



BRIEFING



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Economic Stagnation Persists

The Rhode Island Current Economic Indicator (CEI) shows that the state economy has been unable to gain traction and experienced almost no economic growth in the first half of 2012. The *revised* CEI for the first quarter of 2012 increased just 0.3 percent (revised down from 0.95 percent) and the CEI for the second quarter of 2012 increased 0.4 percent (annualized rate).

The Rhode Island Leading Economic Indicator projects the next quarter growth rate of the Rhode Island CEI. It indicates that the economic difficulties will persist in the short term. The CEI is forecast to expand at a growth rate of 0.5 percent (annualized rate) in the third quarter of 2012.

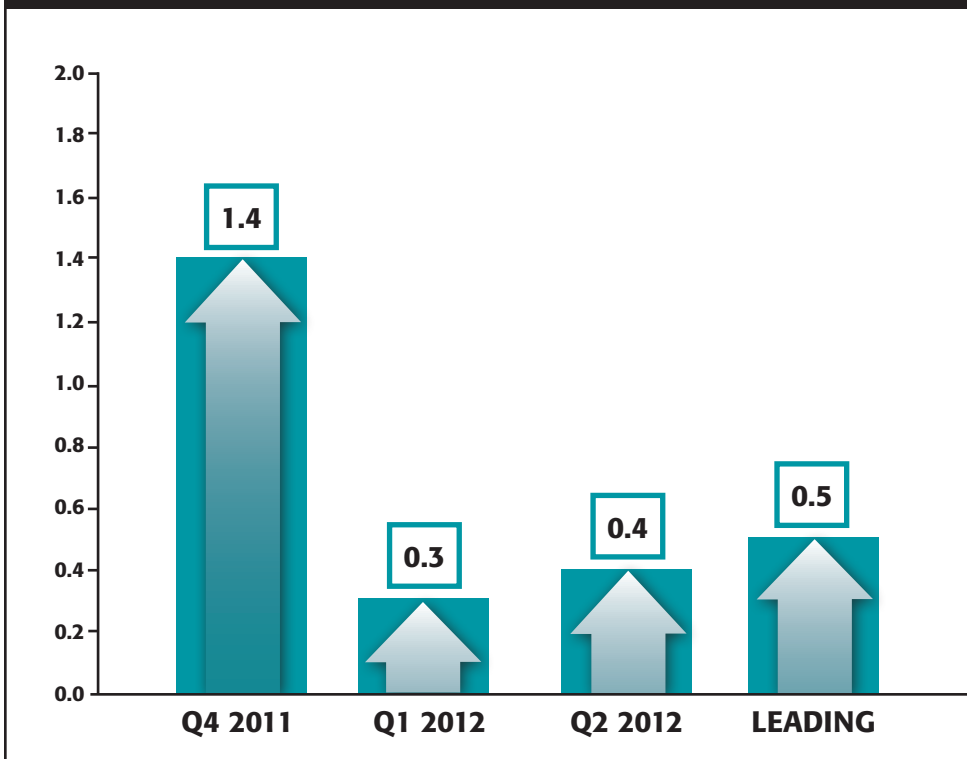
In Rhode Island, this prolonged no-growth period will further strain the social-protection network, drain resources, and dislocate workers. Urgently needed are strategies to revive the economy in the short-term together with structural changes that prepare the local economy to take advantage of its competitive advantages and compete nationally and globally.

Regional and national growth impact

The Rhode Island CEI is affected by 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 1.5 percent in the second quarter of 2012, compared to 2.0 percent in the first quarter of 2012. The Regional Current Economic Indicator suggests that the New England economy expanded at an annualized rate of 1.7 percent in the second quarter of 2012, compared to 3.2 percent in the first quarter (see Figure 2 for long-term trends). These figures suggest that the overall regional and national economic outlooks have deteriorated in the second quarter of 2012, which negatively affected the economy in Rhode Island.

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2012 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.

Internal factors impact growth

Economic growth in the New England region and in the rest of the nation contributed marginally to growth in Rhode Island. Internal economic conditions, however, continued to negatively affect the Rhode Island Economic Indicator in the second quarter of 2012. The professional and business services industry experienced a 3.9 percent decrease in employment in the second quarter, compared to an increase of 2.8 percent in the first quarter. Employment in trade, transportation, and utilities services decreased 1.8 percent (annualized rate) in the second quarter of 2012, compared to an increase of 3.9 percent in the first quarter.

