



# BRIEFING



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

Q2 2013

## Rhode Island's Recovery is Modest and Uneven

The Rhode Island Current Economic Indicator (CEI) for the second quarter of 2013 increased 1.7 percent, compared to an expansion of 1.9 percent (revised up) in the first quarter. Figures just released by the U.S. Bureau of Economic Analysis show that the Rhode Island economy expanded 1.4 percent in 2012, 0.0 percent in 2011, and 1.0 percent in 2010.

The Rhode Island Leading Economic Indicator projects the next quarter growth rate of the Rhode Island CEI. The CEI forecasts expansion at an annual growth rate of 1.6 percent in the third quarter of 2013.

The past few years of Rhode Island's CEI growth rates confirm the widespread perception that since the end of the 2008 Great Recession, Rhode Island has been unable to re-energize its economy and spur economic growth at a level consistent with regional and national trends.

However, the state seems to be recovering,

as illustrated by its economic outlook slightly improving in the first half of 2013. The unemployment rate dropped from 9.9 percent in December 2012 to 8.9 percent in June 2013; sales tax revenues increased both in the first and second quarters; and the state Department of Labor and Training-revised employment figures showed growth in the first half of 2013. Enormous challenges, however, still persist. While Rhode Island's unemployment rate has continued to drop, it is still the fourth highest unemployment rate in the nation. Furthermore, temporary employment gains over the past four quarters in industries such as trade, transportation, and utilities, as well as construction, have been offset by job decline in the first half of 2013. Most worrisome are the state's shrinking civilian labor force and its underemployed workforce.

"Looking ahead, Rhode Island's uneven

economic recovery may be challenged by the unknown short- and long-term impacts of policy decisions including: the implementation of the Affordable Care Act; state revenue losses from table gaming in Massachusetts; and federal spending reductions resulting from sequestration," said John C. Simmons, Rhode Island Public Expenditure Council Executive Director. "Since these internal and external economic headwinds have the potential to slow Rhode Island's recovery even further over the next few years, they should be strategically accounted for in economic planning moving forward."

### Regional and national growth impact

The U.S. Gross Domestic Product (GDP) increased at an annualized rate of 1.7 percent in the second quarter, compared to 1.1 percent in the first quarter of 2013. According to the Regional Current Economic Indicator, the New

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2013 Q2



### 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.

England economy increased at an annualized rate of 1.9 percent in the second quarter, compared to 2.5 percent in the first quarter of 2013. 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. While improvements in the components of the RI CEI indicate positive economic momentum, Rhode Island must continue to strategically focus on the ways in which it can improve its economic condition.

### Internal factors impact growth

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

General sales and gross receipt taxes, a proxy for the state aggregate demand, increased 4.2 percent (seasonally adjusted) in the second quarter compared to an increase of 0.6 percent in the first quarter of 2013, and a decrease of 0.6 percent in the fourth quarter of 2012. The seasonally adjusted initial unemployment claims decreased 13.3 percent in the second quarter, compared to decrease of 4.4 percent in the first quarter of 2013 and an increase of 6.0 percent in the fourth quarter of 2012.

The professional and business services sector has been adding jobs since 2012. Employment in these industries increased 11.5 percent in the second quarter of 2013.

DLT-revised figures show that employment in both the leisure and hospitality services and construction sectors increased significantly faster in the first quarter of 2013 than indicated in figures previously published by the Bureau of Labor Statistics. This issue of the RI Briefing uses the revised DLT figures to recalibrate the growth of employment in these sectors. Employment in leisure and hospitality services is estimated to have increased 2.7 percent (annualized rate) in the second quarter, compared to an increase of 5.4 percent in the first quarter. Employment in construction decreased 2.5 percent (annualized rate) in the second quarter, compared to an increase of 5.1 percent in the first quarter.

Employment in trade, transportation, and utilities services decreased 3.4 percent (annualized rate) in the second quarter, compared to an increase of 3.3 percent in the first quarter. Real total wages and salary disbursements are estimated to have decreased 1.3 percent (annualized rate) in the second quarter of 2013.

### 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.

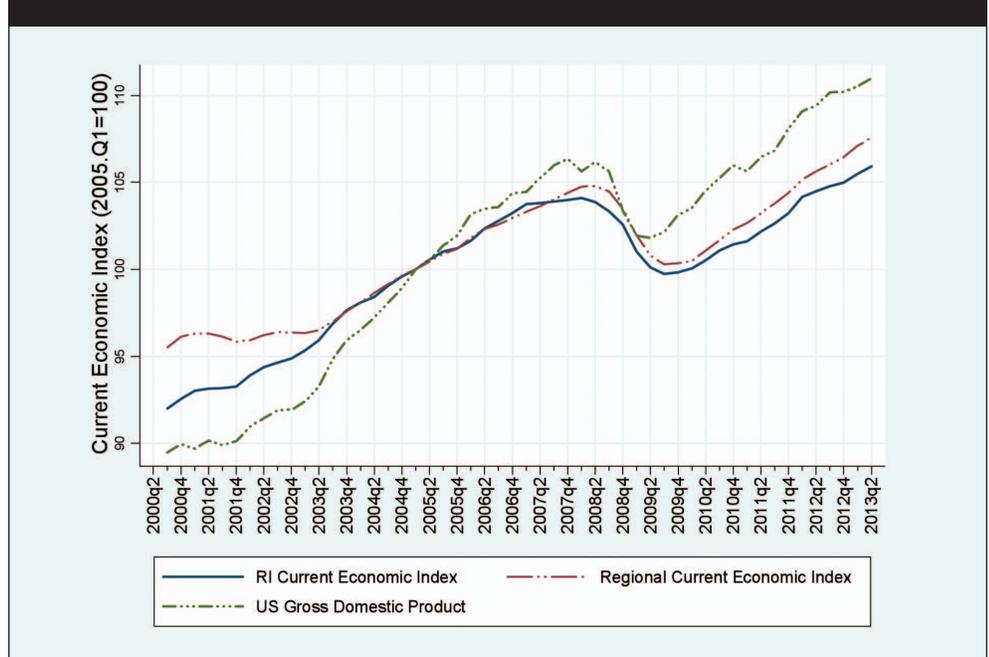
**TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS**

VARIABLE	2012.Q3	2012.Q4	2013.Q1	2013.Q2
<b>Rhode Island Current Economic Indicator (RI CEI)</b>	<b>1.06</b>	<b>0.79</b>	<b>1.88</b>	<b>1.69</b>
<b>Components of the RI CEI:</b>				
Regional Economic Conditions	1.56	1.56	2.46	1.88
National Economic Conditions	2.78	.14	1.15	1.67
Leisure and Hosp. Employment	1.56	-3.50	5.40**	2.72**
Trade, Trans. and Utilities Employment	-2.44	-2.88	3.30	-3.35
Prof. and Bus. Services Employment	1.44	5.30	0.70	11.47
Construction Employment	-4.92	2.56	5.14**	-2.47**
Real Wage and Salary Disbursements	-0.95	3.04	-2.11	-1.29**
General Sales and Gross Receipt Taxes*	2.57	-0.56	0.63	4.18
Avg. Weekly Initial Unemployment Claims*	-10.04	6.03	-4.39	-13.33

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 – 2013**



- 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](mailto: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](http://www.bryant.edu/ces) | [www.ripec.org](http://www.ripec.org)