



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 2014

Rhode Island's Economy Continues to Improve

The Rhode Island Current Economic Indicator (CEI) for the second quarter of 2014 increased 3 percent, compared to an expansion of 2.2 percent in the first quarter. This growth rate is significantly higher than the growth rate of the state's gross domestic product in previous years. The Rhode Island economy expanded 1.4 percent in 2013, 1.3 percent in 2012, and contracted 0.1 percent in 2011, according to the U.S. Bureau of Economic Analysis.

The Rhode Island Leading Economic Indicator projects the next quarter growth rate of the Rhode Island CEI. The CEI is forecast to expand at an annual rate growth rate of 2.5 percent in the third quarter of 2014.

The U.S. Gross Domestic Product (GDP)

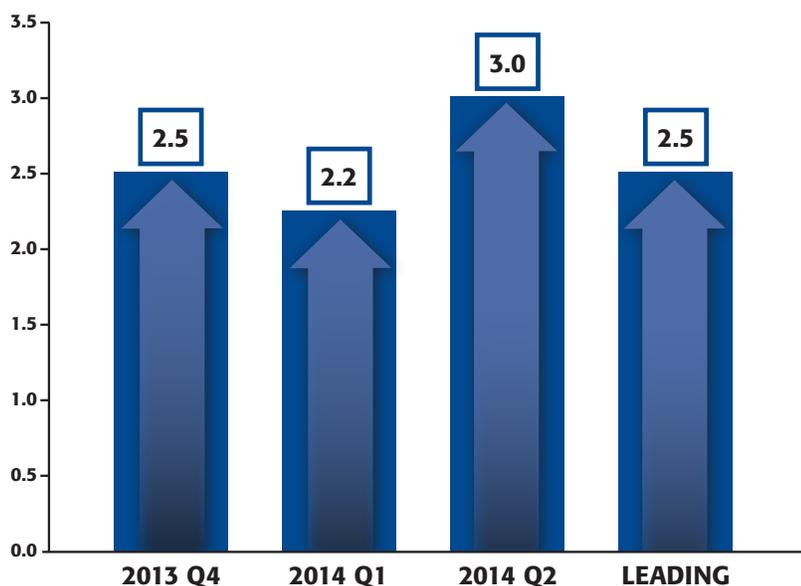
increased at an annualized rate of 4 percent in the second quarter, compared to a contraction of 2.1 percent in the first quarter of 2014. The Regional Current Economic Indicator indicates that the New England economy grew at an annualized rate of 2.3 percent in the second quarter, compared to 1.5 percent in the first quarter.

FIGURE 2 provides a long-term perspective of economic growth in Rhode Island compared to New England and in the nation. It shows that the "growth gap" is no longer widening and that since 2012, the Rhode Island economy has been growing at about the same pace as the New England and the national economies. Moreover, Rhode Island's overall economic

outlook improved significantly in 2013 and during the first half of 2014. The unemployment rate dropped from 11.9 percent (peak) in March 2010 to 9.7 percent in December 2012, and to 7.7 percent in July 2014. Between December 2012 and July 2014, the state also added 9,700 jobs.

"The 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," said John C. Simmons, Executive Director of the Rhode Island Public Expenditure Council. "However, underlying labor market trends, including labor force declines from pre-recession levels, must continue to be monitored."

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, 2014 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.

Internal factors impact growth

Six of seven *internal* factors included in the CEI positively affected the Rhode Island Current Economic Indicator (CEI) in the second quarter. General sales and gross receipt taxes, a proxy for the state aggregate demand, increased 6.0 percent (*seasonally adjusted*) in the second quarter compared to contractions of 1.3 percent in the first quarter of 2014 and of 2.8 percent in the fourth quarter of 2013. Seasonally adjusted initial unemployment claims decreased 9.1 percent in the second quarter, compared to an increase of 16.8 percent in the first quarter and a decrease of 7.4 percent in the fourth quarter of 2013. Real total wages and salary disbursements increased 1.6 percent (annualized rate) in the second quarter and 1.9 percent (revised up) in the first quarter of 2014.

