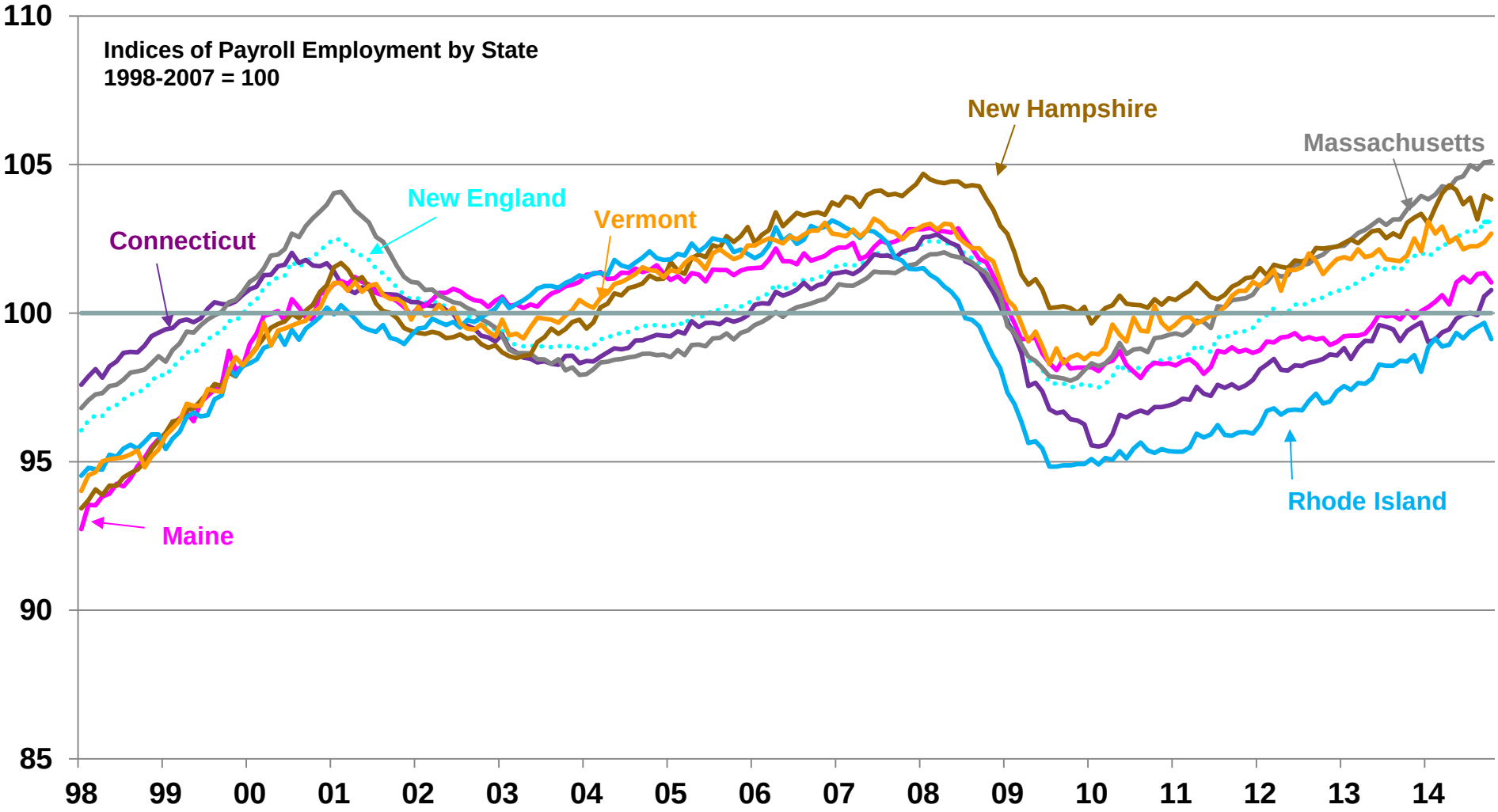
In New England, Massachusetts, New Hampshire and Vermont are Strongest Relative to their History



Source: Bureau of Labor Statistics, Haver Analytics

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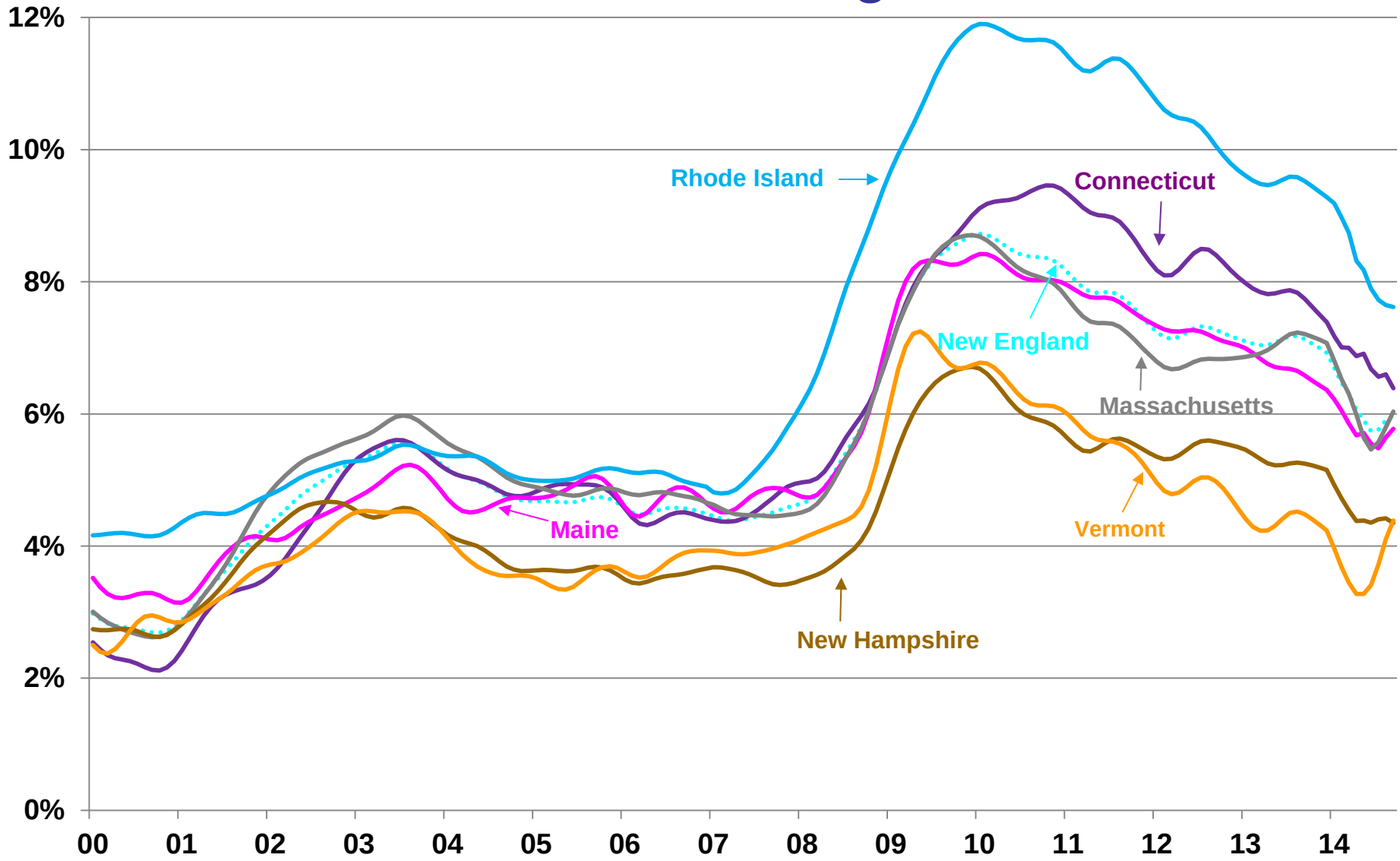
Unemployment Rates Provide a Similar View within New England



