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Turning the Corner: Rhode Island's Economy Continues to Improve

National, regional, and internal trends led to highest quarterly growth rate in recent quarters

PROVIDENCE, R.I. (August 2014) – According to the Rhode Island Current Economic Indicator (CEI) briefing released today by the Center for Global and Regional Economic Studies and the Rhode Island Public Expenditure Council (RIPEC), Rhode Island's economy grew by an annual rate of 2.2 percent in the first quarter of 2014 and by 3.0 percent in the second quarter of 2014—a rate significantly higher than recent quarters. Growth is projected to continue into the third quarter, as the Leading Economic Indicator projects an expansion of 2.5 percent. Rhode Island's 2014 second quarter economic expansion was driven by national growth trends and internal dynamics, including employment growth in the construction and professional and business services industries. A copy of the full briefing is available [here](#).

Though the national economy contracted in the first quarter of 2014 (by 2.1 percent), it rebounded this past quarter, expanding by an annual rate of 3.9 percent. Alternatively, the regional economy has sustained positive growth over the past four quarters, and most recently growing by an annual rate of 2.3 percent in the second quarter of 2014. Though the CEI of Rhode Island and New England remain weaker than the U.S. Gross Domestic Product (GDP), the gap between regional and national growth is no longer widening.

In addition to national and regional trends, Rhode Island's growth this quarter was driven by internal dynamics including employment, wage and salary disbursements, general sales and gross receipt taxes, and average weekly initial unemployment claims. Most notably, construction industry employment increased by an annual rate of 22.0 percent in the second quarter of 2014 (compared to 6.1 percent in the first quarter). Employment in professional and business services, an industry that has been adding jobs since 2012, increased by an annual rate of 7.2 percent in the second quarter of 2014. Real total wage and salary disbursements increased in the second quarter by an annual rate of 1.6 percent, and were also revised up for 2014's first quarter, to 1.9 percent growth. General sales and gross receipt taxes (a proxy for aggregate demand), increased by 6.0 percent in the second quarter, which was the highest growth rate since the second quarter of 2010. Lastly, average weekly initial unemployment claims decreased by 9.1 percent in the second quarter, compared to an increase of 16.8 percent in the first quarter of 2013.

The results of this quarter's CEI echoes the findings of the state's Department of Labor and Training (DLT), which recently published a Labor Force Snapshot outlining the change in employment by industry over the past year. Regionally, Rhode Island was tied with New Hampshire and Maine for the second highest percentage change in job creation since July 2013 (each state experienced 1.2 percent job growth from July 2013 to July 2014). Notably, since December 2013, Rhode Island has led the regional and national growth rates for job growth, at 1.4 percent growth. The top three Rhode Island industries that have experienced the largest, seasonally-adjusted, employment growth since July 2013 include arts, entertainment and recreation (13.6 percent growth); professional and business services (4.0 percent growth); and construction (3.7 percent growth).

However, though Rhode Island's economy has exhibited recent, promising signs of job growth, it has yet to recover at the same rates as neighboring states. The Rhode Island DLT estimates that through July 2014, Rhode Island has recovered 55.0 percent of total jobs lost in the recession. In contrast, Connecticut has recovered 64.1 percent of total jobs lost, and Massachusetts has recovered 169.0 percent. Furthermore, although employment levels are improving, the state's labor force remains 2.6 percent smaller than pre-recession levels.

John Simmons, Executive Director of the Rhode Island Public Expenditure Council remarked that, "The CEI forecast indicates the Rhode Island economy has stabilized and is poised to trend similarly to the national economy, which is a positive sign for Rhode Island. However, underlying labor market trends, including labor force declines from pre-recession levels, must continue to be monitored."

The quarterly CEI, developed by economists at The Center for Global and Regional Economic Studies at Bryant University, combines several key gauges of economic activity in a single statistic that measures the overall current economic conditions in Rhode Island. It is calibrated to grow at the rate of the Real Gross State Product and, therefore, 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.

For additional information about the RI CEI or the newsletter, contact Edinaldo Tebaldi, associate professor of economics at Bryant University, at etebaldi@bryant.edu.

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