



# BRIEFING



A joint publication of The Center for Global and Regional Economic Studies at Bryant University  
and The Rhode Island Public Expenditure Council (RIPEC)

Q3 2013

## Rhode Island's Economic Growth: Picking-up Steam?

For the first time since the creation of the Rhode Island Current Economic Indicator (CEI) in 2010 both the CEI and the Rhode Island Leading Economic Indicator are above the 2 percent threshold. These figures suggest that economic growth in the state has gained momentum in the second half of 2013. The CEI for the third quarter of 2013 increased to 2.2 percent, compared to an expansion of 1.6 percent (revised down from 1.7 percent) in the second quarter. The leading indicator projects the next quarter growth rate of the Rhode Island CEI. The CEI is forecast to expand at an annual rate growth rate of 2.4 percent in the fourth quarter of 2013.

Signs of the healing economy can be seen in tax revenue figures, increase in total wages and salary disbursements, and job creation in some sectors of the economy. The number of jobs based in Rhode Island increased from

464,100 in October 2012 to 469,600 in October 2013, an increase of 5,500 jobs.

Nevertheless, the state's labor market is still under significant stress. Through October 2013, with an unemployment rate of 9.2 percent, Rhode Island continued to have the highest unemployment rate in New England and the second highest rate in the United States. Another worrisome sign is that the state's labor force continues to shrink; in October 2013 the labor force reached its lowest level since July 2002.

The updated and revised CEI data suggests that growth components such as wage and salary disbursements and average weekly initial unemployment claims are trending positively. Aspects of industry employment growth are also positive. The third quarter of 2013 brought large employment gains in industries such as construction and trade,

transportation, and utilities. However, quarter-over-quarter employment declines in industries such as professional and business services, and the slowdown in general sales and gross receipt taxes suggest that growth is not consistent. These inconsistencies, combined with the state's significant labor force declines and high unemployment, require continued, focused attention. The state must continue to capitalize on its strengths and analyze areas that provide opportunities to improve its economic condition.

### Regional and national growth impact

The U.S. Gross Domestic Product (GDP) increased at an annualized rate of 2.8 percent in the third quarter, compared to 2.5 percent in the second quarter of 2013. According to the Regional Current Economic Indicator, the New England economy increased at an annualized

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2013 Q3



### About the RI CEI

The Current Economic Indicator (CEI) combines several key gauges of economic activity in a single statistic that measures the overall current economic conditions in Rhode Island. The Current Economic Indicator is calibrated to grow at the rate of the Real Gross State Product; therefore, it can be interpreted as the underlying growth rate of the state economy. The CEI is calculated using the most current available data for the state.

In Figure 1, the Rhode Island Leading Economic Indicator is the forecasted growth rate of the Rhode Island CEI for the quarter ahead.



rate of 2.1 percent in the third quarter, compared to 1.9 percent in the second quarter of 2013. **FIGURE 2** shows that the effects of the 2008 Great Recession were more intense in Rhode Island than in New England and in the country as a whole. The state economy has been unable to grow fast enough to close the economic gap created during the recession. The CEI and leading indicator suggest that Rhode Island's economy continues to grow slower than the national economy.

### Internal factors impact growth

Five of seven *internal* factors included in the CEI positively affected the Rhode Island CEI in the third quarter.

The increase of 1 percent *seasonally adjusted* in general sales and gross receipt taxes in the third quarter made for three consecutive quarters of expansion of aggregate demand in Rhode Island. Revised figures show that real *total* wages and salary disbursements also increased over the last four quarters in Rhode Island. Total wages and salary disbursements are estimated to have increased 3.4 percent (annualized rate) in the third quarter, compared to an increase of 2.1 percent in the second quarter of 2013.

Employment in trade, transportation, and utilities services increased 4.1 percent (annualized rate) in the third quarter, compared to a decrease of 3.2 percent in the second quarter. Employment in professional and business services, which has been expanding since early 2010, increased just 0.4 percent in the third quarter compared to an increase of 11 percent in the second quarter of 2013. While the construction industry continues to struggle in Rhode Island, employment in construction increased 9 percent (annualized rate) in the third quarter.

Initial unemployment claims and declining employment in leisure and hospitality services negatively affected the Rhode Island CEI in the third quarter. The seasonally adjusted initial unemployment claims increased 7.9 percent in the third quarter, compared to a decrease of 4.3 percent and 13.2 percent in the first and second quarters of 2013. Employment in leisure and hospitality services decreased 1.2 percent (annualized rate) in the third quarter, compared to a decrease of 2.1 percent in the second quarter.