Source: Bureau of Labor Statistics, Haver Analytics

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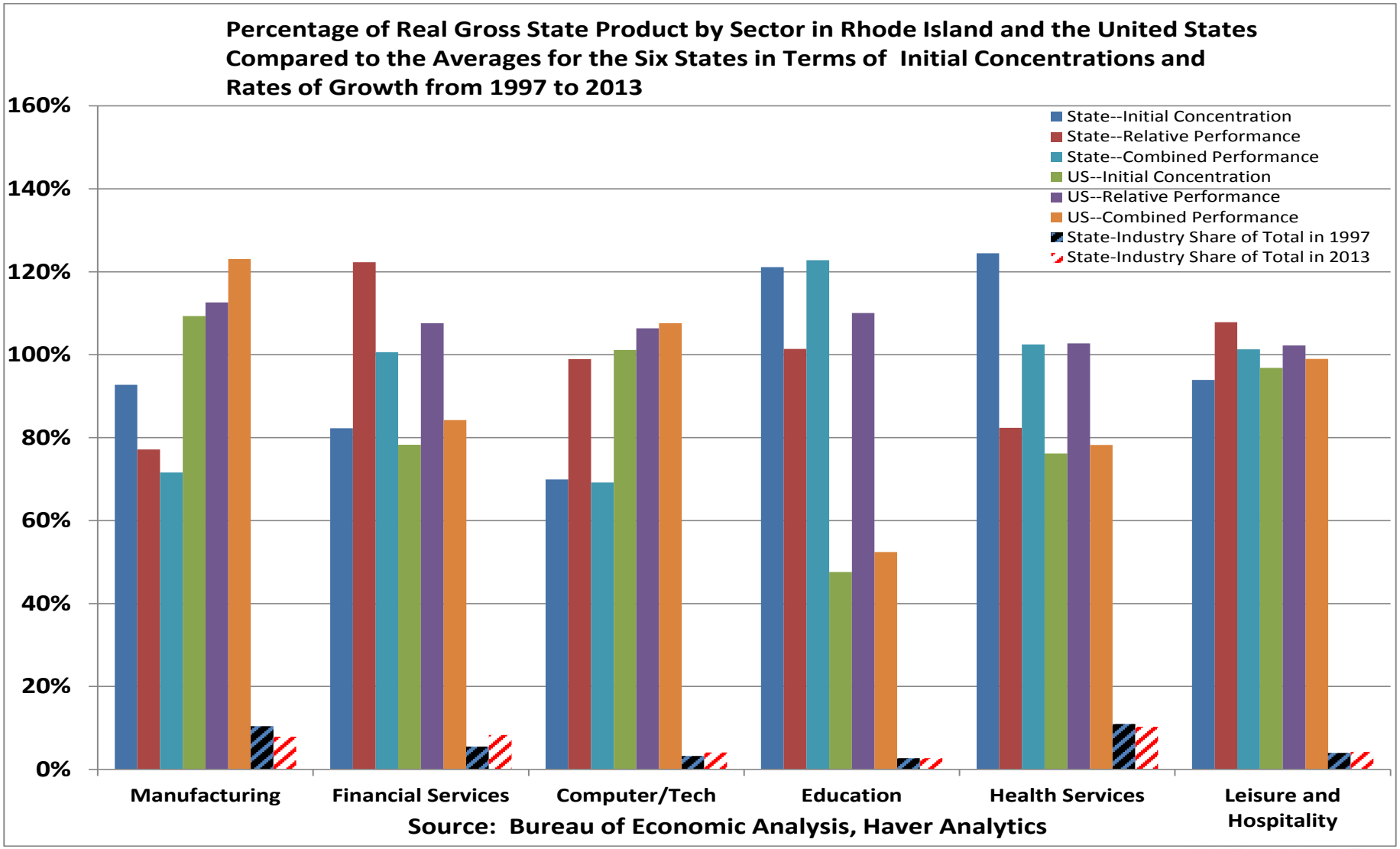
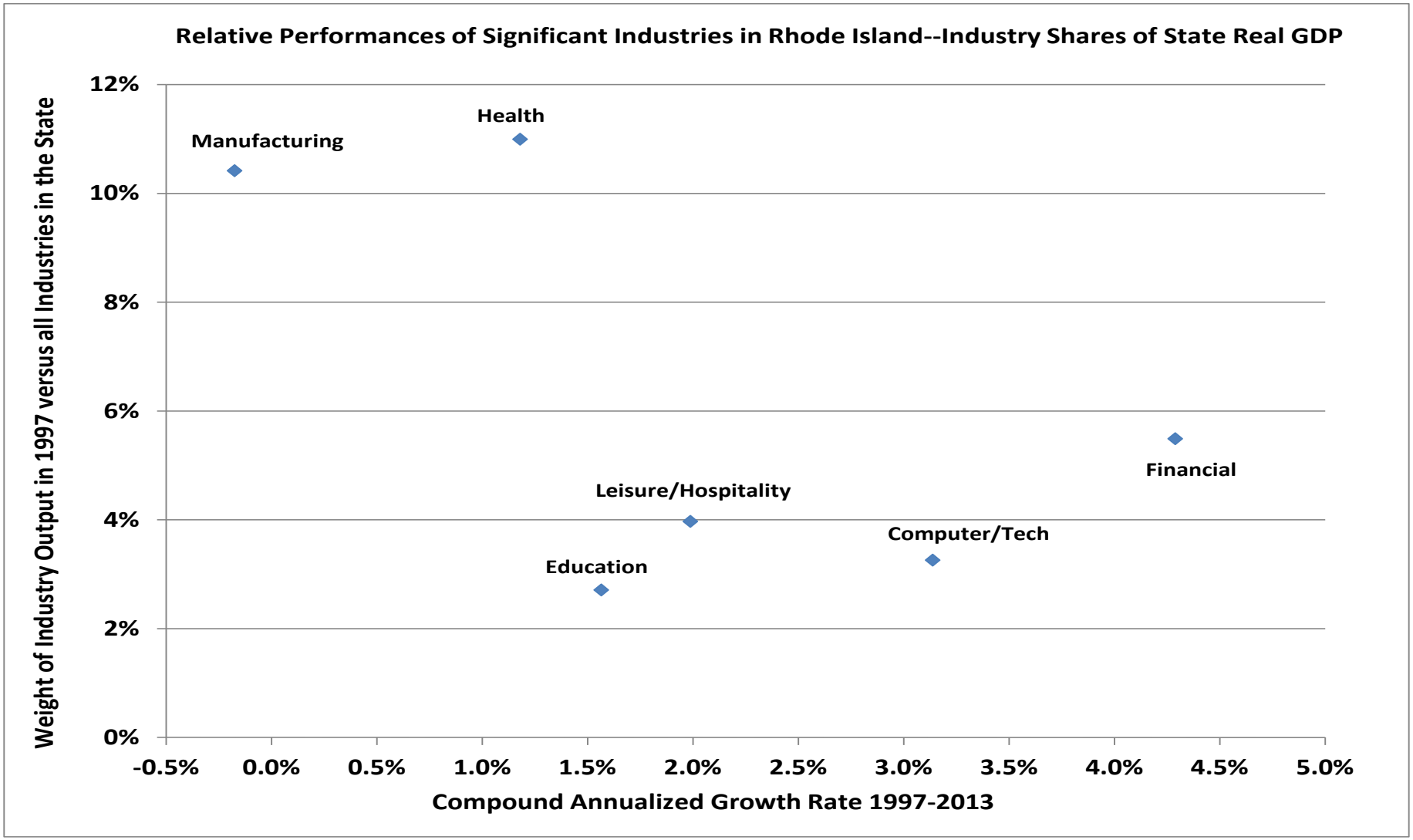
A Question for Rhode Island, "How Good Are We?"



More on the Subject…



Source: Bureau of Economic Analysis, Haver Analytics

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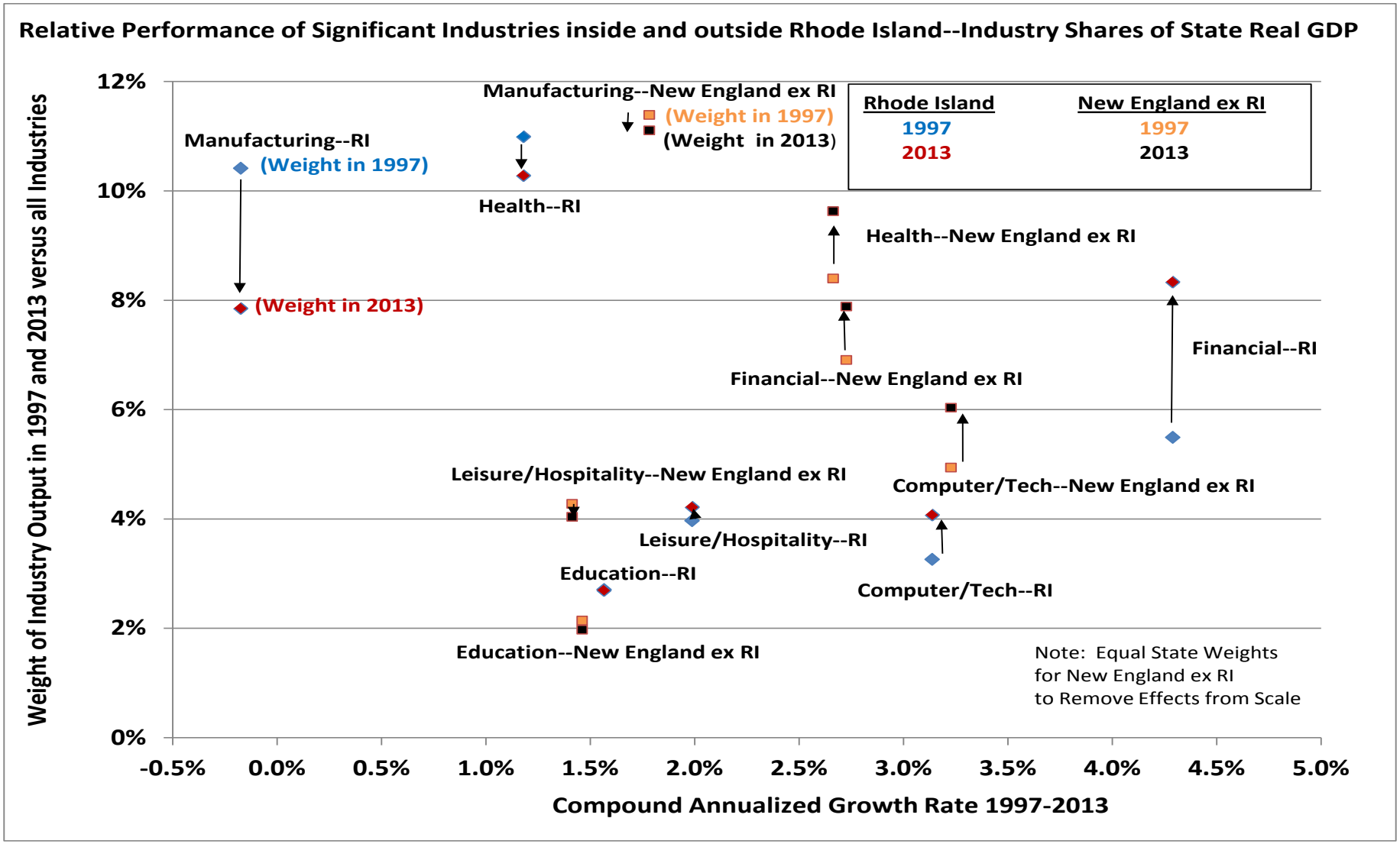
More on the Subject with added Comparisons



Source: Bureau of Economic Analysis, Haver Analytics

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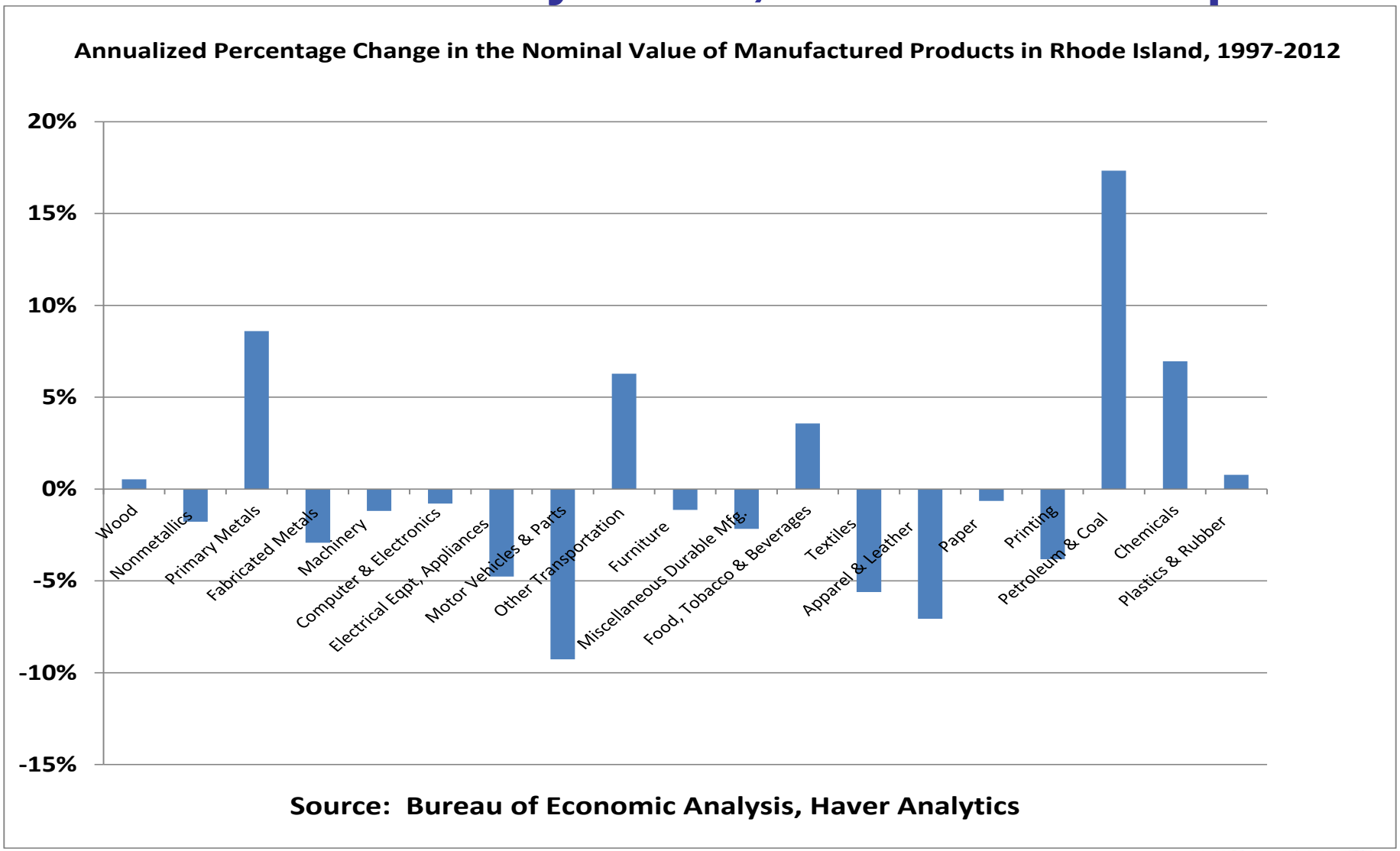
Manufacturing in Rhode Island has been under Pressure for many Years; Ethanol has helped.



