



# Analytics

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**RE: Why the dismal Delaware output?**

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As measured by the U.S. Bureau of Economic Analysis, the performance of Delaware Gross State Product (output) has been abysmal since the 2007-08 recession. From 2007 through 2019Q3 Delaware GSP has increased just 0.3% per annum. Output across the nation has grown at 1.9% per annum.

Considering a recession to be two consecutive quarters of negative change in GSP, Delaware has experienced 5 recessions since 2009 while the U.S. has experienced none. Of the last 15 quarters Delaware GSP has recorded drops in nine.

The explanation is in the details.

The major hit on Delaware GSP came from the losses of output in chemical and automobile manufacturing. Together, chemical and automobile cutbacks account for 50% of the drop in Delaware GSP since 2007, with chemicals accounting for most of that drop. Another 13% of the loss in GSP occurred in the wholesale industries that were so dependent upon chemical and automobile manufacturing. The net gain in total Delaware GSP of \$1.5 billion over the decade came despite an almost \$3.0 billion net loss in manufacturing output.

State and local government, due to falling productivity, accounted for 5% of the loss in output. This was accompanied by net losses in output in construction and retail trade.

The largest gains in output over the years came from finance, insurance and real estate (37% of the net increase), healthcare (24%), and professional and business services (22%).

Delaware has absorbed a huge structural change since the 2007-08 recession and is now truly a service economy. Financial services provide well-paying jobs but will not be a growth center. Healthcare is growing steadily but is heavily dependent upon sustained government funding of Medicaid and Medicare. A resurgence in manufacturing is hampered by above average industrial electric rates (due to a carbon tax and a half billion dollar grant to Bloom Energy) and the absence of a right-to-work law.

Hopefully, Delaware is over the worst and going forward will experience a less volatile steady state of output growth, albeit below the nation.

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