### Data Revisions and Corrections

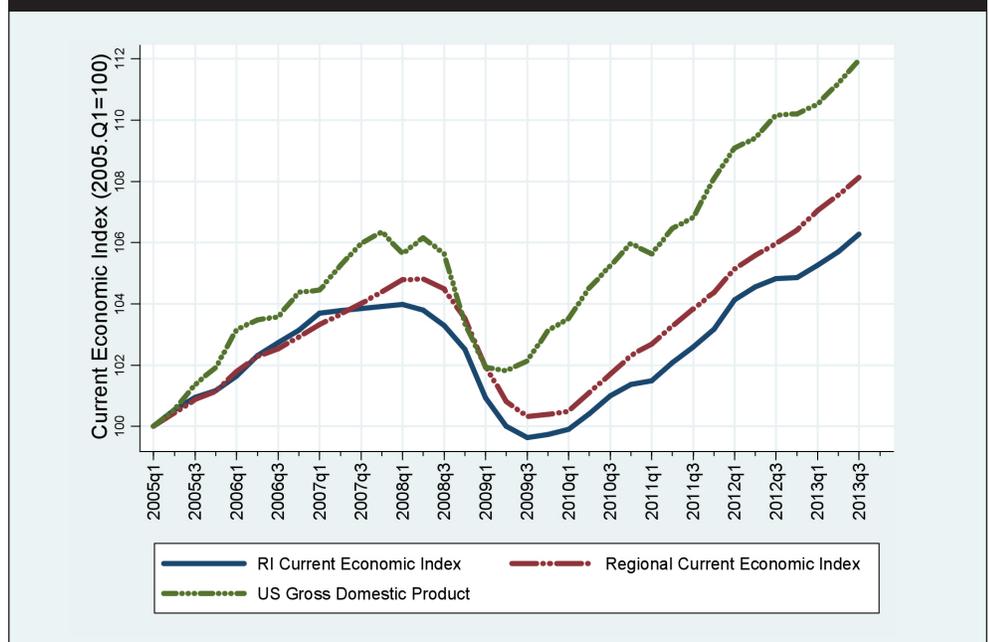
This briefing incorporates revisions to employment figures and to the U.S. GDP data. These revisions have resulted in changes to the Rhode Island CEI released in previous briefings.

**TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS**

VARIABLE	2012.Q4	2013.Q1	2013.Q2	2013.Q3
<b>Rhode Island Current Economic Indicator (RI CEI)</b>	<b>0.18</b>	<b>1.55</b>	<b>1.64</b>	<b>2.23</b>
<b>Components of the RI CEI:</b>				
Regional Economic Conditions	1.69	2.42	1.90	2.12
National Economic Conditions	0.14	1.15	2.48	2.85
Leisure and Hosp. Employment	-3.50	2.59	-2.07	-1.24
Trade, Trans. and Utilities Employment	-2.88	3.30	-3.19	4.08
Prof. and Bus. Services Employment	5.30	0.70	11.25	0.41
Construction Employment	-16.61	-2.63	0.00	9.11
Real Wage and Salary Disbursements	6.64	3.84	2.14	3.47**
General Sales and Gross Receipt Taxes*	-0.53	0.62	4.18	1.02
Avg. Weekly Initial Unemployment Claims*	6.10	-4.37	-13.24	7.92

Figures are annualized percentage changes from previous quarter. All data series are seasonally adjusted.  
\* This variable not annualized. \*\* Estimation.

**FIGURE 2: ECONOMIC INDICATORS: RI, US, AND REGIONAL 2000 – 2013**



- The Rhode Island Economic Briefing is published quarterly by The Rhode Island Public Expenditure Council and the Center for Global and Regional Economic Studies at Bryant University. For information, contact Edinaldo Tebaldi, Ph.D., at [etebaldi@bryant.edu](mailto:etebaldi@bryant.edu).
- The Current and Leading Economic Indicators are revised periodically to incorporate changes in the data used to calculate the index.
- To learn more about the Center for Global and Economic Studies at Bryant University and about RIPEC: [www.bryant.edu/ces](http://www.bryant.edu/ces) | [www.ripec.org](http://www.ripec.org)