



# BRIEFING



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Q4 2011

## Growth Sluggish in Quarter

### Rhode Island: Growth Halts

The Rhode Island Current Economic Indicator shows that economic growth nearly halted in the second half of 2011 in Rhode Island, losing most of the economic momentum experienced in the first two quarters of 2011.

The Rhode Island Current Economic Indicator for the fourth quarter of 2011 increased only 0.7 percent (annualized rate). This is roughly the same increase observed in the third quarter and significantly lower than the 2.6 percent in the second quarter as illustrated in Figure 1 and Table 1.

The Rhode Island Leading Economic Indicator, which projects the two-quarters ahead

growth rate of the Rhode Island CEI, shows the economy expanding 0.9 percent (annualized rate) in the second quarter of 2012.

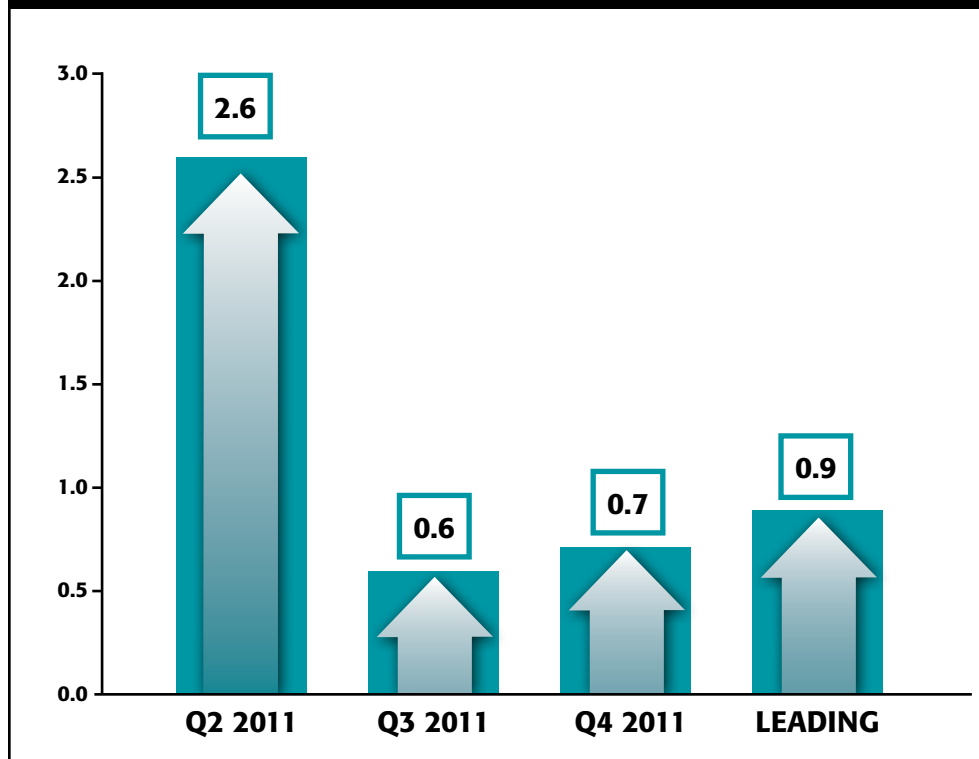
The current and leading economic indicators demonstrate that Rhode Island's economic woes have been very difficult to overcome and that the recovery path will not be smooth or straightforward. If the pace of growth does not accelerate soon, employment creation will idle and unemployment will remain high in 2012.

### Regional and national recovery impact

In the fourth quarter of 2011, the lack of internal dynamics in Rhode Island was partially offset by economic expansion 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 2.75 percent in the fourth quarter of 2011, compared to 1.8 percent in the third 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 2 percent in the fourth quarter of 2011, compared to 1.8 percent in the third quarter. This pattern of Rhode Island's economy growing more slowly than that of New England and the nation has been persistent during the last decade. It must be reversed in the short term if the state is to provide an economic environment in which both residents and businesses can thrive.

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 impede growth

Internal economic conditions negatively affected the Rhode Island Economic Indicator in the second half of 2011, particularly in the fourth quarter. Employment in trade, transportation, and utilities services decreased 4.4 percent and 4.1 percent (annualized rate) in the third and fourth quarters, respectively. Employment in leisure and hospitality services decreased 6 percent in the second half of 2011. Signs of deceleration are also observed in professional and business services, which experienced a 0.5 percentage point decline in employment in the fourth quarter, compared to an increase of 2.3 percent in the third quarter of 2011.