Employment in leisure and hospitality services increased 2.5 percent in the second quarter of 2012, compared to a decrease of 3 percent in the first quarter. Employment in construction increased 8 percent, compared to a reduction of 24 percent (annualized rate) in the first quarter.

Overall labor market conditions have deteriorated. Seasonally adjusted initial unemployment claims increased 15 percent in the second quarter of 2012, compared to a decrease of 18 percent in the first quarter. Real total wages and salary disbursements are estimated to have decreased 3.8 percent in the second quarter of 2012. General sales and gross receipt taxes, a proxy for the state aggregate demand, decreased 1.2 percent (*seasonally adjusted*) in the second quarter of 2012 compared to an increase of 1.9 percent in the first quarter.

Data Revisions and Corrections

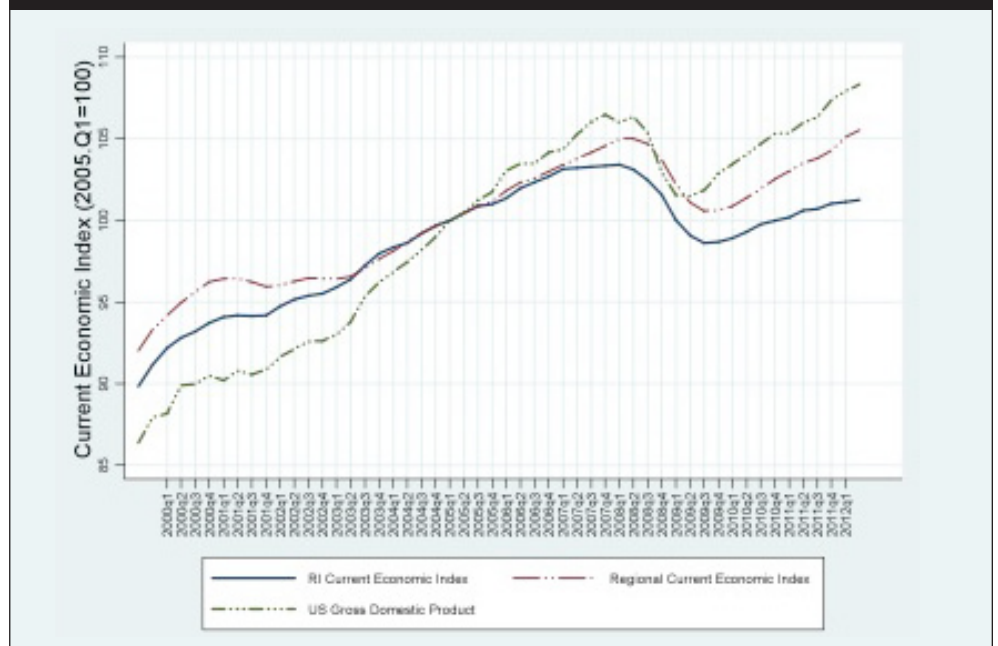
This Briefing incorporates revisions to employment figures and to the U.S. GDP data released by several branches of the U.S. Census Bureau. It also considers changes to estimates of the real wage and salary disbursements. These revisions cause changes to the Rhode Island CEI released in previous Briefings.

TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS

VARIABLE	2011.Q3	2011.Q4	2012.Q1	2012.Q2
Rhode Island Current Economic Indicator (RI CEI)	0.34	1.42	0.34	0.44
Components of the RI CEI:				
Regional Economic Conditions	1.11	1.85	3.20	1.66
National Economic Conditions	1.28	4.09	1.96	1.54
Leisure and Hosp. Employment	-5.51	-3.22	-3.01	2.51
Trade, Trans. and Utilities Employment	-5.66	-3.25	3.93	-1.80
Prof. and Bus. Services Employment	3.47	-0.22	2.76	-3.90
Construction Employment	2.61	23.09	-23.65	8.06
Real Wage and Salary Disbursements	2.21	4.21	-7.54	-3.76**
General Sales and Gross Receipt Taxes*	0.31	1.71	1.89	-1.17
Avg. Weekly Initial Unemployment Claims*	18.89	-3.52	-18.17	14.60

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