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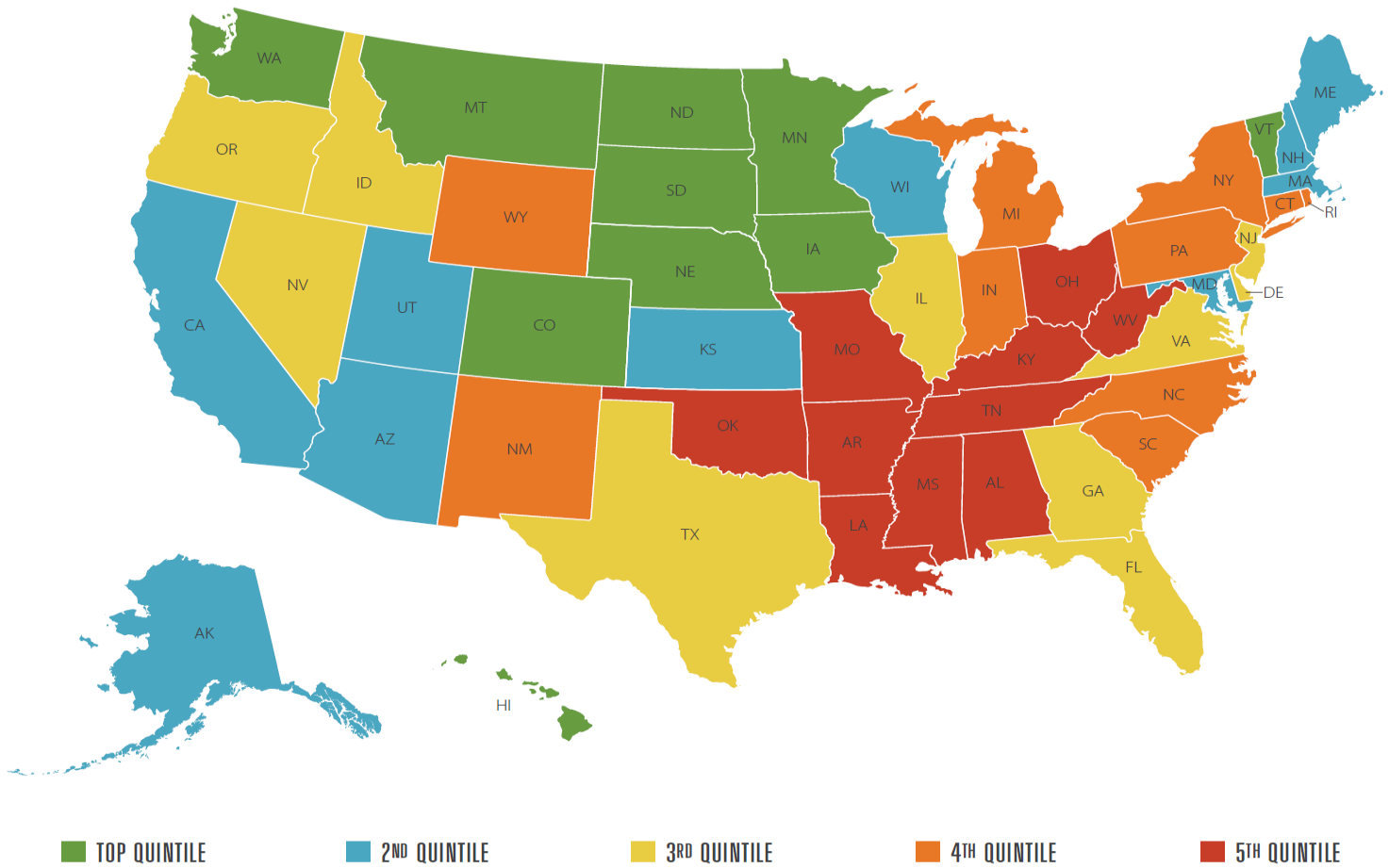
There are Broader Measures of Well-Being by States, such as this Recent Representation from Gallup



A Look at the Sub-Indices Involved with Well-Being

States with the Highest and Lowest Scores on the Well-Being Sub-Indices

Well-Being Sub-Indices	Highest	Lowest
Life Evaluation	Nebraska	West Virginia
Emotional Health	Alaska	West Virginia
Work Environment	North Dakota	Mississippi
Physical Health	North Dakota	West Virginia
Healthy Behavior	Vermont	West Virginia
Basic Access (Medical)	Massachusetts	West Virginia

Gallup-Healthways Well-Being Index, 2013

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Note: Puerto Rico now is Receiving Special Attention

Puerto Rico Hires Cleary Gottlieb

By Emily Glazer and Mike Cherney

Puerto Rico's finance arm hired restructuring lawyers at Cleary Gottlieb Steen & Hamilton LLP in recent weeks, people familiar with the matter said, as the troubled island battles a weak economy and perpetual budget deficits. It is unclear what Cleary Gottlieb's role will be for the Government Development Bank for Puerto Rico, which announced in early March it is working with a unit of restructuring adviser Millstein & Co. to analyze its liquidity, debt load and cash flow as it tries to boost its finances.

Puerto Rico finance officials have said they intend to honor their obligations and are working to eliminate the island's budget deficit for the coming fiscal year.

Even so, many investors remain concerned about the outlook for the commonwealth, which has roughly $70 billion in debt. Puerto Rico last month completed a $3.5 billion bond sale that people familiar with the matter said has bought it another year before it faces any immediate restructuring concerns.

The Wall Street Journal **April 8, 2014**

Setting Monetary and Fiscal Policies

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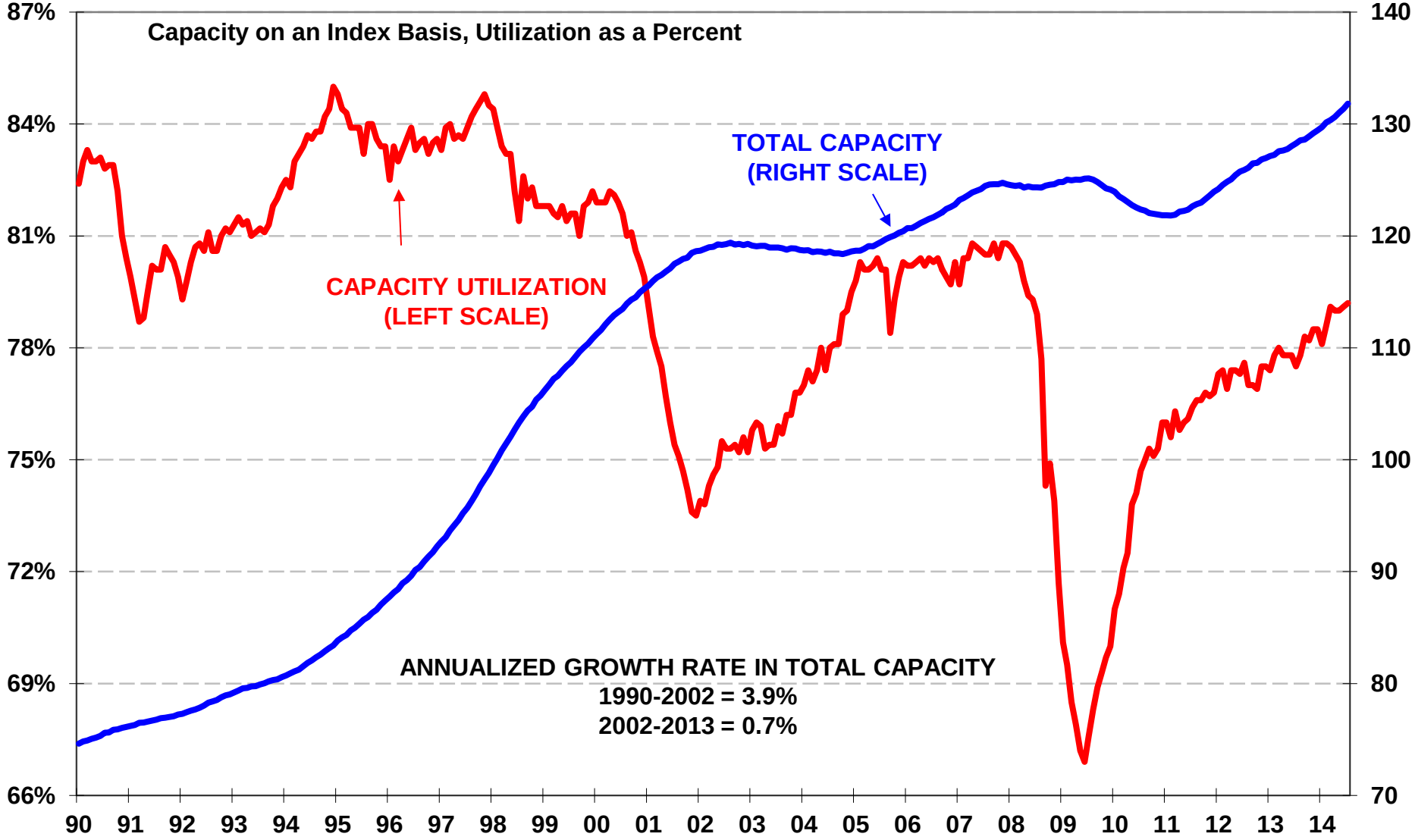
The Fed's View of the Economy has Room for Growth



