



BRIEFING



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Q4 2019

Rhode Island's underlying economic conditions are unchanged in the fourth quarter of 2019

The Rhode Island Gross Domestic Product (GDP) is projected to have expanded 2.0 percent in the fourth quarter of 2019, compared to 1.6 percent in the third quarter, 1.5 percent in the second quarter, and 4.7 percent in the first quarter. GDP growth is forecasted to increase 1.9 percent in the first quarter of 2020.

Rhode Island's labor market continues to demonstrate a solid performance. Total nonfarm employment grew from 495,200 jobs in January 2019 to 506,300 jobs in December, an increase of 11,100 jobs, the highest number of annually created jobs since 1999. The unemployment rate was 3.5 percent in December 2019, compared to 4.0 percent in January 2019. Additionally, six of eleven internal factors that comprise the Rhode Island Current Economic Indicator (CEI) positively affected economic growth in the fourth quarter of 2019.

The Regional CEI estimates that the New England economy grew at an annualized rate of 1.5 percent

in the fourth quarter of 2019, compared to 2.1 percent in the third quarter, 1.3 percent in the second quarter, and 4.8 percent in the first quarter. The U.S. GDP increased at an annualized rate of 2.1 percent in the fourth quarter of 2019, compared to 2.1 percent in the third quarter, 2.0 percent in the second quarter, and 3.1 percent in the first quarter.

Despite improved economic conditions and job growth in Rhode Island over the last few years, GDP growth has been slower in Rhode Island than in the New England region and the nation, and the "growth gap" remains wide over time (Figure 2). In addition, Rhode Island's economic activity and employment in manufacturing continue to decline and construction experienced a significant slowdown in the fourth quarter of 2019.

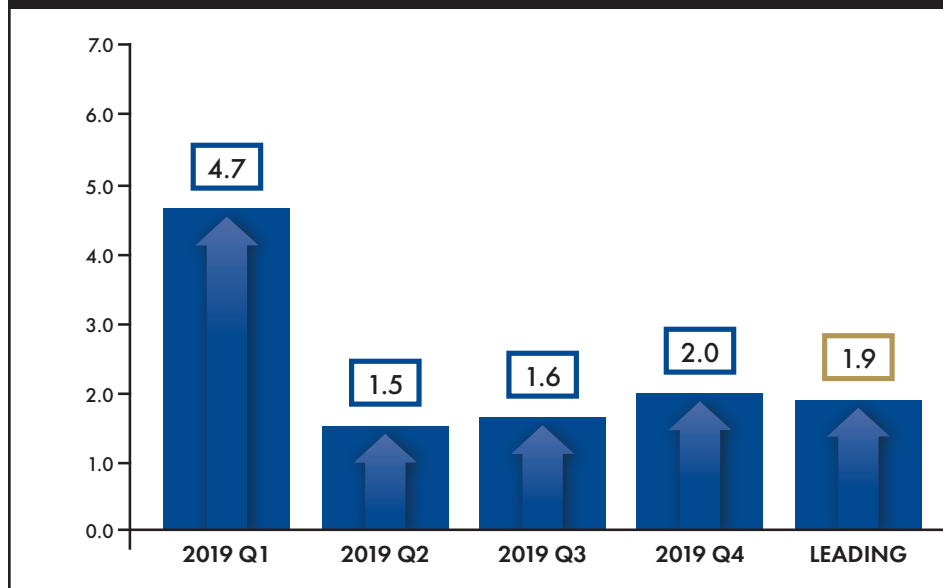
Internal factors impact growth

Six of eleven internal factors that comprise the Rhode Island CEI positively affected economic

growth in the fourth quarter of 2019. General sales and gross receipt taxes, a proxy for aggregate state demand, increased 9.2 percent (*seasonally adjusted, year-to-year*) in the fourth quarter of 2019, compared to increases of 7.3 percent in the third quarter, 9.5 percent in the second quarter, and 6.4 percent in the first quarter. These figures suggest that consumer spending continues to support growth in Rhode Island.

Employment growth in professional and business services contributed significantly to the Rhode Island economy in the second half of 2019. Employment in professional and business services increased 9.1 percent (*annualized rate*) in the fourth quarter of 2019 and 6.5 percent in the third quarter, compared to a decrease of 1.2 percent in the second quarter and a decrease of 9.7 percent in the first quarter. Overall, the sector added 1,300 jobs from January to December 2019.

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, Q4 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.

Trade, transportation, and utilities services employment increased 5.0 percent (*annualized rate*) in the fourth quarter of 2019, 1.0 percent in the third quarter, and 4.5 percent in the second quarter, compared to no employment change in the first quarter.

Revised figures indicate that employment in leisure and hospitality expanded faster than previously released and added 3,000 jobs in 2019. Employment in this sector increased 6.7 percent (*annualized rate*) in the fourth quarter of 2019, 2.1 percent in the third quarter, and 10.3 percent in the second quarter, compared to a decline of 1.9 percent in the first quarter.

The information services industry is experiencing major structural transformation due to technological change and has undergone job losses in Rhode Island since the Great Recession in 2008. Thus, while this sector added 600 jobs in 2019, this figure comprises a small fraction of the 4,000 jobs that have disappeared in information services since 2007.

Preliminary estimates indicate that total real wages and salary disbursements increased 1.1 percent (*annualized rate*) in the fourth quarter of 2019 and 2.2 percent in the third quarter, compared to a decline of 0.4 percent in the second quarter and an increase of 3.8 percent in the first quarter.

