



BRIEFING



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Q2 2011

Expansion *Still* Holding

Rhode Island: Sustaining Growth

Despite a significant slowdown in the U.S. economy in the first two quarters of 2011, Rhode Island has sustained its economic recovery and expanded faster than the national economy. The Rhode Island Current Economic Indicator for the second quarter of 2011 increased 2.17 percent (annualized rate). This is slightly higher than the 1.9 percent in the first quarter illustrated in **Figure 1** and **Table 1**.

The Rhode Island Leading Economic Indicator projects the economy will expand 2.2 percent (annualized rate) over the next two quarters.

The current and leading economic indicators suggest that despite meager growth in the national economy, regional growth plus some favorable internal economic conditions have increased economic activity in the Ocean State. However, as highlighted in the Q1 Briefing, the current rate of growth is not large enough to boost job creation and significantly cut unemployment here.

Regional and national recovery impact

The U.S. Gross Domestic Product (GDP) increased at an annualized rate of 1.3 percent in the second quarter of 2011,

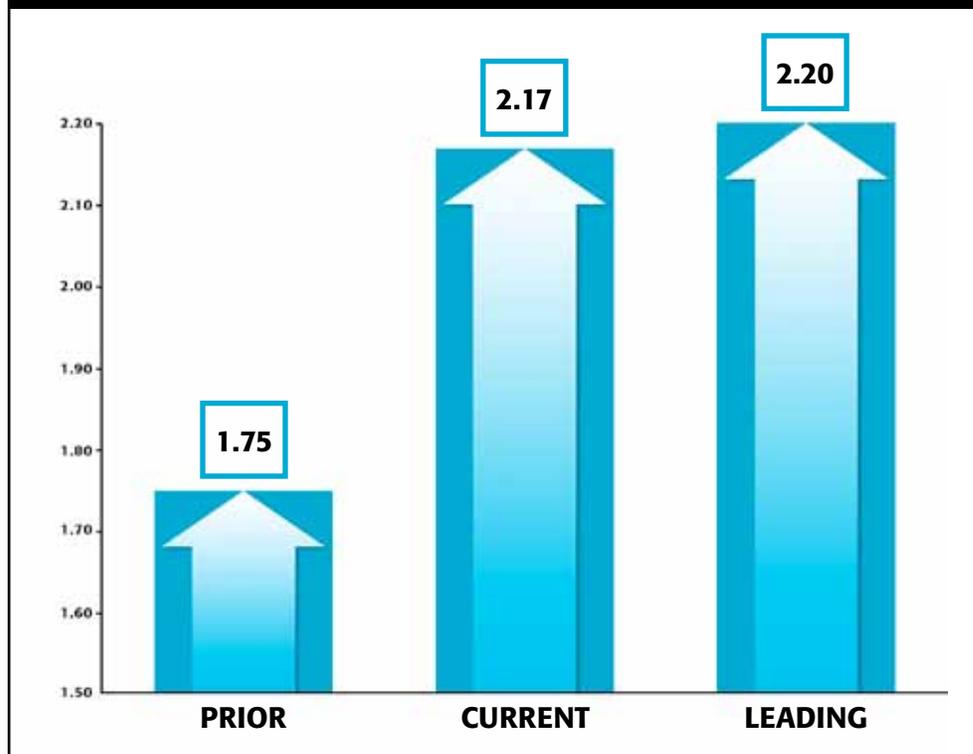
compared to 0.4 percent in the first quarter and 2.4 percent in the fourth quarter of 2010. If the U.S. economy fails to pick up steam soon, the already slow economic recovery here will be derailed.

Fortunately, the economic recovery in New England is holding, contributing to economic growth in Rhode Island. According to the Regional Current Economic Indicator, the New England economy increased at an annualized rate of 2.3 percent in the second quarter of 2011, compared to 2.1 percent in the first quarter.

Internal factors impact growth

Economic growth in Rhode Island in the second quarter has also been fueled by internal dynamics, particularly increased consumption and modest improvements in labor market conditions.

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2011 Q2



About the 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 calculated as the six-month (two quarters) ahead growth rate of the Rhode Island CEI. The Prior Economic Indicator is simply the CEI measured two quarters ago.

General sales and gross receipt taxes, a proxy for the state aggregate demand, increased 3.4 percent (seasonally adjusted) in the second quarter compared to the first. This is the second consecutive quarter showing an increase.