Source: Federal Reserve Board, Haver Analytics

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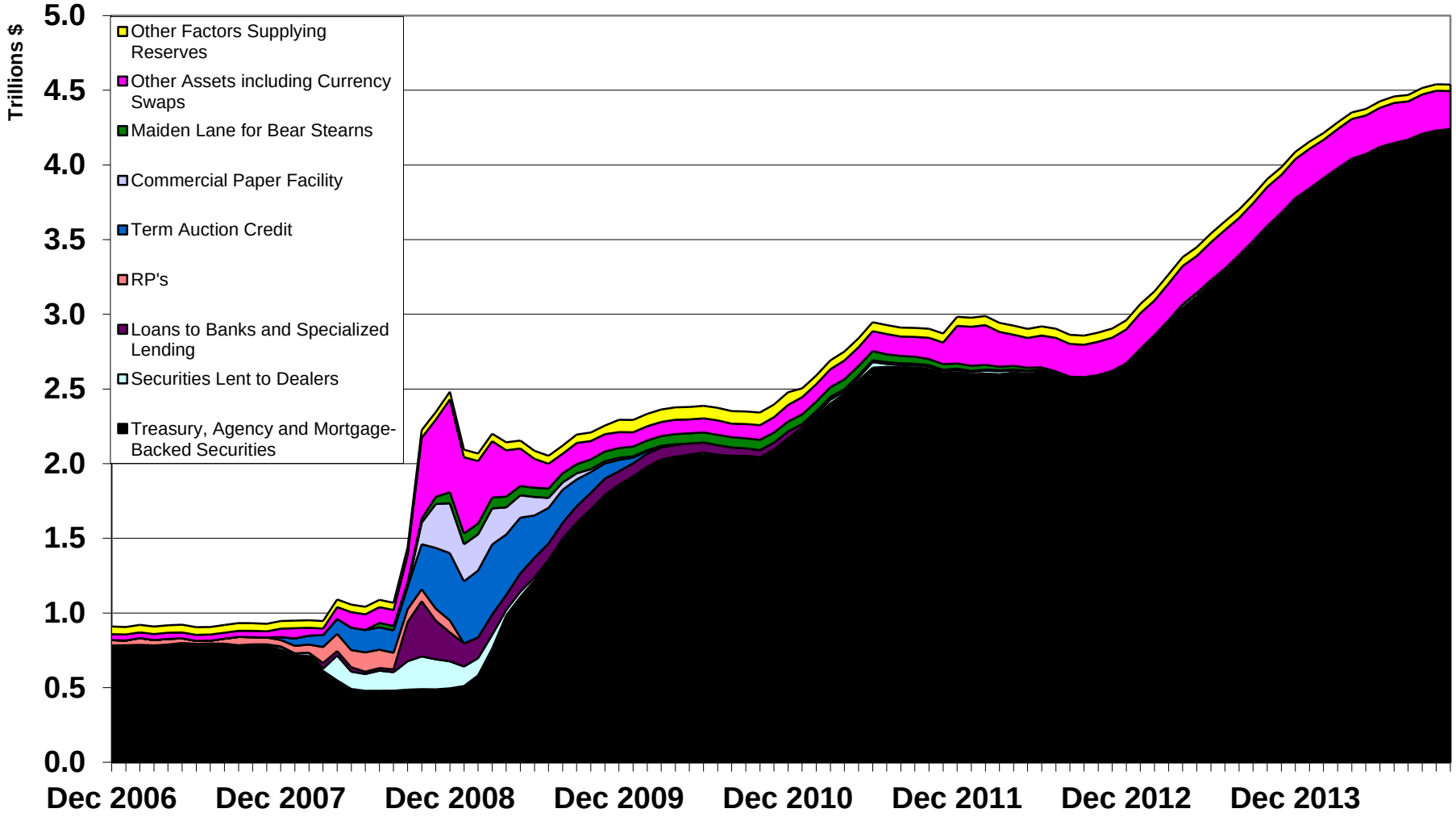
The Fed's Balance Sheet Expanded due to Financial Crisis that Prompted Quantitative Easing, now Ended



Sources: Federal Reserve Board, Haver Analytics

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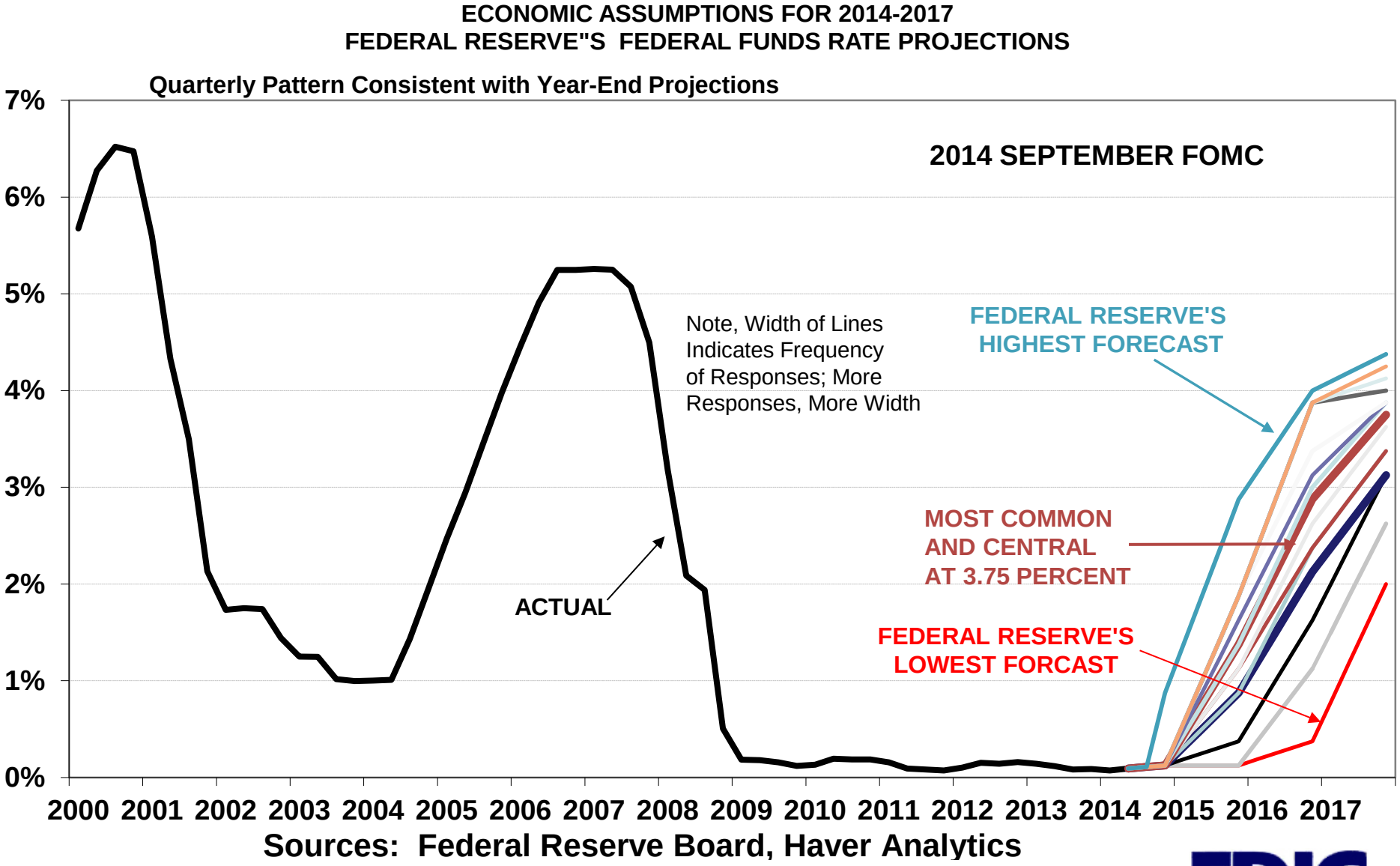
The Fed has Many Views Regarding Monetary Policy



Sources: Federal Reserve Board, Haver Analytics

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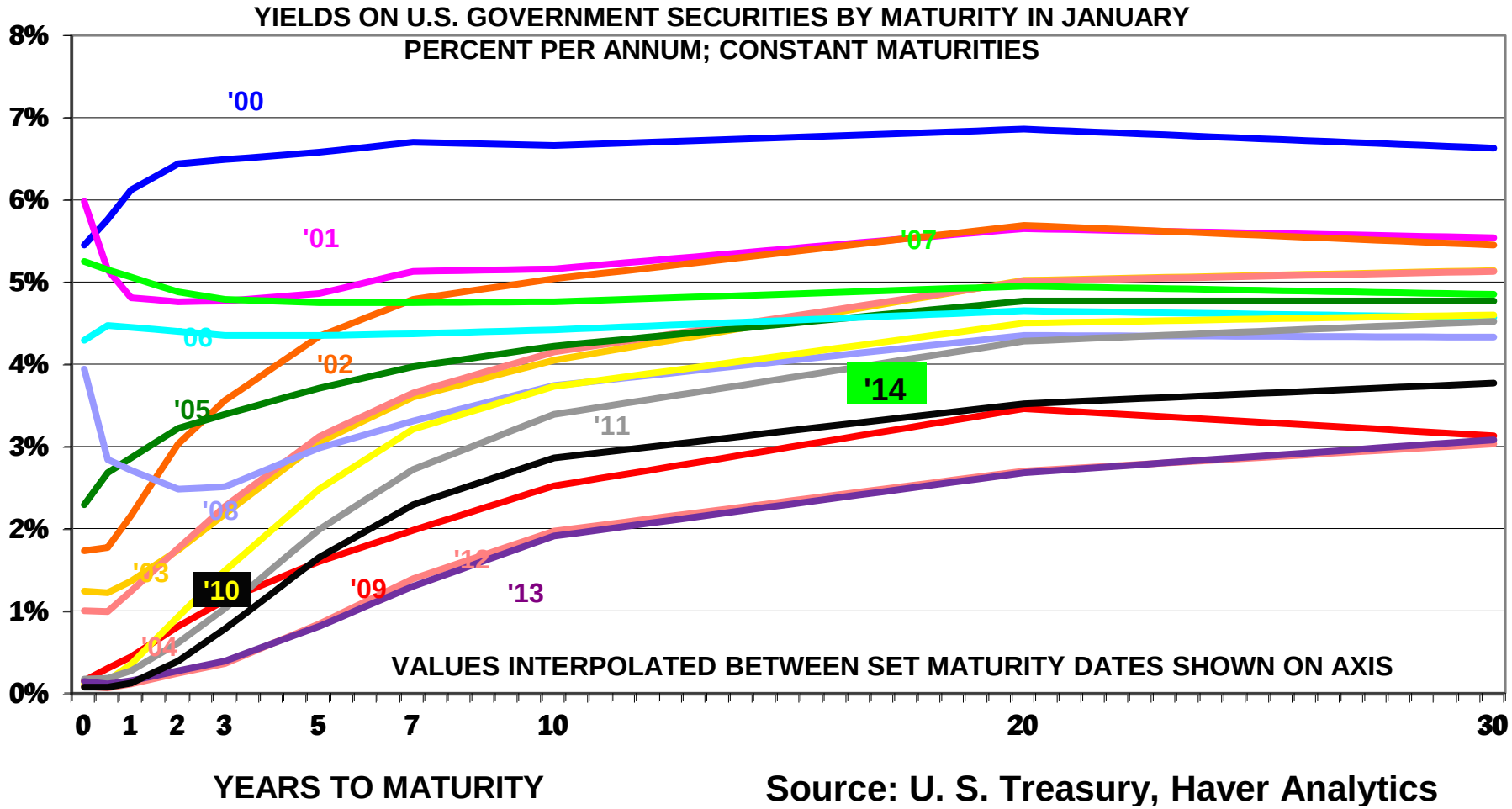
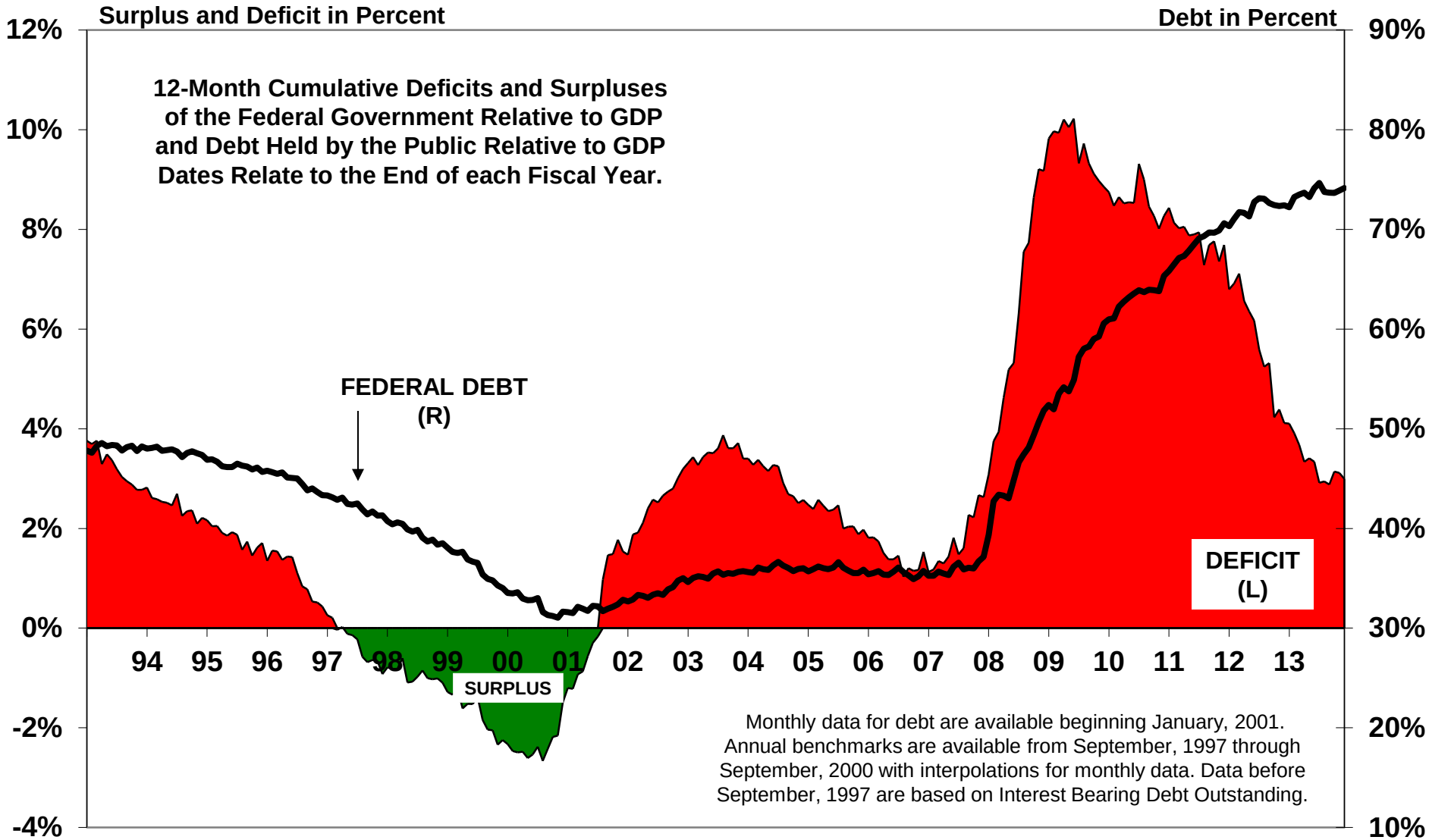
The Yield Curve Moved Upward—until It Moved Downward



