



Analytics

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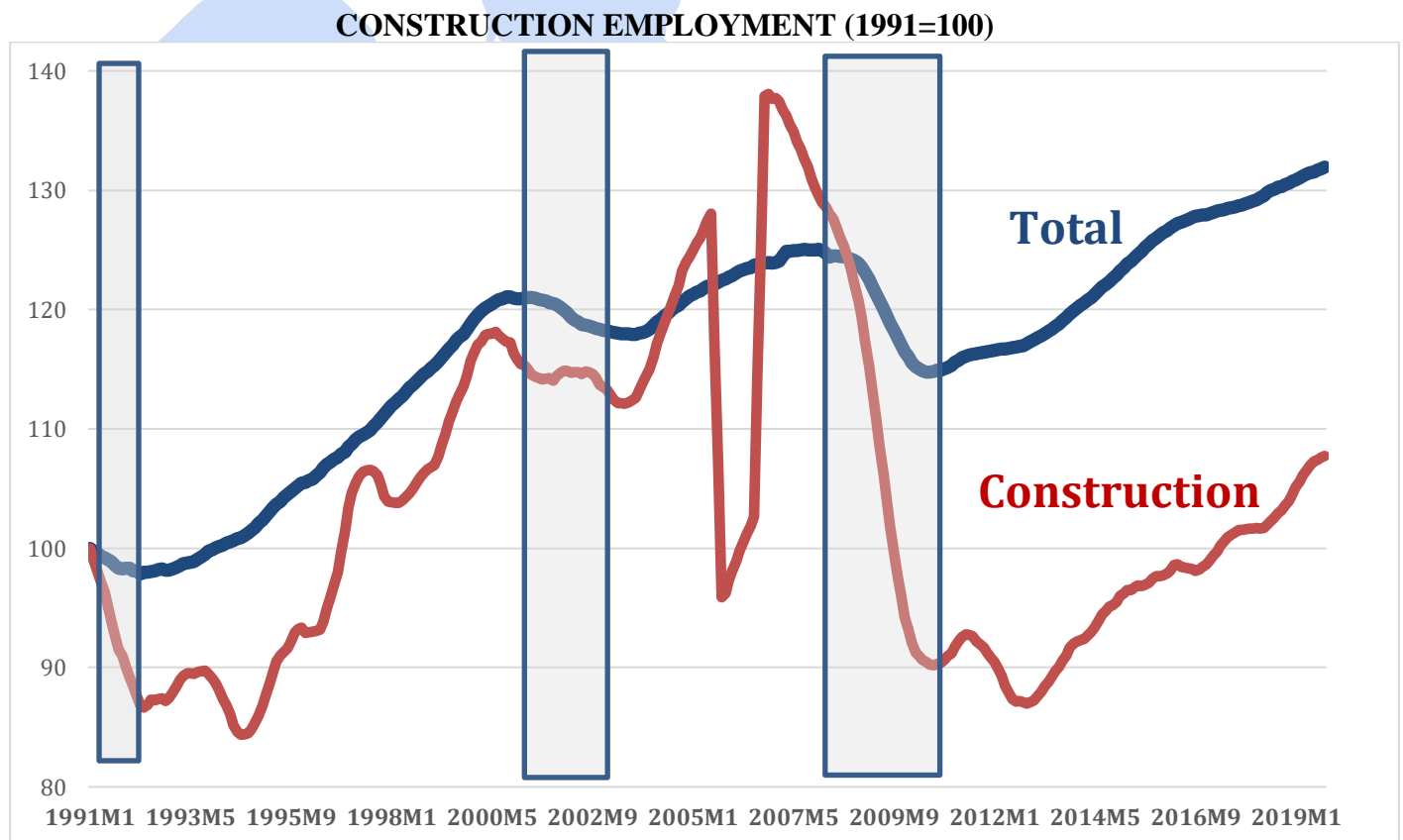
RELEASE: CRI - Center for Economic Policy and Analysis

RE: Delaware recessions by industry

DATE: 4/5/2020

COVID-19 guarantees that Delaware will have an economic contraction in the second quarter of 2020. Should the contraction continue into the third quarter, becoming a recession, how might we expect different Delaware industries to react? The charts that follow, tracking 12 month moving average of employment data from 1991 through the third quarter of 2019 provides a clue.