Employment in professional and business services industry, which has been adding jobs since 2012, increased 7.2 percent (annualized rate) in the second quarter and 4.1 percent in the first quarter of 2014.

Trade, transportation, and utilities services employment increased 0.7 percent (annualized rate) in the second quarter, compared to an increase of 1.5 percent in the first quarter. Employment in construction increased 22 percent (annualized rate) in the second quarter and 6.1 percent in the first quarter.

Employment in leisure and hospitality services – which has been expanding since mid-2009 – is the only factor to not have a positive impact on the CEI this quarter. However, employment in these industries stayed roughly constant in the second quarter compared to the first quarter.

Data Revisions and Corrections

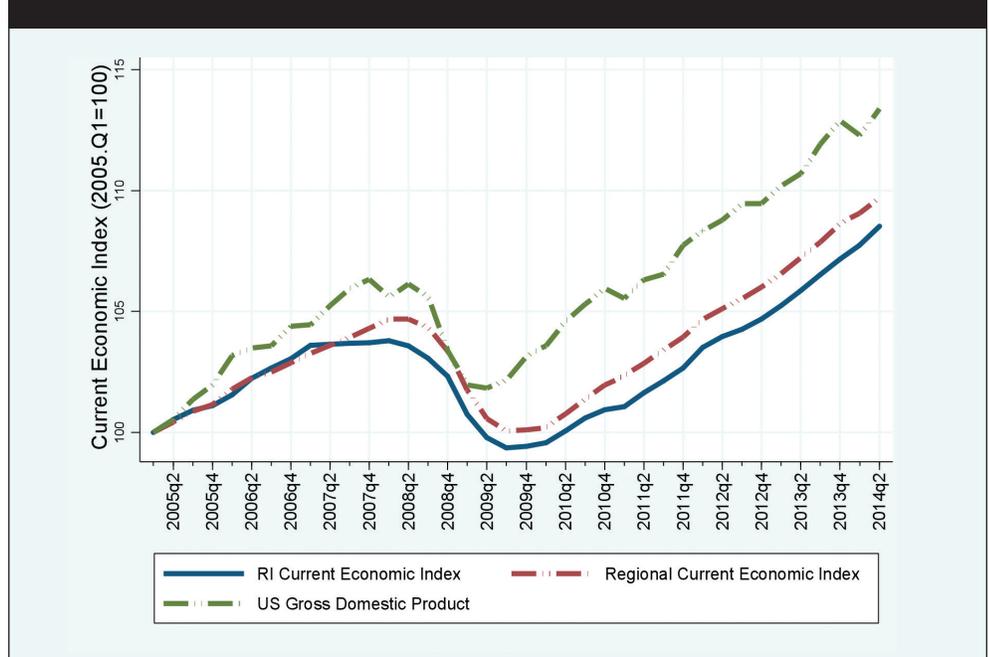
This Briefing incorporates revisions to employment figures and to the U.S. GDP data. These revisions have resulted in changes to the Rhode Island CEI released in previous Briefings.

TABLE 1: PERFORMANCE OF KEY ECONOMIC SECTORS

VARIABLE	2013.Q3	2013.Q4	2014.Q1	2014.Q2
Rhode Island Current Economic Indicator (RI CEI)	2.5	2.5	2.2	3.0
Components of the RI CEI:				
Regional Economic Conditions	2.4	2.9	1.5	2.3
National Economic Conditions	4.5	3.5	-2.1	4.0
Leisure and Hosp. Employment	3.3	3.8	7.6	-0.7
Trade, Trans. and Utilities Employment	1.5	1.1	1.5	0.7
Prof. and Bus. Services Employment	3.9	0.0	4.1	7.2
Construction Employment	1.5	-2.5	6.1	22.0
Real Wage and Salary Disbursements	-0.1	3.7	1.9	1.6**
General Sales and Gross Receipt Taxes*	1.0	-2.8	-1.3	6.0
Avg. Weekly Initial Unemployment Claims*	0.7	-7.4	16.8	-9.1

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