Source: U. S. Treasury, Haver Analytics

Deficits are Declining; the Rising Debt Burden is Peaking



Sources: U.S. Treasury, Macroeconomic Advisers, Haver Analytics

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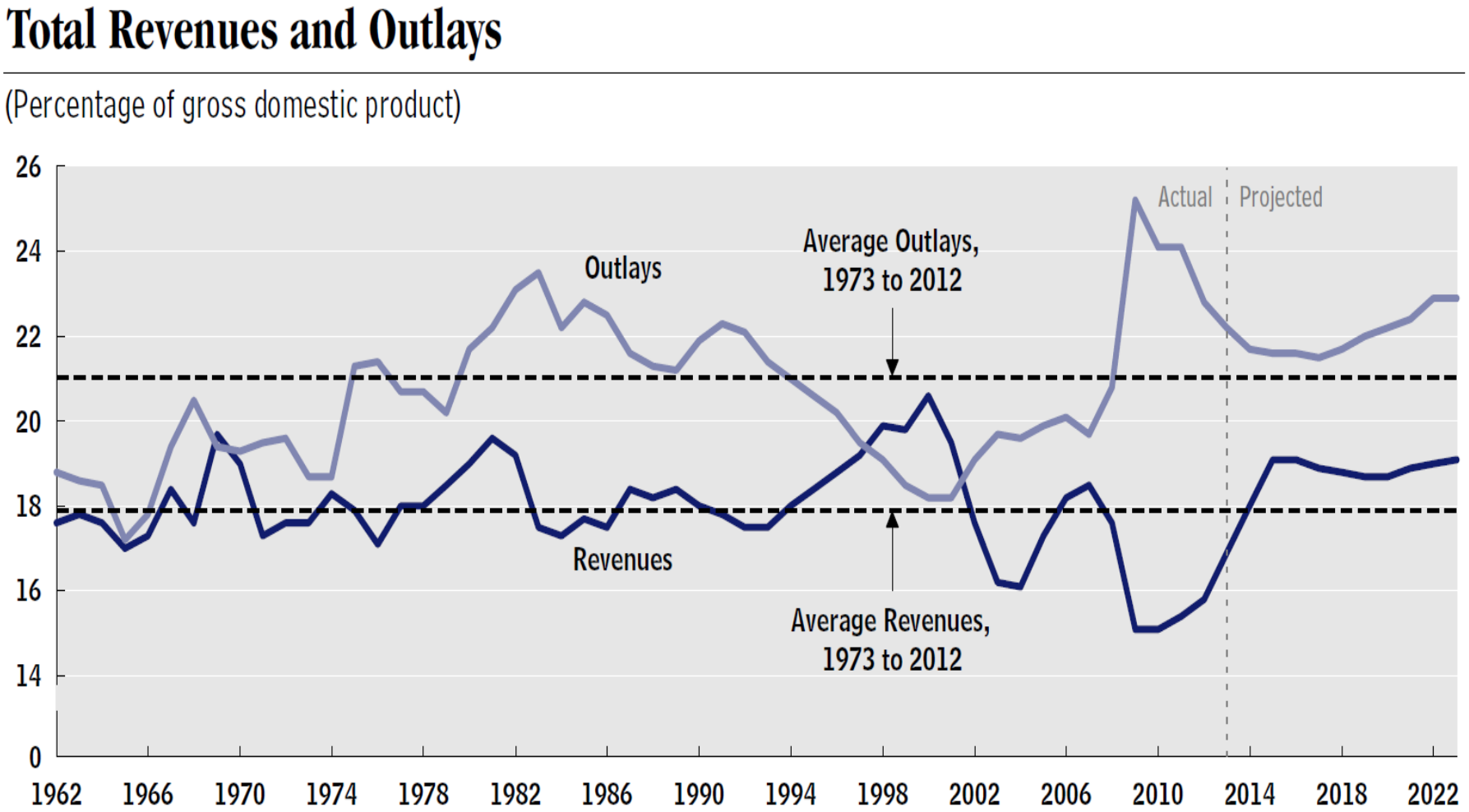
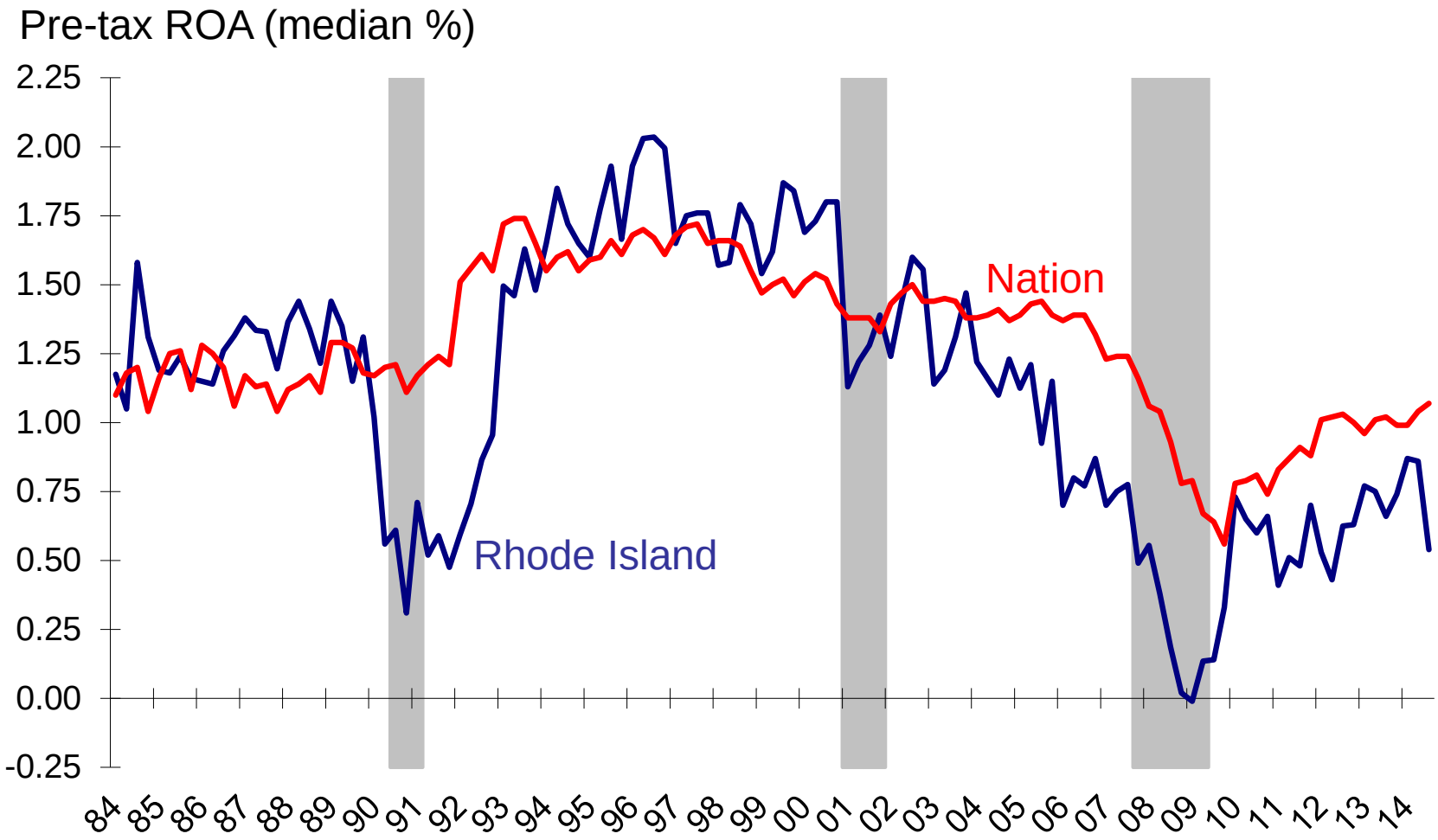
Long-term, the Outlook is Poor according to the CBO



Source: Congressional Budget Office

Banking Conditions

Earnings remain under pressure in Rhode Island.



Source: FDIC. National Bureau of Economic Research/Haver Analytics. Data as of September 30, 2014.

