



BRIEFING



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Q4 2013

Rhode Island is sustaining the pace of growth

For the fourth quarter of 2013, the Rhode Island Current Economic Indicator (CEI) increased to 3.0 percent (annualized rate), compared to an expansion of 2.7 percent (revised up from 2.2 percent) in the third quarter. The Rhode Island Leading Economic Indicator projects the next quarter growth rate of the Rhode Island CEI. The CEI is forecast to expand at an annual growth rate of 2.7 percent in the first quarter of 2014.

Improvements in regional and national economic outlooks have contributed significantly to boost internal economic conditions and, thus, foster job and income creation in Rhode Island. Overall, the state's economy looks better now than it has over the last few years because of both sustained job and income growth since 2012. However, there are significant uncertainties and challenges on the road to economic growth in Rhode Island. As of

December 2013, just under 50,000 Rhode Islanders were unemployed and the state's unemployment rate of 9.1 percent was the highest in the nation. The slow rate of population growth, potential labor force skills mismatch, a struggling housing market, and an uncompetitive cost structure are among the list of factors still holding back the state's economy.

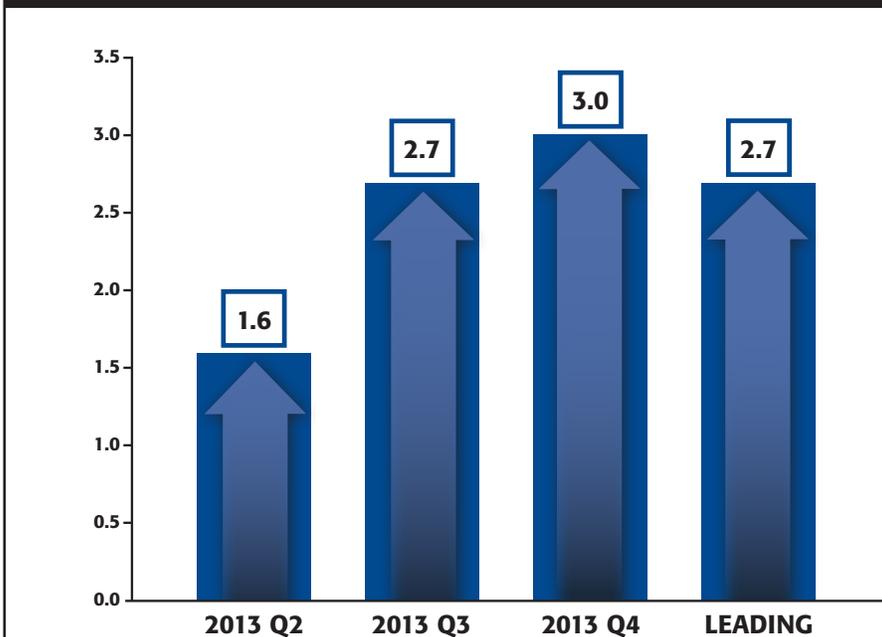
John Simmons, Executive Director of the Rhode Island Public Expenditure Council, remarked: "the recent trend of New England's regional economy buoying Rhode Island's has diminished over the past two quarters. The exception to this is the strength of the Massachusetts' economy, which grew robustly in the fourth quarter of 2013, and continues to contribute to Rhode Island's growth. However, over the past few quarters, Rhode Island's CEI has continued to trail national economic conditions. Moreover, the employment growth

that has occurred over the past two quarters has been in industries that have comparatively lower wage levels. The state's biggest economic challenges lie with its changing labor force, misalignment of labor supply and demand, and long-term structural deficits. In addition to focusing attention on these challenges, the state must strategically plan to develop ways in which it can nourish high-paying industries and their associated jobs."

Regional and national growth impact

The U.S. Gross Domestic Product (GDP) increased at an annualized rate of 3.2 percent in the fourth quarter of 2013, compared to 4.1 percent in the third quarter. According to the Regional Current Economic Indicator, the New England economy increased at an annualized rate of 2.6 percent in the fourth quarter, compared to 2.3 percent in the third quarter of

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2013 Q4



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.



2013. **FIGURE 2** shows that Rhode Island's *growth gap* is no longer widening when compared to New England and the country as a whole.

However, the fourth quarter CEI and leading indicator suggest that the growth gap will persist because Rhode Island will continue to grow more slowly than the national economy and will barely match New England's rate of economic growth.

Internal factors impact growth

Six of seven *internal* factors included in the CEI positively affected the Rhode Island Current Economic Indicator (CEI) in the fourth quarter.