The labor market shows signs of improvement. Initial unemployment claims decreased just over 8 percent in the first quarter and decreased another 7.5 percent in the second. Employment in some sectors highly susceptible to business cycles has increased. Employment in trade, transportation, and utilities services increased 8.4 percent (annualized rate). Employment in leisure and hospitality services reversed the losses of the first quarter and expanded just under 12 percent (seasonally adjusted) in the second quarter. However, employment in professional and business services decreased 0.7 percent in the second quarter, compared to an increase of 7.5 percent in the first. The construction sector continued to shed jobs in the second quarter, experiencing a decline of 12 percent (annualized rate).

The Rhode Island Briefing now reports *real* rather than *nominal* total wages and salaries. Real total wages and salary disbursements decreased 0.7 percent in Q2 2011, compared to a decrease of 1.3 percent in Q1.

Historical Trend

Figure 2 shows the Rhode Island economy steadily recovering, but the size of the economy is still smaller than that observed before the 2008 recession. It confirms that a full recovery will take several years at the current growth pace.

Data Revisions and Corrections

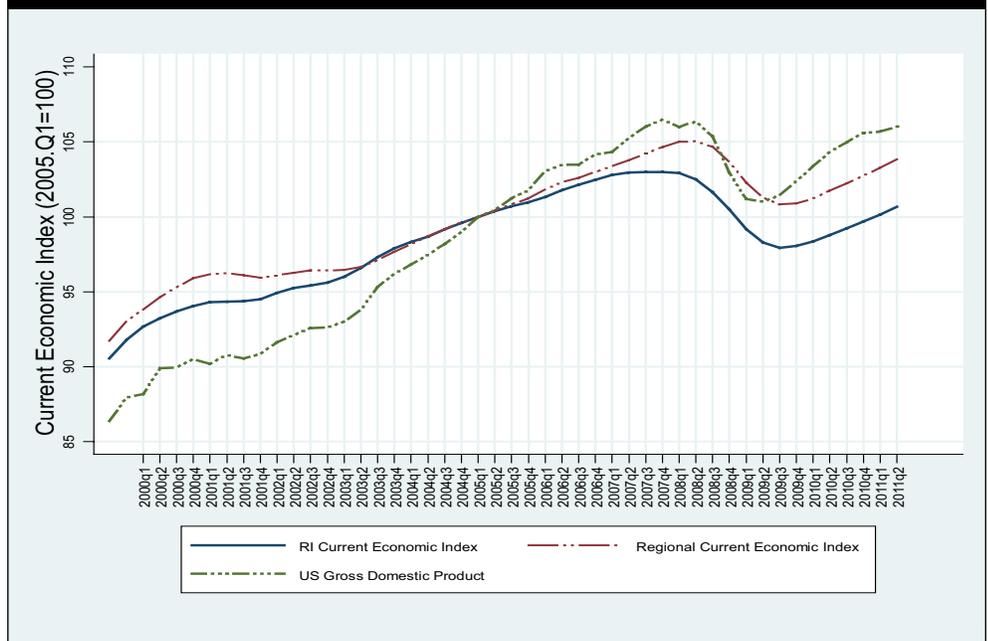
This Briefing incorporates revised historical state GSP and U.S. GDP data just released by the Bureau of Economic Analysis. It also reflects changes to the methodology used to seasonally adjust general sales and gross receipt taxes and initial unemployment claims data.

TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS

VARIABLE	2010.Q3	2010.Q4	2011.Q1	2011.Q2
Rhode Island Current Economic Indicator (RI CEI)	1.95	1.75	1.88	2.17
Components of the RI CEI:				
Regional Economic Indicator	1.88	1.99	2.10	2.28
National Economic Conditions (U.S. GDP)	2.51	2.35	0.36	1.28
Leisure and Hosp. Employment	5.56	3.82	-2.67	11.67
Trade, Trans. and Utilities Employment	3.18	4.62	7.96	8.42
Prof. and Bus. Services Employment	-2.73	-2.46	7.46	-0.74
Construction Employment	-3.46	-8.79	0.00	-12.31
Real Wage and Salary Disbursements	5.23	-1.91	-1.34	-0.70
General Sales and Gross Receipt Taxes*	1.15	-5.12	2.33	3.42
Avg. Weekly Initial Unemployment Claims*	-14.21	5.98	-8.07	-7.46

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

FIGURE 2: ECONOMIC INDICATORS, RI, U.S., AND REGION FROM 2000



- This Rhode Island Economic Briefing is published quarterly by The Rhode Island Public Expenditure Council and The Economics Department 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 Bryant University and about RIPEC: www.bryant.edu | www.ripec.org