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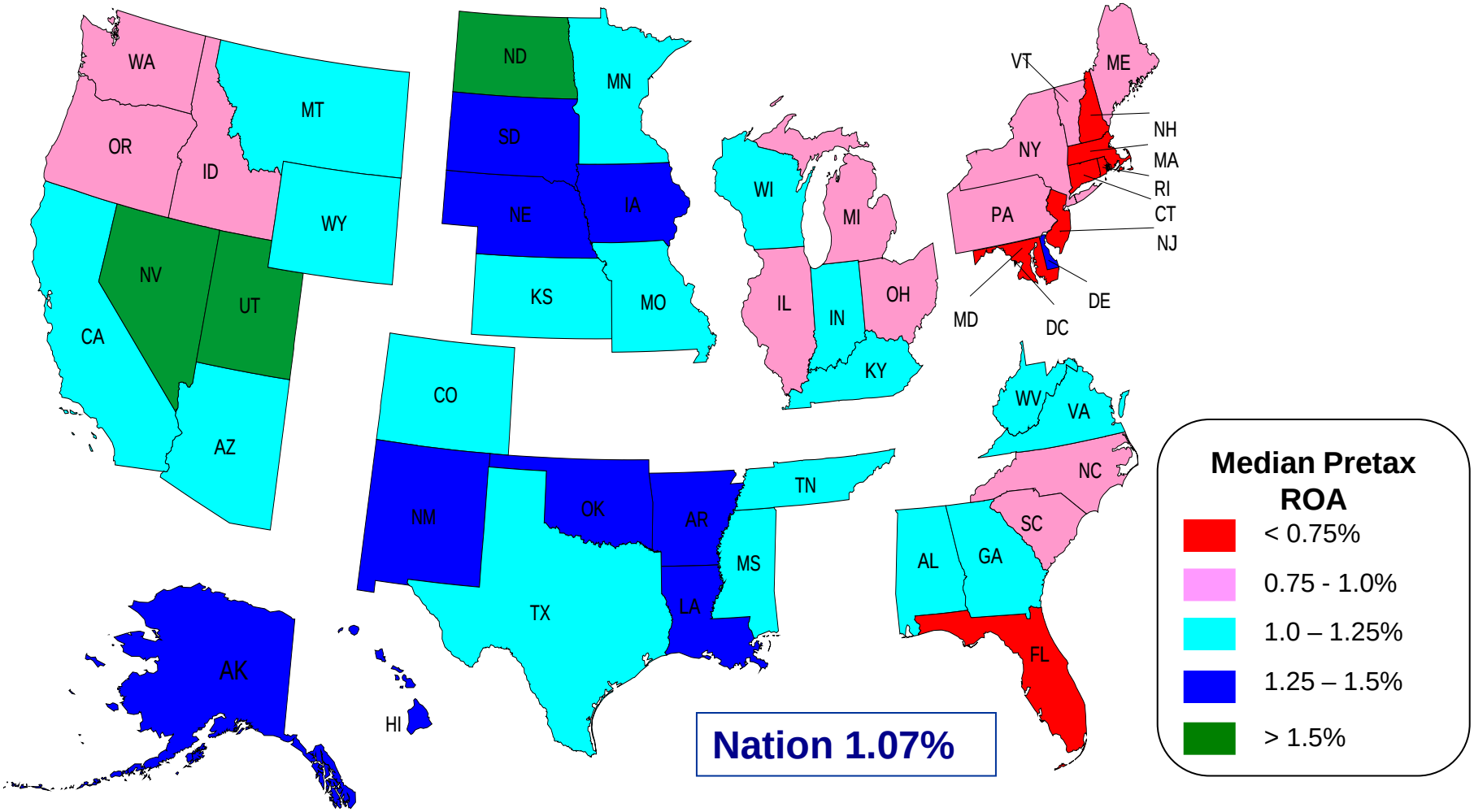
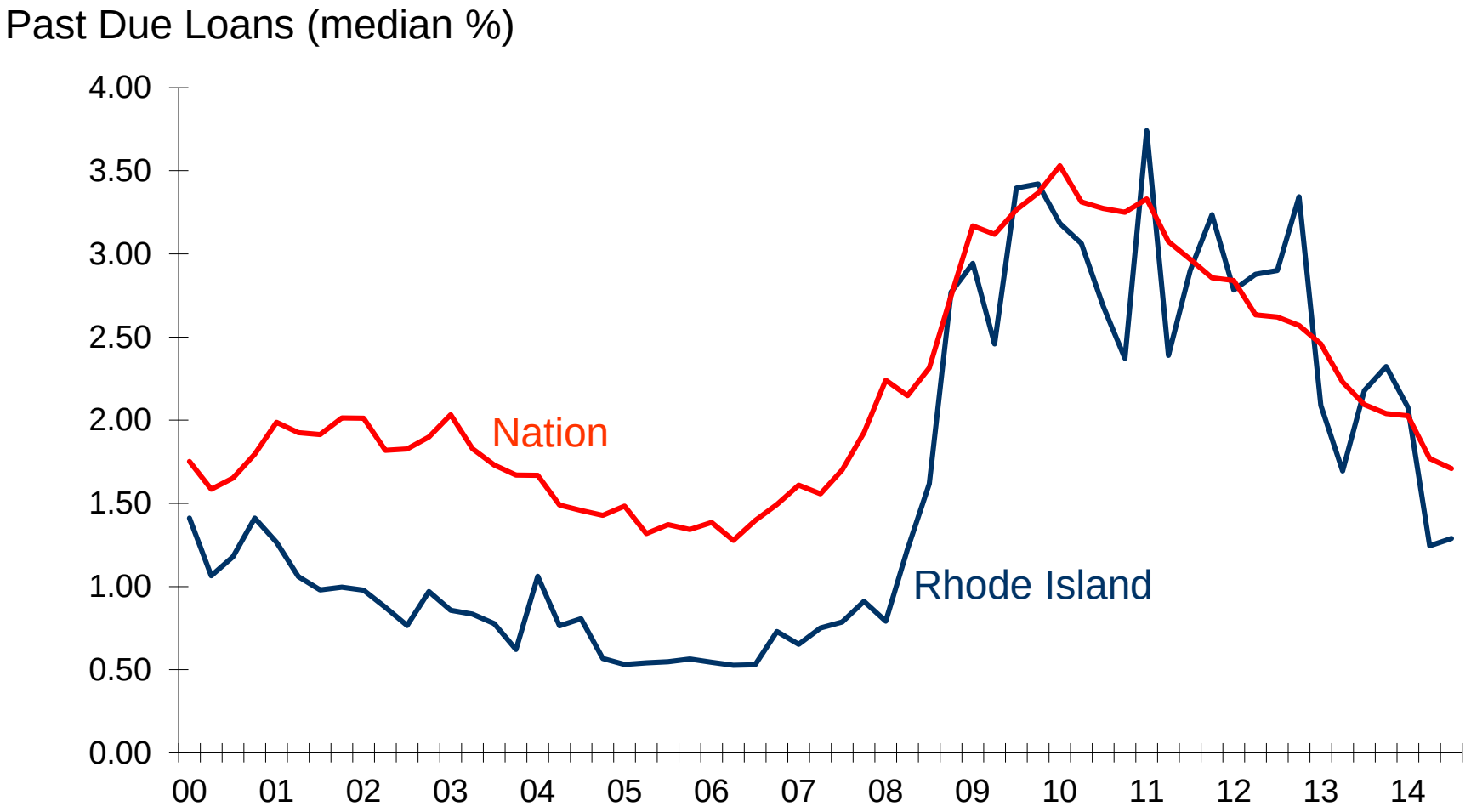
Earnings are lower in the Northeast than most other areas of the country.



Source: FDIC. Data as of September 30, 2014

Credit quality continues to improve.



Source: FDIC. Data as of September 30, 2014.

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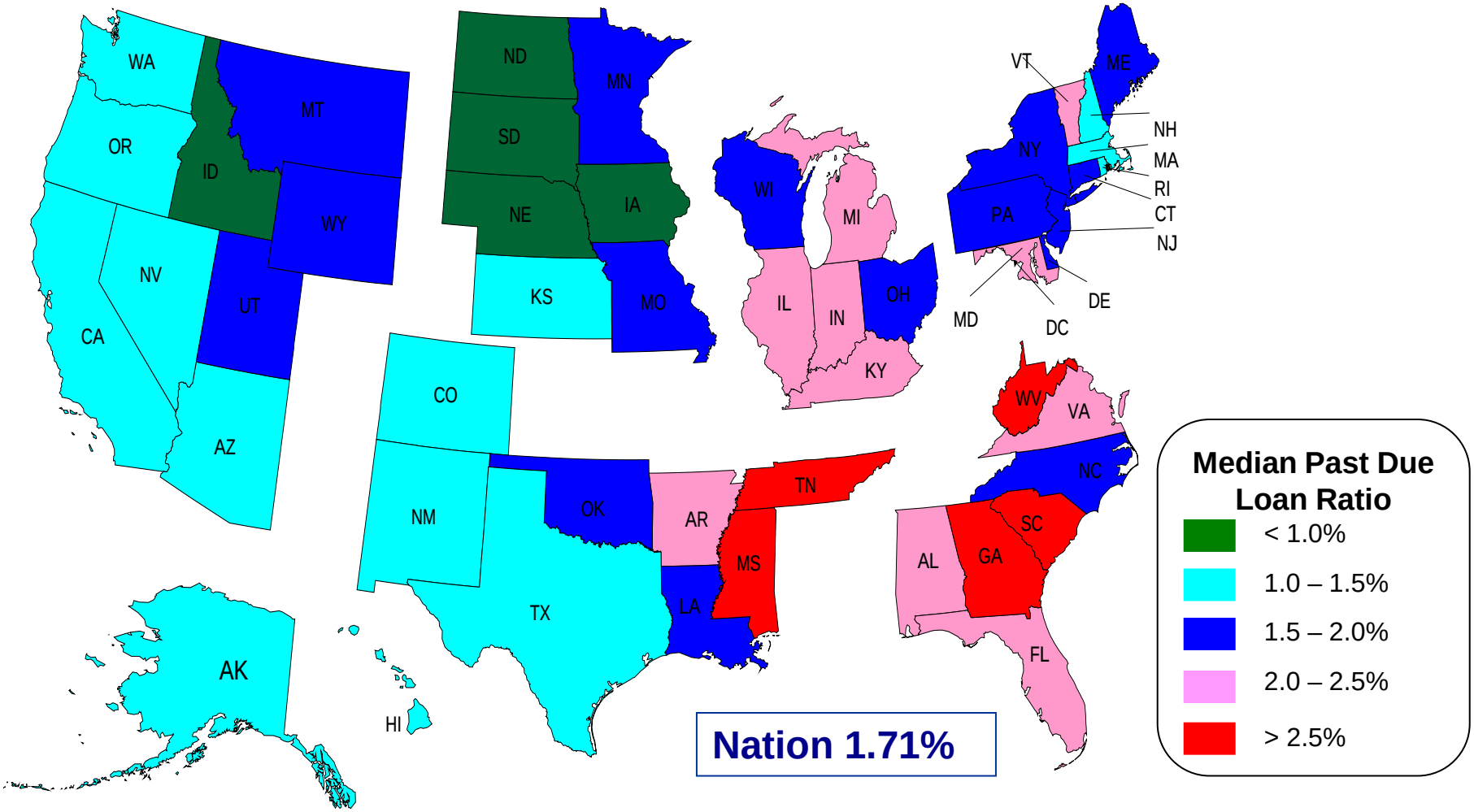
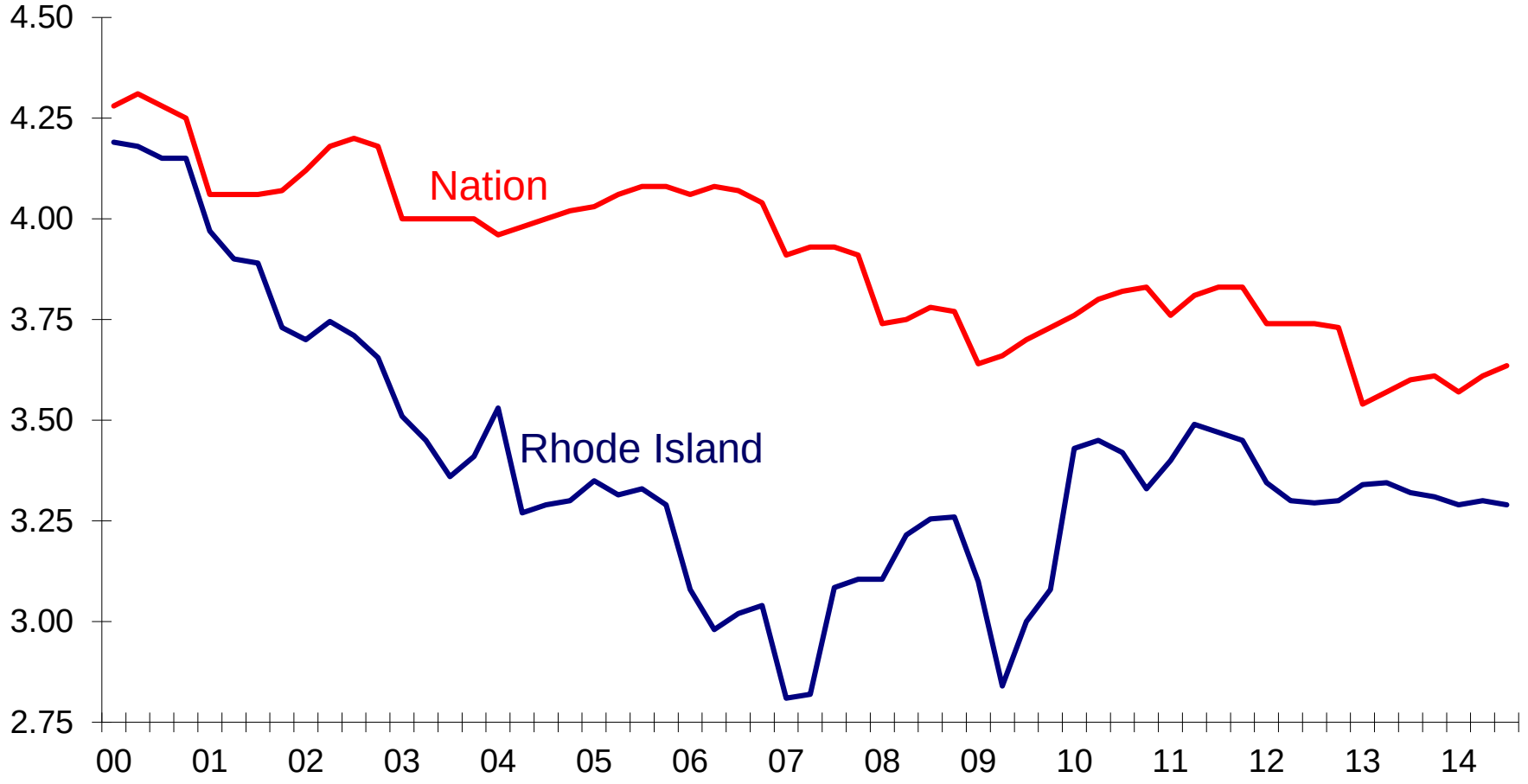
The Northeast is generally in the middle of the pack for past due loans.



