



BRIEFING



A joint publication of Bryant University and The Rhode Island Public Expenditure Council (RIPEC) | Spring 2012 | Vol.2, No. 2

Q1 2012

Economic Stagnation in Rhode Island

With very slow rates of economic growth, the state economy has been stuck since the first quarter of 2011, according to the Rhode Island Current Economic Indicator (CEI). In the first quarter of 2012, the Rhode Island CEI increased 1 percent (annualized rate).

The Rhode Island Leading Economic Indicator projects the trend of the two-quarters ahead growth rate of the Rhode Island CEI. It indicates that the economy will expand at a pace slower than the current growth rate of 1 percent (annualized rate) in the third quarter of 2012. The trend illustrated in Figure 1 and Table 1 provides little hope that the state economy will turn around any time soon.

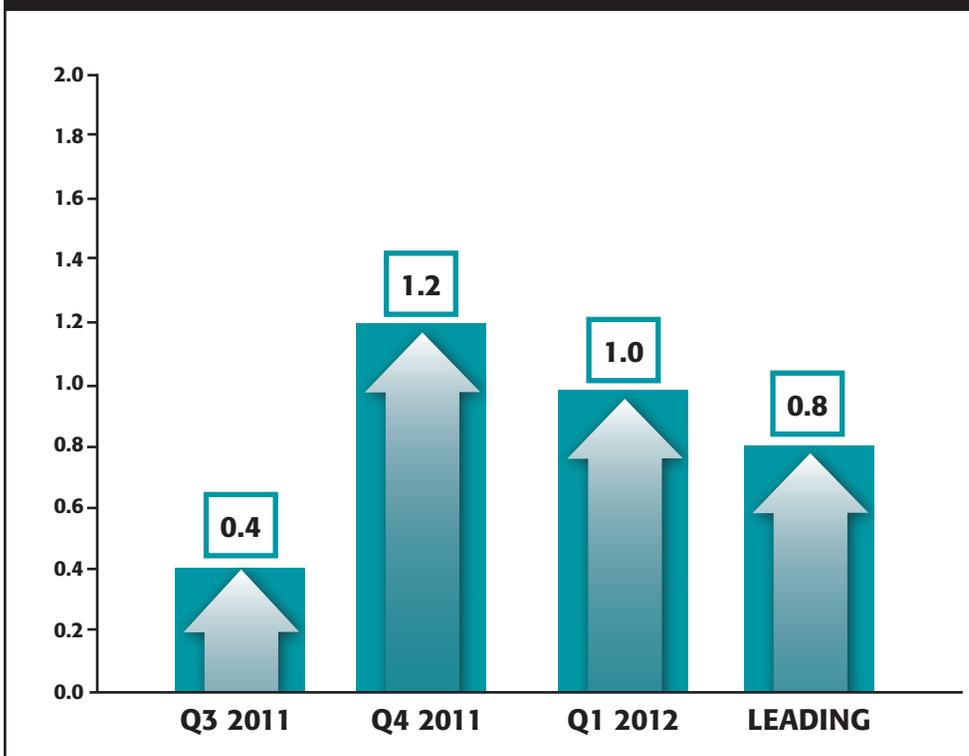
These figures suggest that the risk of double-dip recession in Rhode Island is increasing. To avert a return to recession or a prolonged economic stagnation, state and local governments and businesses must engage in coordinated efforts to stimulate economy activity and promote economic growth in the Ocean State.

Regional and national growth impact

Rhode Island is part of the regional economy and its economy responds to changes in economic conditions in the New England area as well as in the rest of the nation. The U.S. Gross Domestic Product (GDP) increased at an annualized rate of 2.2 percent

in the first quarter of 2012, compared to 3.0 percent in the fourth quarter of 2011. The New England economy is also expanding. According to the Regional Current Economic Indicator, the New England economy increased at an annualized rate of 3.3 percent in the first quarter of 2012, compared to 1.7 percent in the fourth quarter (see Figure 2 for long-term trends). Unfortunately, Rhode Island's economy continues to expand at a rate significantly below that of the New England region and the national average.

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2011 Q4



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.

Internal factors impact growth

While economic growth in the New England region and in the rest of the nation contributed to growth in Rhode Island, internal economic conditions continued to negatively affect the Rhode Island Economic Indicator in the first quarter of 2012. Employment in leisure and hospitality services decreased 2.5 percent in that period. This figure adds to the poor performance of leisure and hospitality since the third quarter of 2011. The unexpected job creation that took place in construction in the fourth quarter of 2011 was entirely eliminated in the first quarter of 2012. In fact, employment in construction decreased 24.2 percent (annualized rate) in the first quarter of 2012, compared to an increase of 23 percent in the fourth quarter of 2011.

