



BRIEFING



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

Q3 2012

Economic Recovery 'Fragile' in Rhode Island

This issue of the Rhode Island Current Economic Indicator (CEI), which incorporates revised data from the U.S. Bureau of Labor Statistics (BLS) and U.S. Bureau of Economic Analysis (BEA), shows the state economy has expanded faster than previously published in the first and second quarters of 2012. The *revised* CEI for the second quarter of 2012 increased 1.1 percent (revised up from 0.4 percent). The CEI for the third quarter of 2012 increased at an annualized rate of 1.7 percent. The third quarter 2012 growth is the fastest expansion since the CEI was first published in 2010.

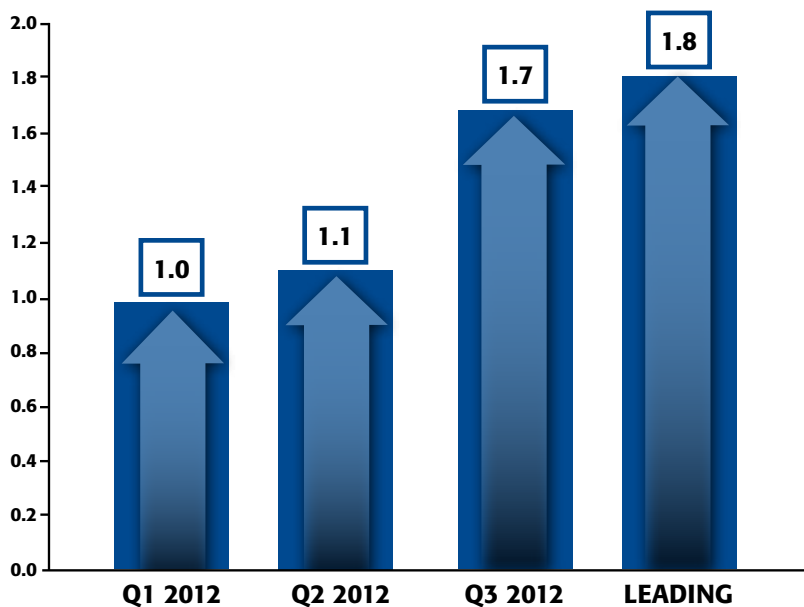
The Rhode Island Leading Economic Indicator projects the next quarter growth rate of the Rhode Island CEI. The CEI is forecasted to increase at an annualized rate of 1.8 percent in the fourth quarter of 2012, well above previous estimates of just 0.5 percent.

The current and projected economic expansion show improvements in the overall economic conditions in the state. However, the pace of growth is still insufficient to quickly turn around the state labor market and is below regional and national growth trends.

Regional and national growth impact

Sluggish regional and national growth rates have contributed to slowing the pace of the economic recovery in Rhode Island. The U.S. Gross Domestic Product (GDP) increased at an annualized rate of 2 percent in the third quarter of 2012, compared to 1.3 percent in the first quarter. The Regional Current Economic Indicator estimates that the New England economy expanded at an annualized rate of 1.3 percent in the third quarter of 2012, compared to 1.8 percent in the second quarter.

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2012 Q3



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.



Internal factors impact growth

Some industries are still struggling to recover in Rhode Island. Employment in the professional and business services industry decreased 8.1 percent and 3.9 percent in the third and second quarters of 2012, respectively. Employment in trade, transportation, and utilities services decreased at an annualized rate of 6.6 percent in the third quarter, and 1.8 percent in the second quarter. Real total wages and salary disbursements are estimated to have decreased 2.8 percent in the third quarter of 2012.

