



BRIEFING



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Q1 2013

Rhode Island growth slow, but encouraging

The Rhode Island Current Economic Indicator (CEI) for the first quarter of 2013 increased at an annual rate of 1.6 percent. This surge in the CEI reflects an improvement in eight of nine metrics included in the index and is faster than the 1.1 rate projected earlier this year by the Leading Indicator. In the fourth quarter of 2012 the CEI stayed roughly constant.

The Rhode Island Leading Economic Indicator projects the next quarter growth rate of the Rhode Island CEI. The CEI is forecasted to expand at an annual growth rate of 1.8 percent in the second quarter of 2013.

Improving economic conditions are evidenced by the CEI as well as the Leading Economic indicator. In combination with a

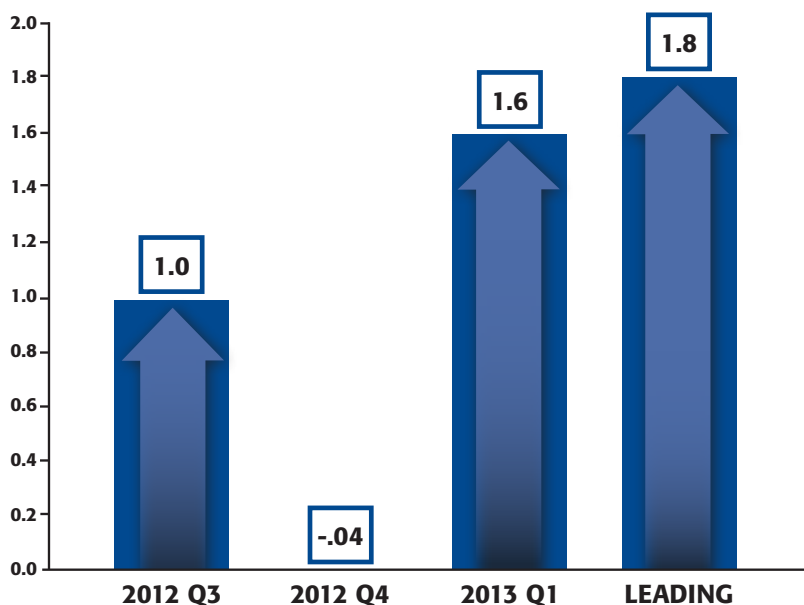
drop in the unemployment rate to 9.1 percent in March and several other positive changes in the economy – including a robust increase in tax revenues and modest employment gains in key industries – these are encouraging signs that the state economy might be slowly emerging from the economic stagnation experienced since the *Great Recession* of 2008. However, it is still too early to call a recovery and the economic landscape remains difficult for Rhode Island. In particular, the construction industry has yet to emerge from a period of depressed growth and job creation. High underemployment and a shrinking labor force point out the lack of vitality of the state's labor market. Manufacturing activity remains sluggish. The competitive scenario

demands significant changes to the cost structure and to improve the ease of doing business in Rhode Island if the state is to again be nationally and internationally competitive.

Regional and national growth impact

The economic expansion in the New England area as well as in the rest of the nation has contributed to lift the Rhode Island economy. The U.S. Gross Domestic Product (GDP) increased at an annualized rate of 2.5 percent in the first quarter, compared to 0.4 percent in the fourth quarter of 2012. According to the Regional Current Economic Indicator, the New England economy increased at an annualized rate of 2.6 percent in the first quarter, compared to

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2013 Q1



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.



1.6 percent in the fourth quarter of 2012. Figure 2 below, however, shows that since 2007 the Rhode Island economy has been growing more slowly than the New England and the national economies. Thus, the lack of internal economic vitality is not a short term phenomenon, but one that requires deep thinking regarding strategies to stimulate economic growth in Rhode Island.

Internal factors impact growth

Six of seven *internal* factors included in the CEI positively affected the Rhode Island Current Economic Indicator (CEI) in the first quarter. This is a significant reversal from the fourth quarter of 2012 when five factors negatively affected the economy. General sales and gross receipt taxes, a proxy for the state aggregate demand, increased 0.6 percent (*seasonally adjusted*) in the first quarter compared to a decrease of 0.59 percent in the fourth quarter of 2012. The seasonally adjusted initial unemployment claims decreased 3.8 percent in the first quarter, compared to an increase of 5.8 percent in the fourth quarter of 2012.