The Rhode Island labor market is slowly improving with a significant number of jobs added to the state's economy in the second half of 2013. Employment in leisure and hospitality services increased 7.9 percent (annualized rate) in the fourth quarter, compared to an increase of 3.7 percent (revised up) in the third quarter. Employment in professional and business services, which has been expanding since 2010, increased 3.5 percent in the fourth quarter compared to an increase of 0.4 percent in the third quarter of 2013. Employment in trade, transportation, and utilities services increased 0.2 percent (annualized rate) in the fourth quarter, compared to an increase of 4 percent in the third quarter. Difficulties persist in the construction industry, but jobs lost during the second half of 2012 and the first half of 2013 have been added back to this industry in the third and fourth quarters of 2013. Employment in construction increased 8 percent and 12 percent in the fourth and third quarters, respectively (annualized rates).

Seasonally adjusted initial unemployment claims decreased 8.1 percent in the fourth quarter, compared to an increase of 0.5 percent in the third quarter of 2013. Real total wages and salary disbursements increased 1 percent (annualized rate) in the fourth quarter compared to an increase of 0.2 percent (revised down) in the third quarter of 2013.

After three consecutive quarters of expansion, general sales and gross receipt taxes decreased. It was the only component of the CEI that negatively affected the Rhode Island Current Economic Indicator (CEI) in the fourth quarter. Seasonally adjusted general sales and gross receipt taxes fell 2.8 percent in the fourth quarter, compared to an increase of 1 percent in the third quarter of 2013.

Data Revisions and Corrections

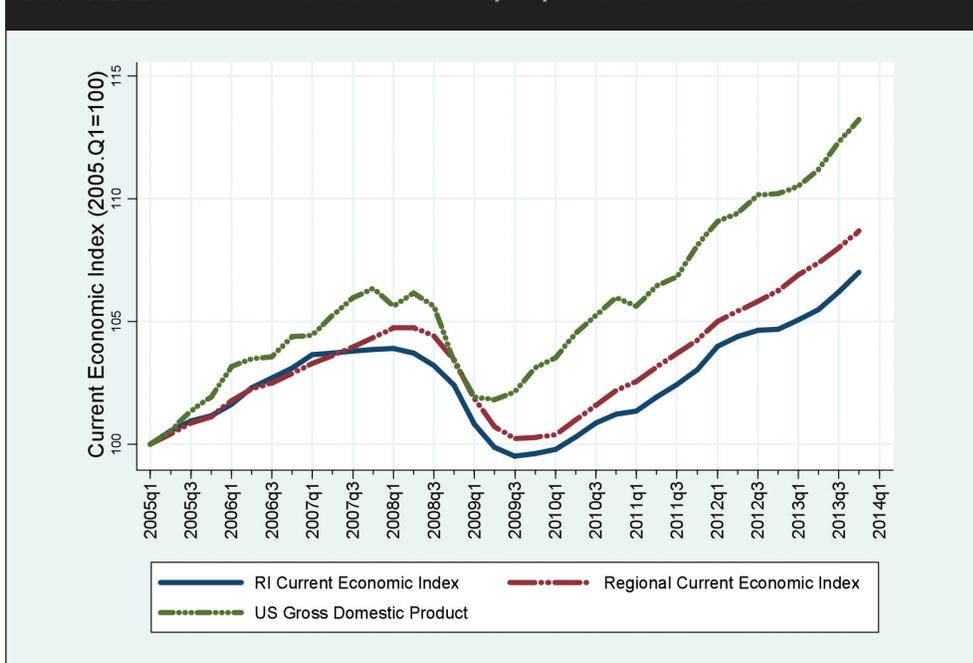
This Briefing incorporates revisions to employment figures and to the U.S. GDP data. These revisions have resulted in changes to the Rhode Island CEI released in previous Briefings.

TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS

VARIABLE	2013.Q1	2013.Q2	2013.Q3	2013.Q4
Rhode Island Current Economic Indicator (RI CEI)	1.60	1.64	2.71	2.95
Components of the RI CEI:				
Regional Economic Conditions	2.41	1.91	2.29	2.57
National Economic Conditions	1.15	2.48	4.13	3.23
Leisure and Hosp. Employment	2.59	-2.07	3.71	7.93
Trade, Trans. and Utilities Employment	3.30	-3.19	4.08	0.16
Prof. and Bus. Services Employment	0.70	11.25	0.41	3.46
Construction Employment	-2.63	0.00	11.99	8.02
Real Wage and Salary Disbursements	3.68	1.82	0.21	1.01
General Sales and Gross Receipt Taxes*	0.54	4.17	0.96	-2.84
Avg. Weekly Initial Unemployment Claims*	-3.60	-13.54	0.48	-8.10

Figures 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 REGIONAL 2000 – 2014



- The 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