



# BRIEFING



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

Q1 2015

## Rhode Island's Economy Weakened in the First Quarter

The Rhode Island Current Economic Indicator (CEI) for the first quarter of 2015 increased at an annualized rate of 1.5 percent (slower than the 2 percent previously projected), compared to an expansion of 1.7 percent in the fourth quarter and 2.2 percent (revised down) in the third quarter of 2014. The Rhode Island Leading Economic Indicator projects that the state economy will expand at an annual growth rate of 1.6 percent in the second quarter of 2015.

Economic growth in Rhode Island slowed down significantly in the first quarter of 2015, but the state still performed better than the nation as a whole. The U.S. Gross Domestic Product (GDP) shrank at an annualized rate of 0.7 percent in the first quarter, compared to an increase of 2.2 percent in the fourth quarter and 5 percent in the third quarter of 2014. The Regional Current Economic Indicator shows that the New England economy grew at an annualized rate of 1.8 percent in the

first quarter compared to 2.7 percent in the fourth quarter of 2014.

**FIGURE 2** tracks growth since the recession started in late 2007 and compares the performance of Rhode Island with the national and regional economies. The trend, however, has been quite persistent with Rhode Island falling behind the nation and the New England region.

John Simmons, Executive Director of the Rhode Island Public Expenditure Council (RIPEC), remarked, "Rhode Island's economy followed the national economy and experienced a slowdown in the first quarter of the year. It remains unclear whether the tide will change nationally or in Rhode Island so that the economic expansion resumes. What does appear to be clear is that the Rhode Island economy weakened at the start of this year and the projection for the near future is not as robust as was earlier anticipated."

### Internal factors impact growth

Similar to the fourth quarter of 2014, only five of eleven *internal* factors included in the CEI positively affected the Rhode Island Current Economic Indicator (CEI) in the first quarter. This trend is worrisome as it denotes a weakening of internal economic dynamic in the state.

Four major industries experienced job growth in the first quarter of 2015 (all figures below are at an annualized rate). Leisure and hospitality services, the fastest growing industry in the first quarter, expanded 6 percent compared to 1.9 percent in the fourth quarter of 2014. Employment in manufacturing expanded 4.3 percent in the first quarter, compared to 1 percent in the fourth quarter and 3.6 percent in the third quarter of last year. The construction industry reversed two consecutive quarters of job cuts with an increase of 2.5 percent in employment

**FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, Q1 2015**



### 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 first quarter, compared to a decrease of 1.7 percent in the fourth quarter and 2.4 percent in the third quarter of 2014. Employment in education and health services increased 1.1 percent in the first quarter, compared to a decrease of 2.1 percent (revised down) in the fourth quarter of 2014.

Three industries experienced job cuts in the first quarter of 2015. The information services industry, which continues to struggle and shed jobs, had an employment reduction of 5.8 in the first quarter of 2015 and 4.4 percent in the fourth quarter of 2014. The professional and business services industry performed poorly in the final quarter of 2014 and in the first quarter of 2015. Employment in this sector decreased 2.9 percent in the first quarter and 3.4 percent (revised up) in the fourth quarter of 2014. Trade, transportation, and utilities services employment decreased 0.7 percent in the first quarter compared to an increase of 2.2 percent (revised up) in the fourth quarter of 2014. Employment in financial services stayed flat in the first quarter of 2015 compared to a decrease of 1.7 percent (revised down) in the fourth quarter of 2014.

Despite the weakening of the economy and job losses across some industries, real total wages and salary disbursements are estimated to have increased 3.3 percent (annualized rate) in the first quarter of this year and 4.6 percent in the fourth quarter of 2014. General sales and gross receipt taxes, a proxy for the state aggregate demand, decreased 1.7 percent (seasonally adjusted) in the first quarter compared to an expansion of 0.4 percent in the fourth quarter of last year.

Overall, the recovery of the Rhode Island economy appears to be faltering, but the labor market has showed some resilience. Initial unemployment claims stayed constant in the first quarter and the unemployment rate decreased from 6.9 percent in the fourth quarter of 2014 to 6.4 percent in the first quarter of 2015 (and to 6.1 percent in April). It is worth noting, however, that the labor force has shrunk to levels observed in the early 2000s, which has contributed significantly to reduce the unemployment rate in the state. The state's unemployment rate, however, continues to be higher than the regional and national unemployment rates.