The performance of the professional and business services and trade, transportation, and utilities services industries improved slightly in the first quarter of 2012. The professional and business services industry experienced a 2.5 percent increase in employment in the first quarter, compared to a decrease of 0.2 percent in the fourth quarter of 2011. Employment in trade, transportation, and utilities services increased 3.8 percent (annualized rate) in the first quarter of 2012, compared to a decrease of 3.3 percent in the fourth quarter of 2011.

Seasonally adjusted initial unemployment claims decreased 18.2 percent in the first quarter of 2012. Real total wages and salary disbursements increased 2.4 percent in the first quarter of 2012. General sales and gross receipt taxes, a proxy for the state aggregate demand, increased 2.0 percent (seasonally adjusted) in the first quarter of 2012 compared to an increase of 1.6 percent in the fourth quarter of 2011.

Historical Trend

Figure 2 shows that the Rhode Island economy recovery has flattened since mid-2011. It also shows that the Rhode Island economy has trailed both the New England region and the nation since 2005.

Data Revisions and Corrections

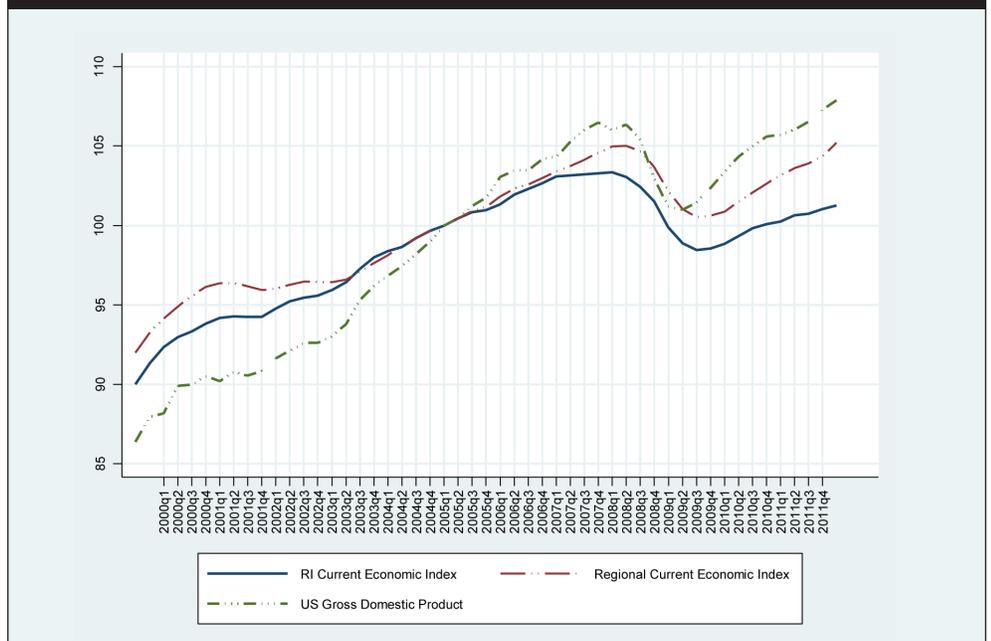
This Briefing incorporates major revisions to employment figures just released by the U.S. Bureau of Labor Statistics. It also considers data revisions made to real wage and salary disbursements and the 2011 Q4 U.S. GDP data. These revisions cause changes to the estimates released in previous Briefings.

TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS

VARIABLE	2011.Q2	2011.Q3	2011.Q4	2012.Q1
Rhode Island Current Economic Indicator (RI CEI)	1.51	0.36	1.16	0.95
Components of the RI CEI:				
Regional Economic Conditions	1.83	1.11	1.72	3.34
National Economic Conditions	1.33	1.81	2.95	2.20
Leisure and Hosp. Employment	1.13	-5.51	-3.22	-2.44
Trade, Trans. and Utilities Employment	5.02	-5.66	-3.25	3.76
Prof. and Bus. Services Employment	-2.42	3.47	-0.22	2.46
Construction Employment	-5.73	2.61	23.09	-24.25
Real Wage and Salary Disbursements	8.75	2.64	3.43	2.54**
General Sales and Gross Receipt Taxes*	3.13	0.49	1.58	1.95
Avg. Weekly Initial Unemployment Claims*	-2.99	18.37	-3.22	-18.21

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

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 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