



BRIEFING



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Q1 2014

Rhode Island Recovery: On a Steady Course

The Rhode Island Current Economic Indicator (CEI) increased 2.2 percent (annualized rate) in the first quarter of 2014 compared to an expansion of 2.3 percent (revised down from 2.9 percent) in the fourth quarter of 2013. The Rhode Island Leading Economic Indicator, which projects the next quarter growth rate of the Rhode Island CEI, forecasts that the CEI will expand at an annual growth rate of 2.1 percent in the second quarter of 2014. The labor market is responding to the improved economic outlook. The state's economy added 7,000 jobs between Q1 2013 and Q1 2014 and the unemployment rate dropped from 9.5 percent in March 2013 to 8.7 percent in March 2014 and to 8.3 percent in April 2014. In addition, personal income

expanded 2.6 percent from 2012 to 2013, establishing Rhode Island as 23rd in personal income percent change in the nation.

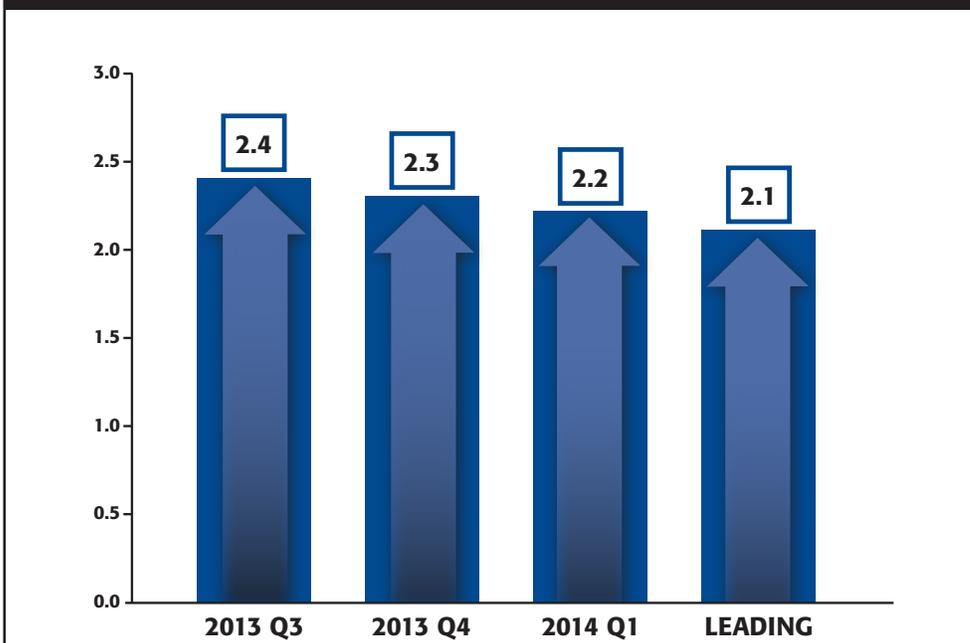
These figures indicate that the Rhode Island economy is sustaining the recovery pace, despite a slowdown of the U.S. economy in the first three months of 2014. The U.S. Gross Domestic Product (GDP) stalled, increasing just 0.1 percent in the first quarter, compared to a 2.6 percent gain in the fourth quarter of 2013. The Regional Current Economic Indicator estimates that the New England economy expanded at an annualized rate of 1.7 percent in the first quarter, compared to 2.8 percent in the fourth quarter of 2013.

FIGURE 2 depicts the Rhode Island Current Economic Indicator compared to the New

England Economic Indicator and the United States Real Gross Domestic Product. It shows that the effects of the 2008 Great Recession were more severe in Rhode Island, but since then, the growth of the state's economy has been similar to that of the New England region. However, economic growth in Rhode Island has not been fast enough to close the gap created during the recession and this trend is not expected to be reversed in the short term.

John Simmons, Executive Director of the Rhode Island Public Expenditure Council, stated "The basic foundation of Rhode Island's economy seems to have stabilized, as we continue to have positive employment growth in selected areas. However, other indicators,

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2014 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.



such as recently-released local labor force statistics, and the income and growth potential of some major industries, remain a concern. A continued focus on ways to structurally improve Rhode Island's economy will be required in the coming quarters."