### Data Revisions and Corrections

This Briefing incorporates revisions to employment figures and to the U.S. GDP data. It also incorporates changes to the index methodology that are designed to improve its predictive power. These revisions have resulted in changes to the Rhode Island CEI released in previous Briefings.

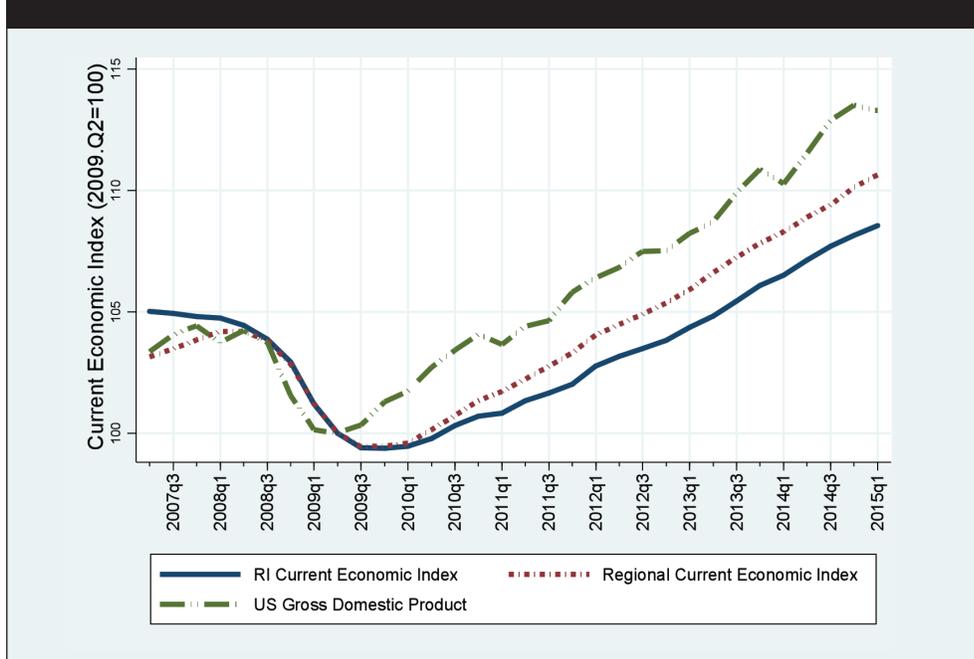
**TABLE 1: PERFORMANCE OF KEY ECONOMIC INDICATORS (% CHANGE)**

VARIABLE	2014.Q2	2014.Q3	2014.Q4	2015.Q1
<b>Rhode Island Current Economic Indicator (RI CEI)</b>	<b>2.3</b>	<b>2.2</b>	<b>1.7</b>	<b>1.5</b>
<b>Components of the RI CEI:</b>				
Regional Economic Conditions	2.2	1.9	2.7	1.8
National Economic Conditions	4.6	5.0	2.2	-0.7
Construction Employment	6.8	-2.4	-1.7	2.5
Manufacturing Employment	2.0	3.6	1.0	4.3
Trade, Trans. and Utilities Employment	1.2	0.5	2.2	-0.7
Information Services Employment	-1.8	3.2	-4.4	-5.8
Prof. and Bus. Services Employment	4.3	5.4	-3.4	-2.9
Financial Services Employment	3.0	2.5	-1.7	0.0
Leisure and Hosp. Employment	2.7	-0.4	1.9	5.9
Education and Health Services Employment	1.3	1.4	-2.1	1.1
Real Wage and Salary Disbursements	-1.8	-1.0	4.6	3.3**
Avg. Weekly Initial Unemployment Claims*	-9.2	-4.9	3.8	0.0
General Sales and Gross Receipt Taxes*	5.9	0.5	0.4	-1.7

Figures are annualized percentage changes from previous quarter. All data series are seasonally adjusted.

\* Variable is not annualized. \*\* Estimation.

**FIGURE 2: ECONOMIC INDICATORS: RI, US, AND REGIONAL 2007 – 2015**



- 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)