However, other internal economic factors have improved giving a small boost to the Rhode Island Economic Indicator for the third quarter of 2012. Employment in leisure and hospitality services increased at an annualized rate of 17 percent in the third quarter, compared to an increase of 4 percent in the second quarter. Employment in construction increased at an annualized rate of 22.9 percent compared to an increase of 9.2 percent in the second quarter. The seasonally adjusted initial unemployment claims decreased 9.5 percent in the third quarter, compared to an increase of 14.6 percent in the second quarter. Seasonally adjusted general sales and gross receipt taxes, a proxy for the state aggregate demand, increased 2.5 percent in the third quarter of 2012 compared to a decrease of 1.2 percent in the second quarter.

This batch of mixed economic signals suggests that the economic recovery in Rhode Island is fragile and the labor market remains under significant stress.

Data Revisions and Corrections

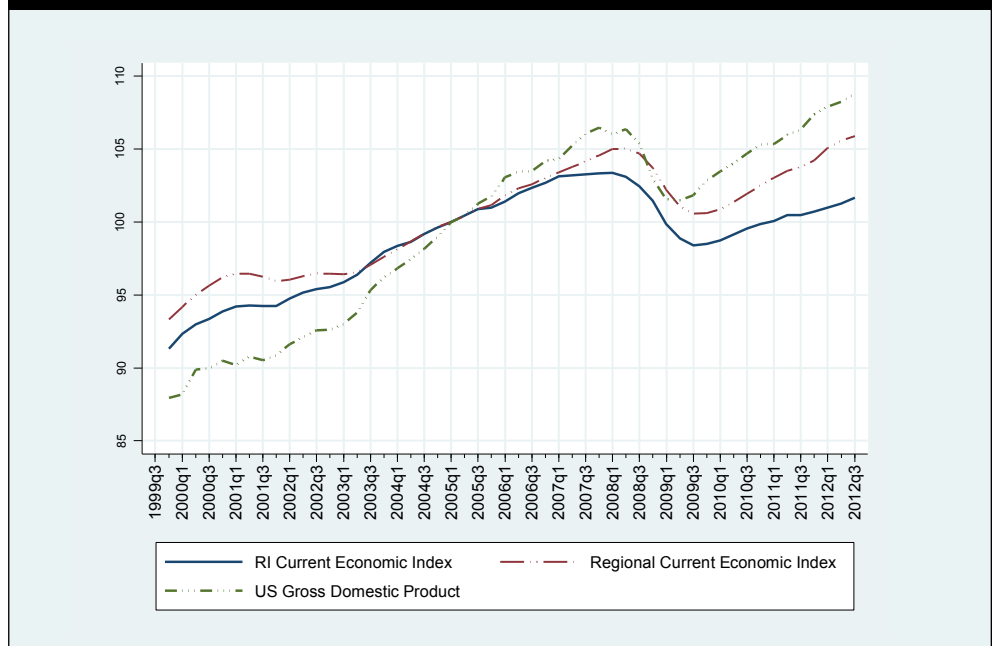
This Briefing incorporates revisions to employment figures and to the U.S. GDP data released by several branches of the U.S. Census Bureau. It also considers significant changes to estimates of the real wage and salary disbursements just released by the U.S. Bureau of Economic Analysis. These revisions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

TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS

VARIABLE	2011.Q4	2012.Q1	2012.Q2	2012.Q3
Rhode Island Current Economic Indicator (RI CEI)	0.89	1.01	1.10	1.72
Components of the RI CEI:				
Regional Economic Conditions	1.75	3.33	1.80	1.28
National Economic Conditions	4.09	1.96	1.25	2.01
Leisure and Hosp. Employment	-3.22	-3.01	3.95	17.07
Trade, Trans. and Utilities Employment	-3.25	3.93	-1.80	-6.60
Prof. and Bus. Services Employment	-0.22	2.76	-3.90	-8.11
Construction Employment	23.09	-23.65	9.17	22.93
Real Wage and Salary Disbursements	-1.98	4.76	1.64	-2.82**
General Sales and Gross Receipt Taxes*	1.73	1.89	-1.15	2.50
Avg. Weekly Initial Unemployment Claims*	-3.48	-18.23	14.57	-9.46

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, US, 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