



BRIEFING



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Q4 2012

Rhode Island Economic Growth Dawdles

The Rhode Island Current Economic Indicator (CEI) for the fourth quarter of 2012 increased 0.3 percent. This figure represents a significant decline in growth compared to an expansion of 1.9 percent in the third quarter. The CEI estimates that the Rhode Island economy expanded 1 percent in 2012, compared with an increase of 0.8 percent in 2011.

The Rhode Island Leading Economic Indicator projects the next quarter growth rate of the Rhode Island CEI. The CEI is forecasted to expand at a growth rate of 1.1 percent (annualized rate) in the first quarter of 2013.

In 2012, the overall economic outlook was positive for Rhode Island. Net general sales and gross receipt taxes, a proxy for the state

aggregate demand, increased 4.4 percent in 2012 compared to the 2011 figure. Between December 2011 and December 2012, there was net job creation in manufacturing, professional and business services, leisure and hospitality, financial services, educational and health services. There was also a decline of 8 percent in the number of initial unemployment claims in 2012 and the unemployment rate declined to 10.2 percent in December 2012, the lowest rate since April 2009. However, the pace of economic growth has been too slow to quickly turn the job market around and there are still significant internal challenges and difficulties ahead.

The construction industry and the housing market have yet to regain their historical stability and emerge from depressed growth

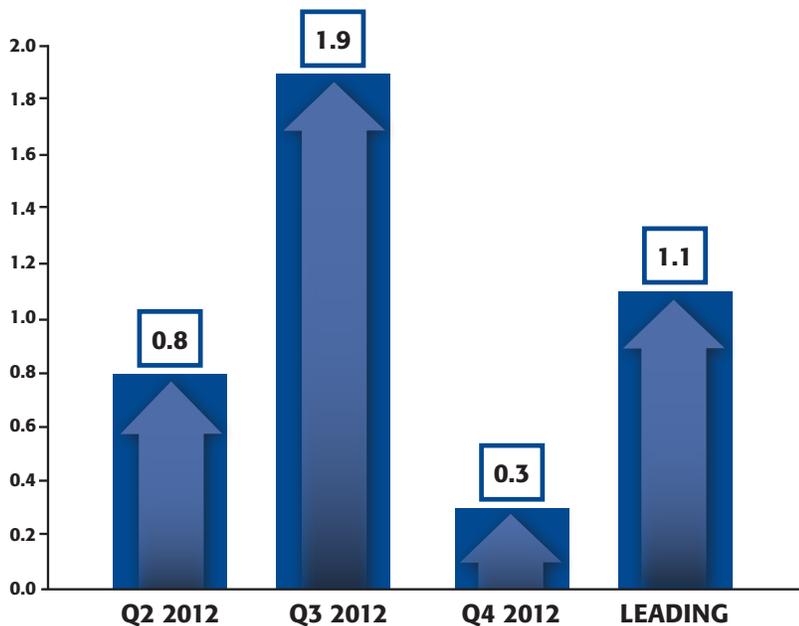
and job creation. Other important sectors of the economy continue to struggle and have shed jobs over the year. These include trade, transportation and utilities, information services, and the government.

In summary, the 2012 economic conditions for Rhode Island represent an improvement compared to previous years, but the Q4 2012 slow growth, a weak Leading Economic Indicator, and a batch of mixed economic signals discussed below suggest that in 2013 the Rhode Island economy will continue to dawdle.

Regional and national growth impact

Sluggish growth rates in the region and nation have contributed to slowing the pace of the economic recovery in Rhode Island

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2012 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.



in the fourth quarter. The U.S. Gross Domestic Product (GDP) decreased at an annualized rate of 0.1 percent in the fourth quarter of 2012, compared to an increase of 3.1 percent in the third quarter. The Regional Current Economic Indicator estimates that the New England economy expanded at an annualized rate of 1.2 percent in the fourth quarter of 2012, compared to 1.3 percent in the third quarter.

Internal factors impact growth

Five of seven internal factors included in the CEI negatively affected the Rhode Island Current Economic Indicator (CEI) in the fourth quarter. General sales and gross receipt taxes, a proxy for the state aggregate demand, decreased 0.6 percent (seasonally adjusted) in the fourth quarter compared to an increase of 2.5 percent in the third quarter. The seasonally adjusted initial unemployment claims increased 5.6 percent in the fourth quarter, compared to a decrease of 9.4 percent in the third quarter.