Source: FDIC. Data as of September 30, 2014

Net interest margins under pressure remains a challenge locally.

Net Interest Margin (median %)



Source: FDIC. Data as of September 30, 2014.

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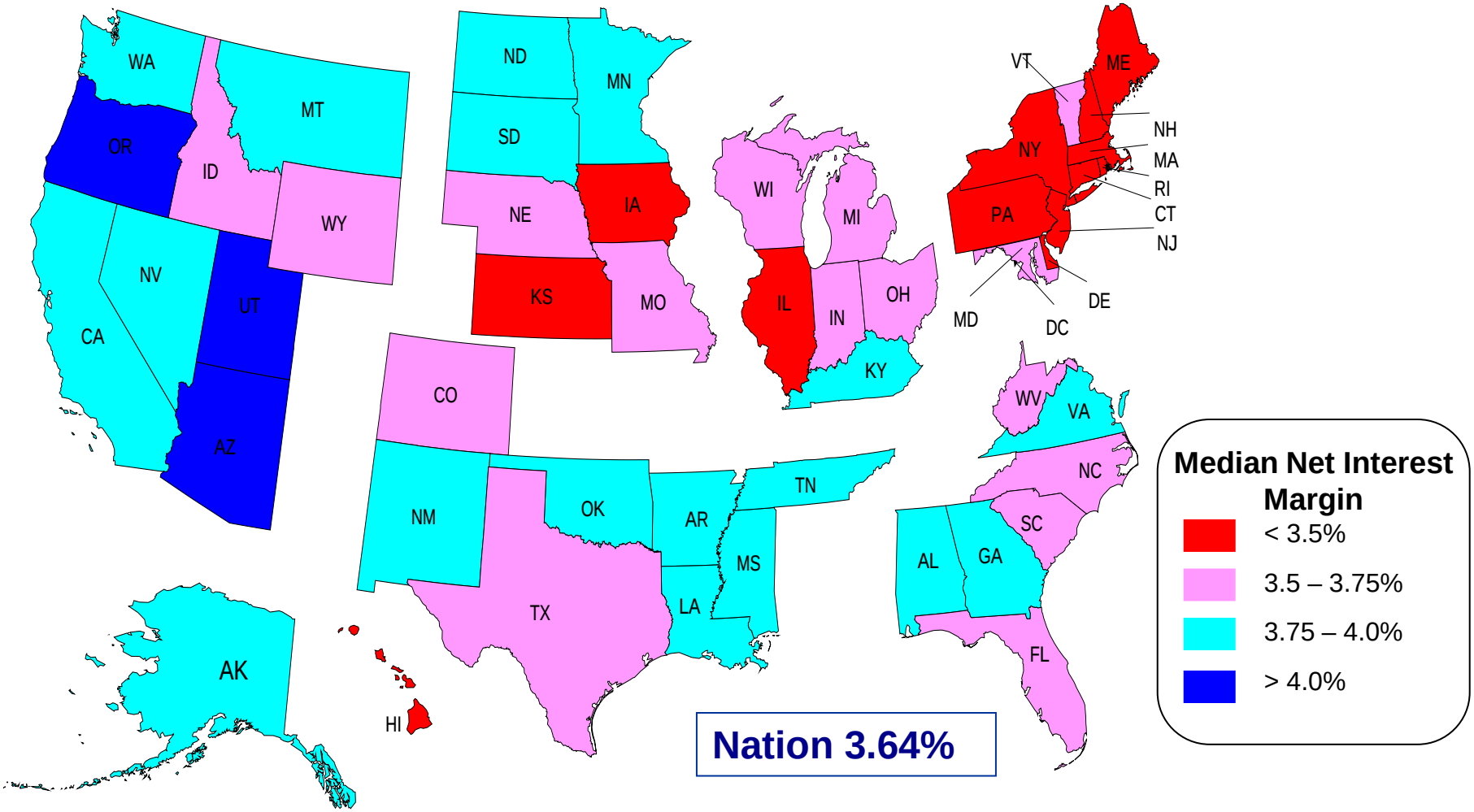
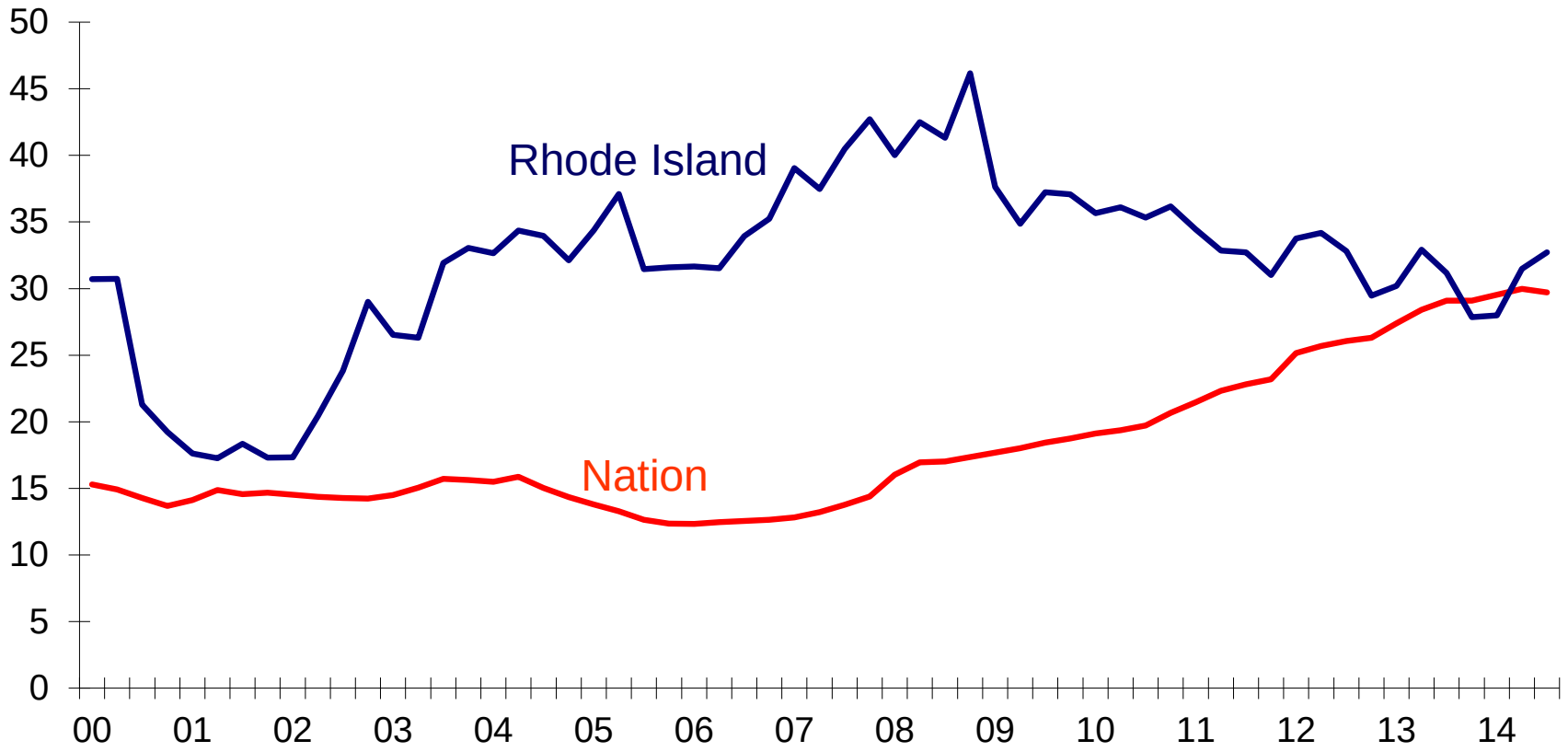
Net interest margins are lower in the Northeast than other areas of the country.



Source: FDIC. Data as of September 30, 2014

Rhode Island is only slightly higher than the nation for the level of long-term assets.

Long-term assets (>5 yrs.) to earning assets (median %)



Source: FDIC. Call filers. Data as of September 30, 2014.