The first chart below shows how Delaware construction industry has fared over the last three recessions. Obviously, compared to total Delaware employment, construction is very volatile over the business cycle. And while construction employment is currently increasing at about the same rate as total employment, it is at an absolute level of jobs last achieved in the late 1990s.



Source: QCEW (*Quarterly Census of Employment and Wages*)

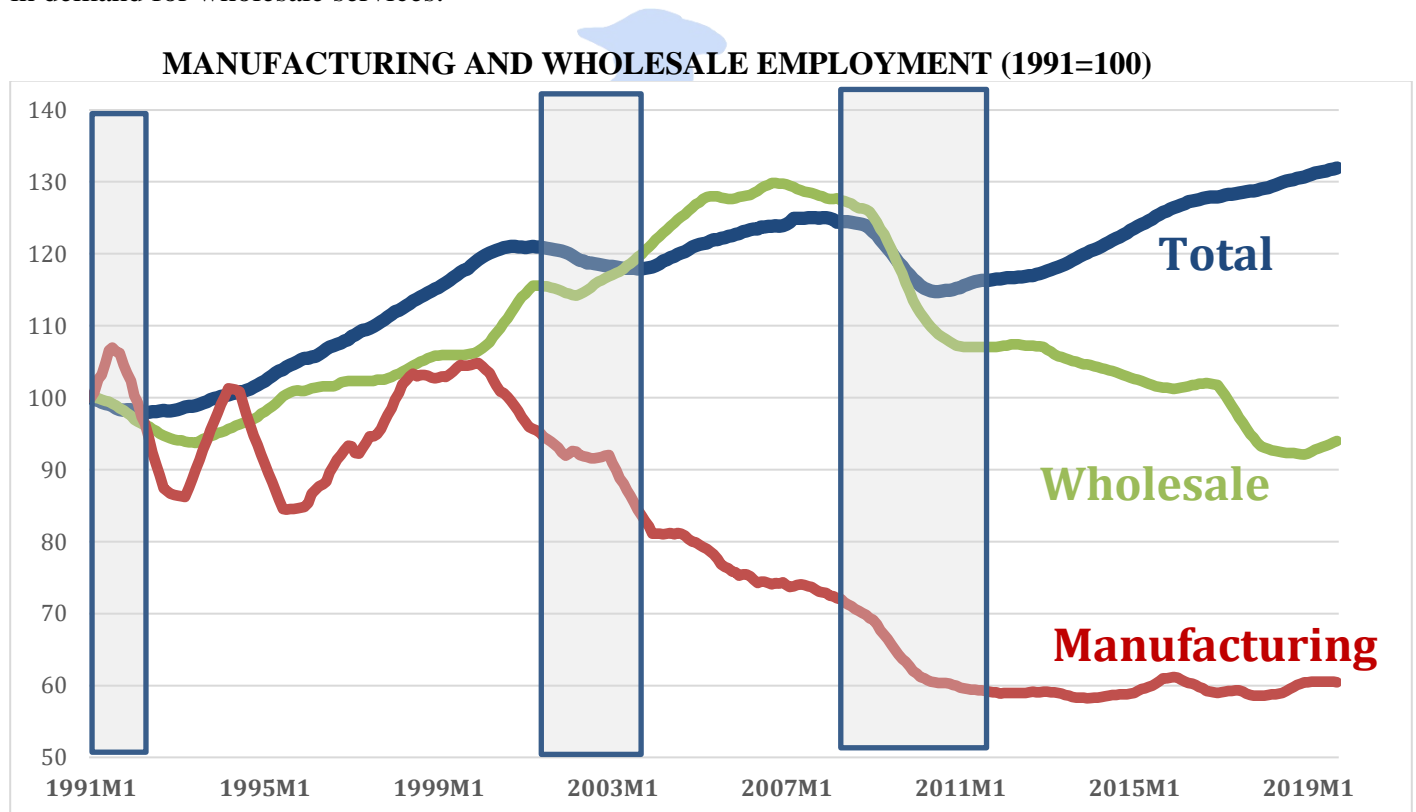


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If a recession occurs, it will most definitely produce a drop-in construction activity and employment in Delaware.