Internal factors impact growth

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

Employment in leisure and hospitality services increased 7.6 percent (annualized rate) in the first quarter, compared to an increase of 3.8 percent (revised down) in the fourth quarter of 2013. Employment in professional and business services increased 4.6 percent in the first quarter compared to no growth in the fourth quarter of 2013. Employment in trade, transportation, and utilities services increased 1.6 percent (annualized rate) in the first quarter, compared to an increase of 1.1 percent in the fourth quarter. As reported in previous issues of the Briefing, the construction industry is struggling to gain traction since the 2008 recession. Employment in that sector increased 5.1 percent in the first quarter compared to a decline (revised down) of 2.5 percent in the fourth quarter of 2013.

Real total wages and salary disbursements increased 0.9 percent (annualized rate) in the first quarter compared to an increase of 2.4 percent (revised up) in the fourth quarter of 2013.

The two internal factors that contributed negatively to the CEI were initial unemployment claims and general sales and gross receipt taxes. Seasonally adjusted initial unemployment claims increased 17 percent in the first quarter, compared to a decline of 7.3 percent in the fourth quarter of 2013. General sales and gross receipt taxes decreased for the second consecutive quarter, falling 1.1 percent in the first quarter and 2.8 percent in the fourth quarter of 2013.

Data Revisions and Corrections

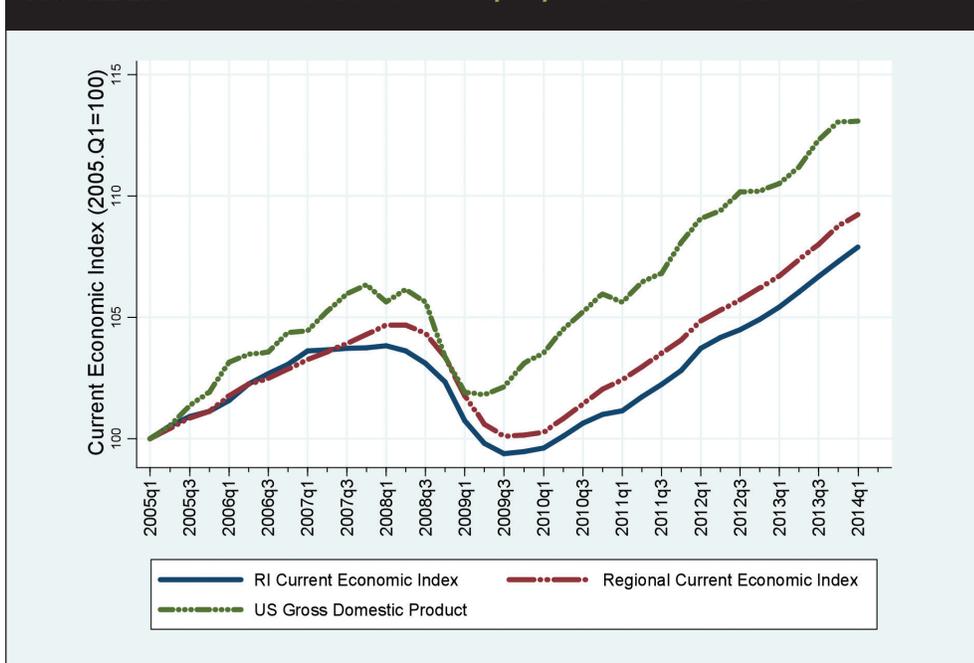
This Briefing incorporates major revisions to Rhode Island employment figures released in March 2014 by the U.S. Bureau of Labor Statistics. These revisions have resulted in changes to the Rhode Island CEI released in previous Briefings.

TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS

VARIABLE	2013.Q2	2013.Q3	2013.Q4	2014.Q1
Rhode Island Current Economic Indicator (RI CEI)	2.4	2.4	2.3	2.2
Components of the RI CEI:				
Regional Economic Conditions	2.6	2.3	2.8	1.7
National Economic Conditions	2.5	4.1	2.6	0.1
Leisure and Hosp. Employment	4.4	3.3	3.8	7.6
Trade, Trans. and Utilities Employment	0.7	1.5	1.1	1.6
Prof. and Bus. Services Employment	4.9	3.9	0.0	4.6
Construction Employment	-0.7	1.5	-2.5	5.1
Real Wage and Salary Disbursements	1.8	-0.9	2.4	0.9
General Sales and Gross Receipt Taxes*	4.1	0.9	-2.8	-1.1
Avg. Weekly Initial Unemployment Claims*	-12.8	0.6	-7.3	17.0

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