Four of eleven internal factors that comprise the Rhode Island CEI negatively affected economic growth in the fourth quarter of 2019. More precisely, employment has contracted in construction, financial services, and education and health care. In addition, there was no job growth in manufacturing in the fourth quarter of 2019.

Employment in construction declined 7.9 percent (*annualized rate*) in the fourth quarter of 2019 and 1.2 percent in the third quarter, which contrasts with increases of 6.3 percent in the second quarter and 4.9 percent in the first quarter. Employment in education and health services reduced 1.3 percent (*annualized rate*) in the fourth quarter of 2019, compared to increases of 6.9 percent in the third quarter and 7.5 percent in the second quarter, and a decrease of 0.1 percent in the first quarter. Employment in financial services reversed several consecutive quarters of growth and shrank 1.5 percent (*annualized rate*) in the fourth quarter of 2019, compared to an increase of 0.8 percent in the third quarter, 6.9 percent in the second quarter, and 2.3 percent in the first quarter.

There was no change in employment in the manufacturing industry in the fourth quarter of 2019, but the state lost 700 manufacturing jobs from January to December 2019. Employment

in manufacturing contracted 1.6 percent (*annualized rate*) in the third quarter of 2019 and 5.9 percent in second quarter, which contrasts to an increase of 0.6 percent in the first quarter.

Initial unemployment claims gauge the direction of the labor market and unemployment rate, and have been volatile in Rhode Island over the last two years. Initial unemployment claims increased 16.6 percent in the fourth quarter of 2019, compared to

a decrease of 25.9 percent in the third quarter, an increase of 27.3 percent in the second quarter, and a decrease 20.2 percent in the first quarter.

Data Revisions and Corrections

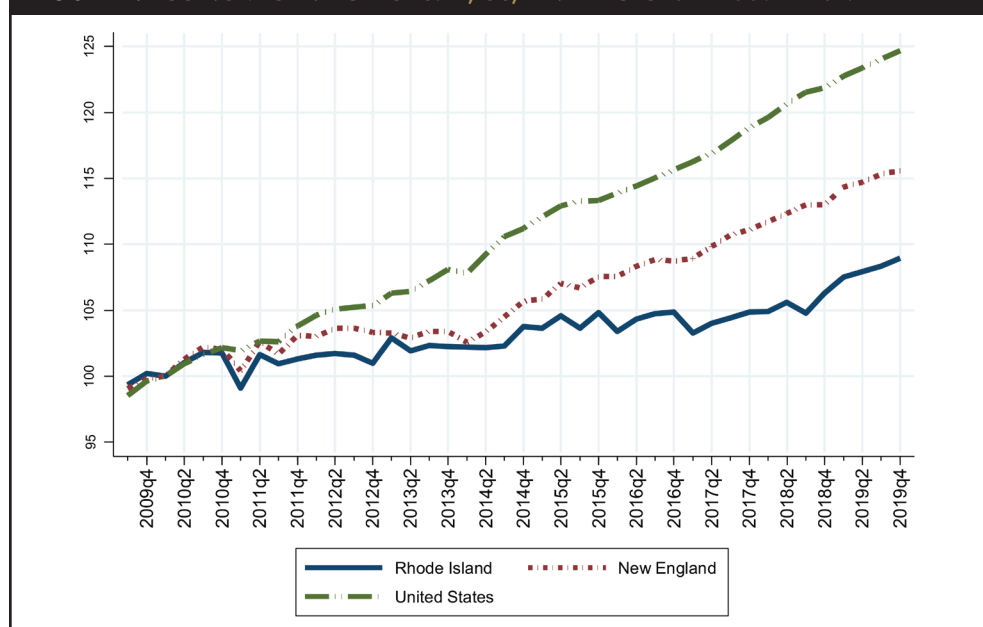
This issue of the *Briefing* incorporates revisions to employment data by the U.S. Bureau of Labor Statistics and to the quarterly GDP data by the U.S. BEA.

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

VARIABLE	2019.Q1	2019.Q2	2019.Q3	2019.Q4
Rhode Island Current Economic Indicator (RI CEI)	4.7 ^A	1.5 ^A	1.6 ^A	2.0 ^B
Components of the RI CEI:				
Regional Economic Conditions (GDP)	4.8 ^A	1.3 ^A	2.1 ^A	1.5 ^B
National Economic Conditions (U.S. GDP)	3.1	2.0	2.1	2.1
Construction Employment	4.9	6.3	-1.2	-7.9
Manufacturing Employment	0.6	-5.9	-1.6	0.0
Trade, Trans., and Utilities Employment	0.0	4.5	1.0	5.0
Information Services Employment	-6.5	7.0	2.0	11.8
Prof. and Bus. Services Employment	-9.7	-1.2	6.5	9.1
Financial Services Employment	2.3	6.9	0.8	-1.5
Leisure and Hosp. Employment	-1.9	10.3	2.1	6.7
Education and Health Services Employment	-0.1	7.5	6.9	-1.3
Wage and Salary Disbursements	3.8	-0.4	2.2	1.1
Avg. Weekly Initial Unemployment Claims*	-20.2	27.3	-25.9	16.6
General Sales and Gross Receipt Taxes*	6.4	9.5	7.3	9.2
Total Non-Farm Employment	-1.1	4.0	2.6	2.0

Figures are annualized percentage changes from previous quarter. All data series are seasonally adjusted.
* Variable is not annualized. ^A Actual GDP growth from the U.S. BEA. ^B 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.
- 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 | www.ripec.org