



# BRIEFING



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

## Q1 2019

### Unexpected contraction in Q3 2018 and slow growth throughout Q1 2019 in Rhode Island

Revised U.S. Bureau of Economic Analysis (BEA) data show that the Rhode Island Gross Domestic Product (GDP) contracted 5.7 percent in Q3 2018 and expanded 1.0 percent in Q4 2018. On an annual basis, the Rhode Island economy expanded 0.6 percent in 2018, ranking 47th in the nation in terms of economic performance. GDP growth is projected to be sluggish and increase only 0.5 percent in the first quarter of 2019. The continued weak GDP performance reversed job growth experienced over the last few years, causing a drop in total nonfarm employment from 497,700 jobs in December 2018 to 494,900 jobs in March 2019, a loss of 2,800 jobs. The unemployment rate, however, dropped to 3.8 percent in March 2019, the lowest rate since 1989.

The Rhode Island Leading Economic Indicator projects that the state economy will experience little

to no growth in the second quarter of 2019. In addition, five of eleven internal factors that comprise the Rhode Island Current Economic Indicator (CEI) negatively affected economic growth in the first quarter of 2019 and manufacturing, after 4 consecutive quarters of job reduction, showed no signs of improvement, adding no jobs in the first quarter of 2019.

As discussed in previous issues of this *Briefing*, the Rhode Island economy continued to lag compared to both the New England Region and the nation. In addition, the revised drop in GDP in Q3 2018 caused the “growth gap” to further increase (see Figure 2). The Regional Current Economic Indicator estimates that the New England economy grew at an annualized rate of 2.9 percent in the first quarter of 2019, compared to 1.7 percent in the fourth quarter of 2018, 3.2

percent in the third quarter, and 0.6 percent in the second quarter of 2018. The U.S. GDP increased at an annualized rate of 3.2 percent in the first quarter of 2019, compared to 2.2 percent in the fourth quarter, 3.4 percent in the third quarter, and 4.2 percent in the second quarter of 2018.

#### Internal factors impact growth

Five of eleven internal factors that comprise the Rhode Island CEI positively affected economic growth in the first quarter of 2019. General sales and gross receipt taxes, a proxy for the state aggregate demand, increased 6.4 percent (*seasonally adjusted, year-to-year*) in the first quarter of 2019, which is similar to the growth rates observed throughout 2018. Real wages and salary disbursements increased 1.8 percent (*annualized rate*) in the first quarter of 2019, compared to

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, Q1 2019



#### 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.

an increase of 2.0 percent in the fourth quarter and a reduction of 7.8 percent in the third quarter and 2.1 percent in the second quarter of 2018.

The construction industry continued its recovery in the first quarter of 2019. Employment in construction increased 4.2 percent (*annualized rate*) in the first quarter of 2019, compared to an increase of 2.7 percent in the fourth quarter and no growth in the third quarter of 2018. Employment in financial services increased 1.5 percent (*annualized rate*) in the first quarter of 2019, compared to an increase of 0.8 percent in the fourth quarter of 2018 and a decrease of 0.5 percent in the third quarter and 1.8 percent in the second quarter of 2018. Initial unemployment claims – which gauge the direction of the labor market and unemployment rate – decreased 20.2 percent in the first quarter of 2019, compared to an increase of 17.8 percent in the fourth quarter of 2018.

There are, however, concerning signs about the labor market and job creation in key economic sectors in Rhode Island. Job creation in manufacturing continues to be challenging in Rhode Island. The state experienced four consecutive quarters of job losses, totaling 900 manufacturing jobs lost in 2018, and there was no job creation (or loss) in manufacturing in the first quarter of 2019. This sector has shed more than 10,000 jobs since the start of the Great Recession.

Employment in education and health services – the largest industry in the state – decreased by 0.9 percent (*annualized rate*) in the first quarter of 2019, compared to an increase of 2.9 percent in the fourth quarter, 0.4 percent in the third quarter, and 2.5 percent in the second quarter of 2018. Employment in professional and business services reversed a long-term trend of expansion, decreasing 9.7 percent (*annualized rate*) in the first quarter of 2019, compared to an increase of 0.6 percent in the fourth quarter, 2.5 percent in the third quarter, and 1.8 percent in the second quarter of 2018.

Trade, transportation, and utilities services employment decreased 0.2 percent (*annualized rate*) in the first quarter of 2019, compared to an increase of 3.0 percent in the fourth quarter, no growth in the third quarter, and a decline of 0.4 percent in the second quarter of 2018.

Employment in information services has not returned to pre-recession levels and experienced a decline of 8.4 percent (*annualized rate*) in the first quarter of 2019, compared an increase of 7.0 percent in the fourth quarter and 9.3 percent in the third quarter of 2018 and a decline of 8.5 percent in the second quarter of 2018.