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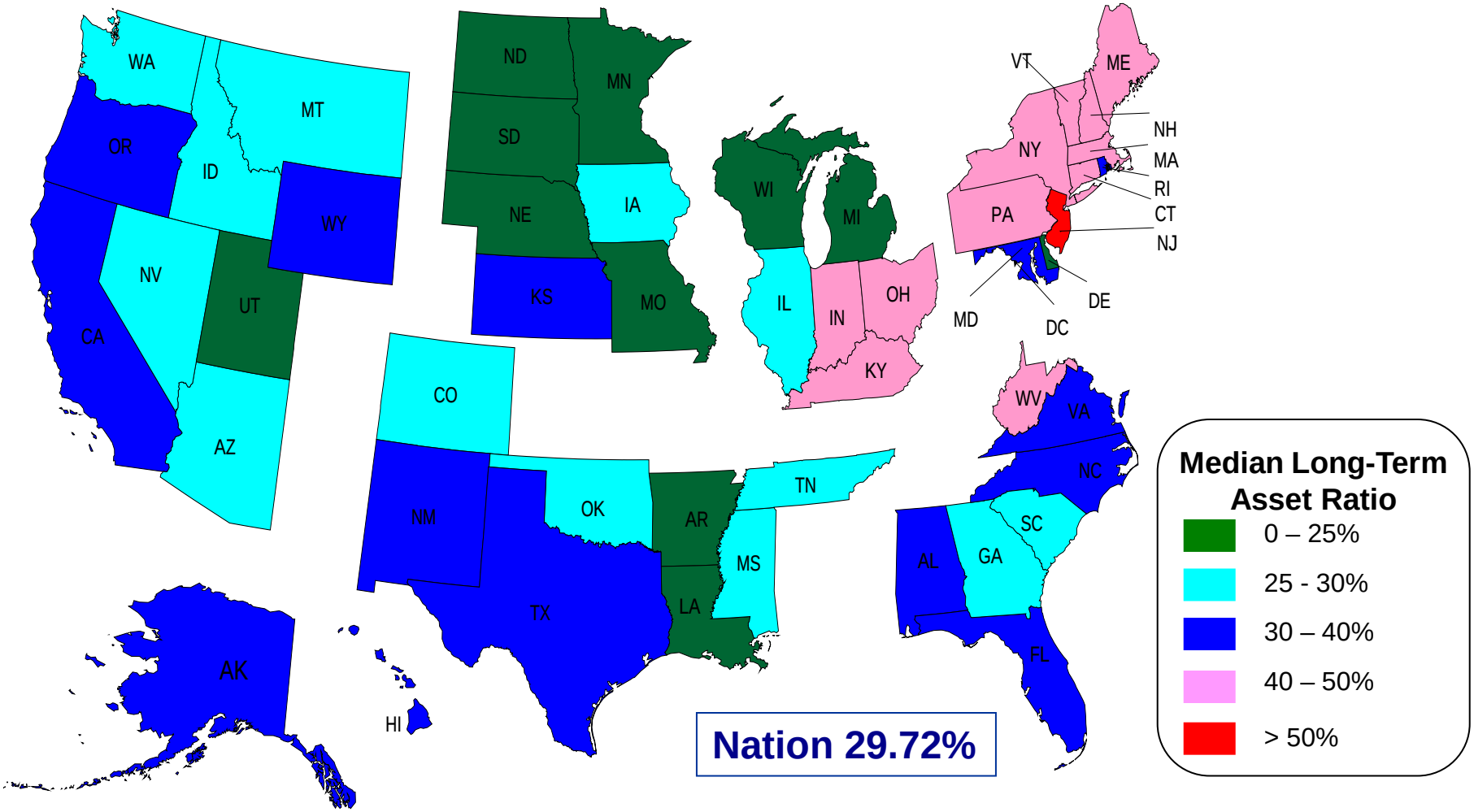
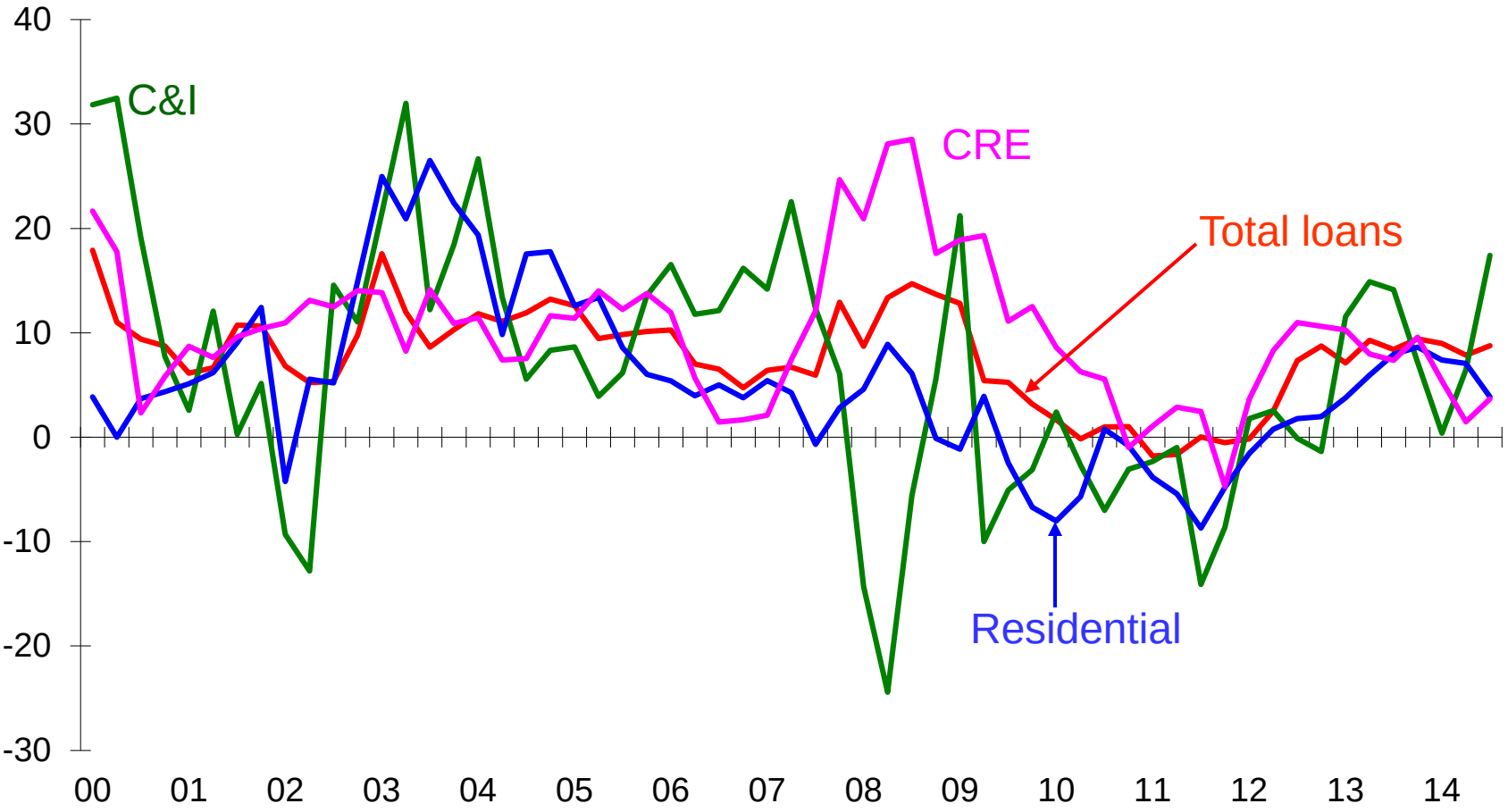
Long-term asset ratios are high in the Northeast.



Source: FDIC. Data as of September 30, 2014

Recent commercial loan growth has impacted overall loan growth in Rhode Island while other sectors are slow.

Year-over-Year Growth (median %)



Source: FDIC. CRE includes nonfarm/nonres, multifamily, and C&D loans. Data as of September 30, 2014.

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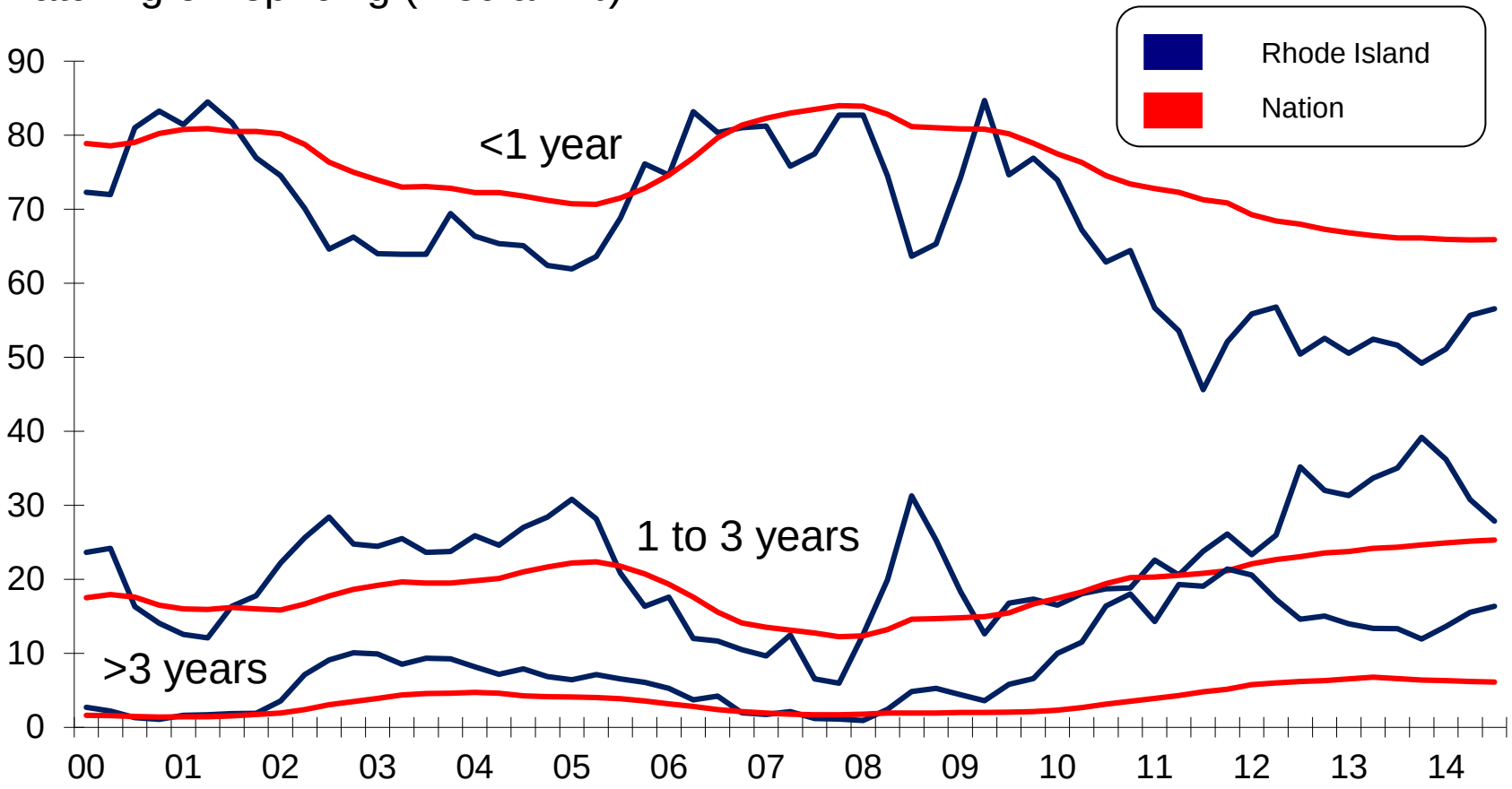
Most time deposits are short term and may reprice quickly when (if) rates rise.

Time deposits to total time deposits maturing or repricing (median %)



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