Employment in trade, transportation, and utilities services decreased 0.6 percent (annualized rate) in the fourth quarter, compared to a decrease of 5.9 percent in the third quarter. Leisure and hospitality services reversed two quarters of job creation and experienced a decrease of 8.7 percent (annualized rate) in the number of jobs in the fourth quarter of 2012. Construction shed all jobs added in the second and third quarters of 2012 as this industry experienced a decline of 15.3 percent (annualized rate) in employment in the fourth quarter compared to an increase of 9.2 and 22.9 percent in the second and third quarters, respectively.

Two internal economic factors have improved. Employment in the professional and business services industry increased 13.7 percent in the fourth quarter, compared to a decrease of 3.9 and 8.1 percent in the second and third quarters of 2012, respectively. Real total wages and salary disbursements are estimated to have increased 1.4 percent in the fourth quarter of 2012.

Data Revisions and Corrections

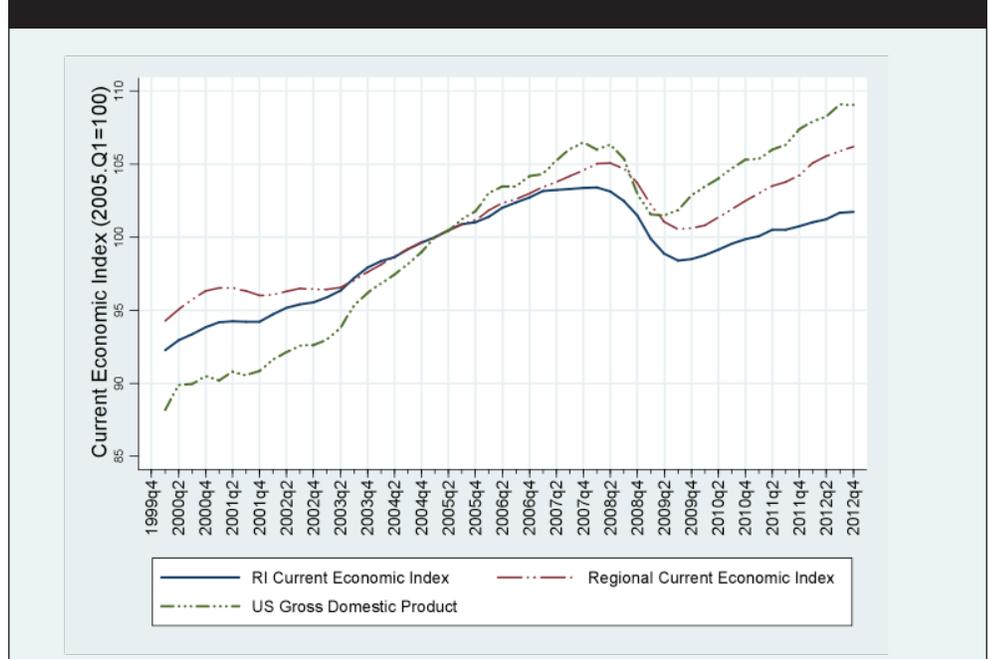
This Briefing incorporates revisions to employment figures and to the U.S. GDP data released by several branches of the U.S. Census Bureau. These revisions have resulted in changes to the Rhode Island CEI released in previous Briefings.

TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS

VARIABLE	2012.Q1	2012.Q2	2012.Q3	2012.Q4
Rhode Island Current Economic Indicator (RI CEI)	1.07	0.78	1.86	0.26
Components of the RI CEI:				
Regional Economic Conditions	3.34	1.76	1.31	1.18
National Economic Conditions	1.96	1.25	3.11	-0.14
Leisure and Hosp. Employment	-3.01	3.95	17.44	-8.68
Trade, Trans. and Utilities Employment	3.93	-1.80	-5.92	-0.56
Prof. and Bus. Services Employment	2.76	-3.90	-8.11	13.74
Construction Employment	-23.65	9.17	22.93	-15.28
Real Wage and Salary Disbursements	4.57	-3.92	-1.59	1.42**
General Sales and Gross Receipt Taxes*	1.89	-1.14	2.48	-0.61
Avg. Weekly Initial Unemployment Claims*	-18.18	14.59	-9.42	5.63

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