Secondly, as shown in the chart below, there are two related industries in Delaware that were devastated by the 2008-09 recession and have not return to growth: manufacturing and wholesale. Manufacturing experienced the closing of two automobile plants and chemicals was hit by the substantial downsizing of the DuPont Company and Astra Zeneca. The losses in auto and chemical industry activity led to a sharp decrease in demand for wholesale services.



Source: QCEW (*Quarterly Census of Employment and Wages*)

With high electric rates and no Right-To-Work law, expansion of Delaware manufacturing is unlikely. The prominence of the poultry industry, however, may protect Delaware manufacturing from a severe slump in a recession. Wholesale is beginning to grow again, but a recession may be the brakes on.

Finally, there are three Delaware industries that have managed to stay robust over the recessions. These include healthcare, financial services and food services (restaurants and fast food).

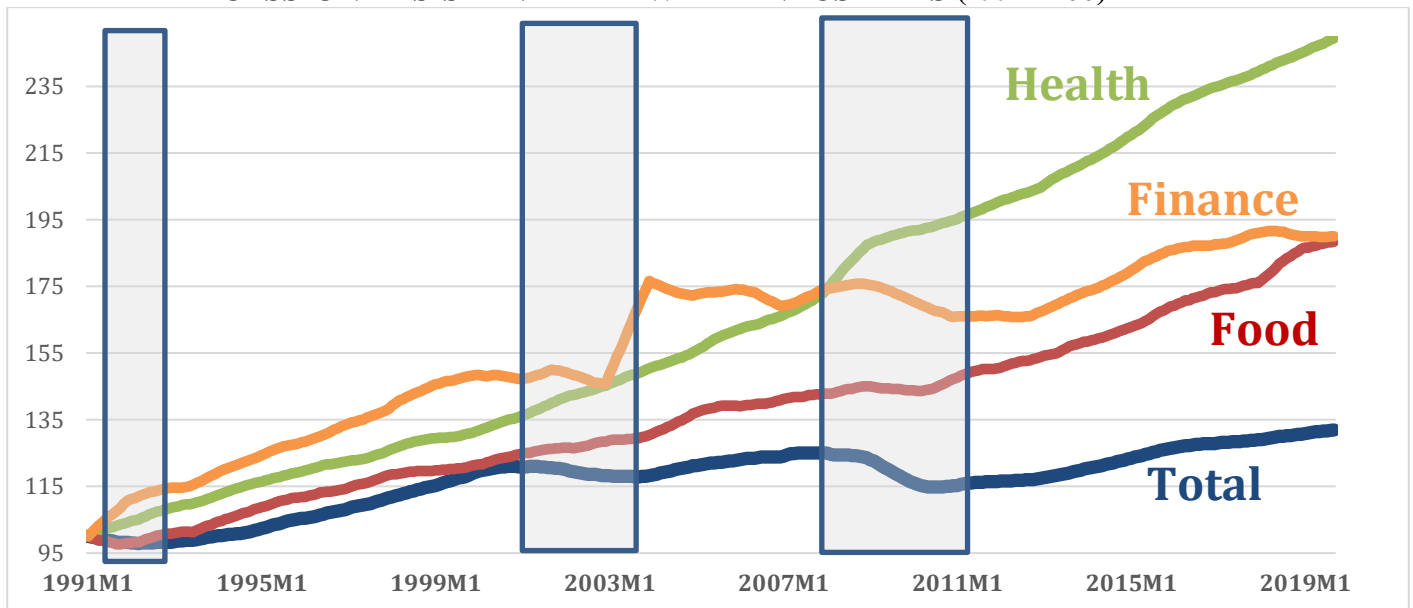
As shown in the chart below, healthcare employment, driven by Medicare and Medicaid, has been nearly recession resistant. At this point it is unlikely that government will curtail either of these third-party payment programs.



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RECESSION RESISTENT DELAWARE INDUSTRIES (1991=100)



Source: QCEW (*Quarterly Census of Employment and Wages*)

Financial services, due to the absence of an interest ceiling on credit cards, has been a growth machine for Delaware. Recently, slower growth has occurred due to adjusting to the wealth effect of the 2008-09 recession and on-going automation of commercial banks.

While growing more slowly than healthcare, the revival of the two-wage-earner household has demand for workers in restaurants steadily increasing. Food services employment is expected to rebound quickly should there be a recession, although some permanent closures of eating places may occur.

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