Three consecutive quarters of job shedding in trade, transportation, and utilities services was reserved during the first months of 2013, with jobs increasing 3.3 percent (annualized rate) in these sectors in the first quarter, compared to a decrease of 2.9 percent in the fourth quarter of 2012. Employment in leisure and hospitality services increased 2.8 percent (annualized rate) in the first quarter, which also represents an improvement over a 3.5 percent contraction in the fourth quarter. Employment in the professional and business services industry has consistently increased in 2012 and expanded 1 percent in the first quarter. Real total wages and salary disbursements are estimated to have increased 6.5 percent (annualized rate) in the first quarter of 2013.

Construction remained the weakest industry in terms of jobs in Rhode Island. This sector has failed to gain momentum and continues to shed jobs. Construction experienced a decline of 5.2 percent (annualized rate) in employment in the first quarter, compared to a decrease of nearly 17 percent in the fourth quarter of 2012.

Data Revisions and Corrections

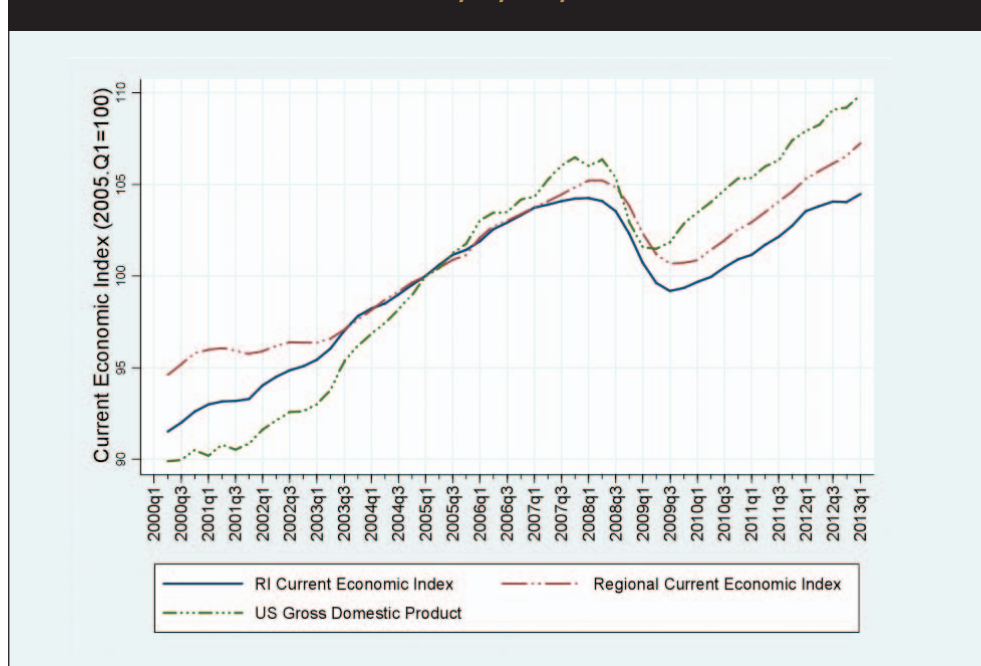
This Briefing incorporates **major** revisions to employment figures and to the U.S. GDP data. These revisions have resulted in changes to the Rhode Island CEI released in previous Briefings.

TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS

VARIABLE	2012.Q2	2012.Q3	2012.Q4	2013.Q1
Rhode Island Current Economic Indicator (RI CEI)	1.02	0.95	-0.04	1.61
Components of the RI CEI:				
Regional Economic Conditions	1.62	1.55	1.57	2.59
National Economic Conditions	1.25	3.11	.38	2.50
Leisure and Hosp. Employment	2.04	1.56	-3.50	2.83
Trade, Trans. and Utilities Employment	-0.53	-2.44	-2.88	3.30
Prof. and Bus. Services Employment	2.91	1.44	5.30	0.99
Construction Employment	-10.74	-4.92	-16.61	-5.20
Real Wage and Salary Disbursements	-3.47	-2.21	3.06	6.46**
General Sales and Gross Receipt Taxes*	-1.16	2.46	-0.59	.60
Avg. Weekly Initial Unemployment Claims*	14.79	-9.47	5.77	-3.75

Figures 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