Employment in construction continued its unexpected recovery, increasing 23.7 percent (annualized rate) in the fourth quarter, compared to an increase of 6.3 percent in the third quarter of 2011. Revised figures show that real total wages and salary disbursements decreased 3.3 percent in the third quarter of 2011, compared to an increase of 1.2 percent in the fourth of 2011.

Seasonally adjusted initial unemployment claims decreased 2.5 percent in the fourth quarter compared to an increase of 18.2 percent in the third quarter of 2011.

General sales and gross receipt taxes, a proxy for the state aggregate demand, increased 1.7 percent (seasonally adjusted) in the fourth quarter compared to an increase of 0.3 percent in the third quarter and 3 percent in the second quarter of 2011.

### Historical Trend

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

### Data Revisions and Corrections

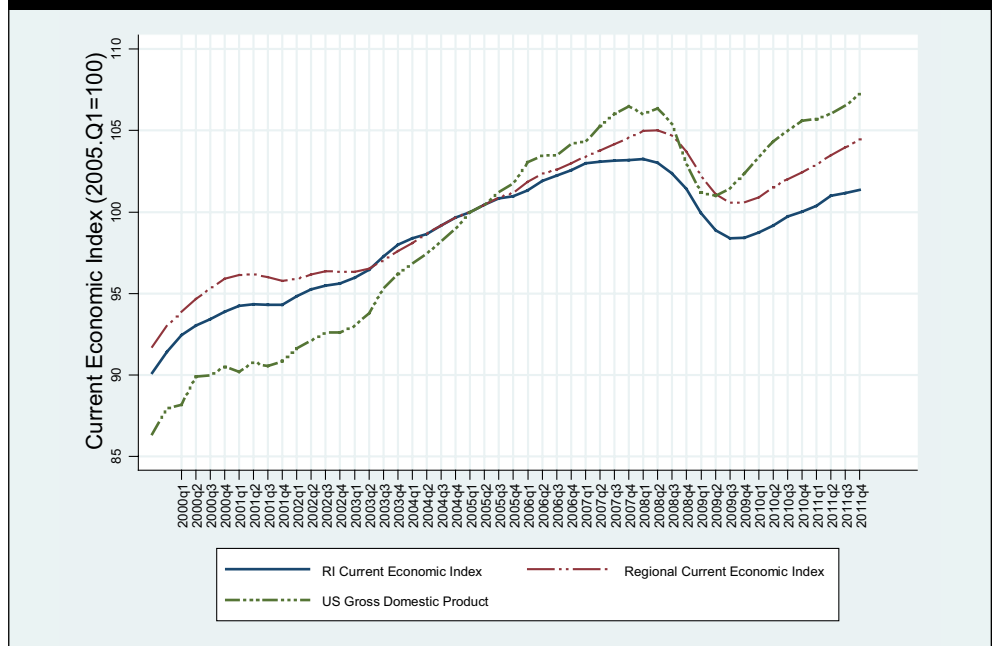
This Briefing incorporates revisions to employment figures and real wage and salary disbursements in Rhode Island as well as the revised 2011 Q3 U.S. GDP data.

**TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS**

VARIABLE	2011.Q1	2011.Q2	2011.Q3	2011.Q4
<b>Rhode Island Current Economic Indicator (RI CEI)</b>	<b>1.38</b>	<b>2.57</b>	<b>0.06</b>	<b>0.72</b>
<b>Components of the RI CEI:</b>				
Regional Economic Indicator	1.91	2.27	1.83	1.95
National Economic Conditions (U.S. GDP)	0.36	1.33	1.81	2.75
Leisure and Hosp. Employment	-1.11	11.41	-6.30	-5.95
Trade, Trans. and Utilities Employment	7.96	8.19	-4.40	-4.14
Prof. and Bus. Services Employment	7.46	-0.22	2.25	-0.52
Construction Employment	0.00	-12.31	6.29	23.70
Real Wage and Salary Disbursements**	-4.27	8.29	-3.55	1.23
General Sales and Gross Receipt Taxes*	2.57	3.09	0.33	1.66
Avg. Weekly Initial Unemployment Claims*	-8.17	-2.14	18.23	-2.47

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 Economics Department at Bryant University. For information, contact Edinaldo Tebaldi, Ph.D., at [etebaldi@bryant.edu](mailto:etebaldi@bryant.edu).
- The Current and Leading Economic Indicators are revised periodically to incorporate changes in the data used to calculate the index.
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