Leisure and hospitality experienced two consecutive quarters of job losses. Employment in leisure and hospitality services decreased 2.3 percent (*annualized rate*) in the first quarter of 2019 and 11.0 percent in the fourth quarter of 2018, compared to an increase of 2.3 percent in the third quarter and 1.1 percent in the second quarter of 2018.

### Data Revisions and Corrections

This issue of the Briefing incorporates revisions to employment data by the U.S. Bureau of Labor Statistics and to the quarterly GDP data produced by the U.S. Bureau of Economic Analysis.

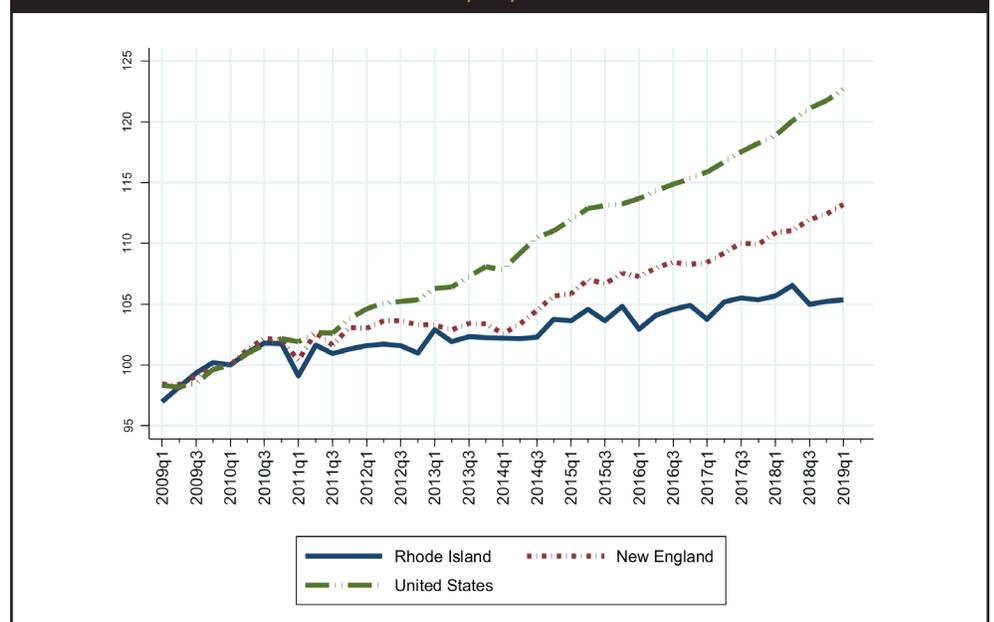
**TABLE 1: PERFORMANCE OF KEY ECONOMIC INDICATORS (% CHANGE)**

VARIABLE	2018.Q2	2018.Q3	2018.Q4	2019.Q1
Rhode Island Current Economic Indicator (RI CEI)	3.2 <sup>A</sup>	-5.7 <sup>A</sup>	1.0 <sup>A</sup>	0.5 <sup>B</sup>
<b>Components of the RI CEI:</b>				
Regional Economic Conditions (GDP)	0.6 <sup>A</sup>	3.2 <sup>A</sup>	1.7 <sup>A</sup>	2.9 <sup>B</sup>
National Economic Conditions (U.S. GDP)	4.2	3.4	2.2	3.2
Construction Employment	0.8	0.0	2.7	4.2
Manufacturing Employment	-2.9	-3.2	-4.2	0
Trade, Trans. and Utilities Employment	-0.4	0.0	3.0	-0.2
Information Services Employment	-8.5	9.3	7.0	-8.4
Prof. and Bus. Services Employment	1.8	2.5	0.6	-9.7
Financial Services Employment	-1.8	-0.5	0.8	1.5
Leisure and Hosp. Employment	1.1	2.3	-11.0	-2.3
Education and Health Services Employment	2.5	0.4	2.9	-0.9
Wage and Salary Disbursements	-2.1	-7.8	2.0	1.8
Avg. Weekly Initial Unemployment Claims*	14.4	-10.8	17.8	-20.2
General Sales and Gross Receipt Taxes*	6.0	7.0	5.9	6.4

Figures are annualized percentage changes from previous quarter. All data series are seasonally adjusted.

\* Variable is not annualized. <sup>A</sup> Actual GDP growth from the U.S. BEA. <sup>B</sup> GDP growth estimate.

**FIGURE 2: ECONOMIC INDICATORS: RI, US, AND REGIONAL 2009 – 2019**



- 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)