



BRIEFING



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Q2 2015

Rhode Island's Economy Continues Sluggish Growth

The Rhode Island Current Economic Indicator (CEI) for the second quarter of 2015 increased at an annualized rate of 1.8 percent, compared to an expansion of 1.6 percent in the first quarter and 1.9 percent in the fourth quarter of 2014. The Rhode Island Leading Economic Indicator projects that the state economy will continue to grow slowly and expand at an annual growth rate of 1.6 percent in the third quarter of 2015.

The slowdown of the Rhode Island economy in 2015 contrasts with faster growth rates in New England and in the nation. The U.S. Gross Domestic Product (GDP) increased at an annualized rate of 3.9 percent in second quarter and 0.6 percent in the first quarter of 2015. The Regional Current Economic Indicator shows that the New England economy grew at an annualized rate of

2.8 percent in the second quarter compared to 1.9 percent in the first quarter of 2015.

FIGURE 2 tracks long-term economic growth and shows that Rhode Island has been unable to create enough momentum to grow at a pace in sync with the New England region and the rest of the nation.

"Rhode Island's economy continues to show signs of slow growth, with certain segments of the labor market performing reasonably well. The notable exception is the construction industry," remarked John C. Simmons, executive director of the Rhode Island Public Expenditure Council (RIPEC). "The most concerning aspect of the state's continued mediocre growth is that Rhode Island is consistently growing at a slower rate than the national and regional economies. This suggests that the state is benefitting from

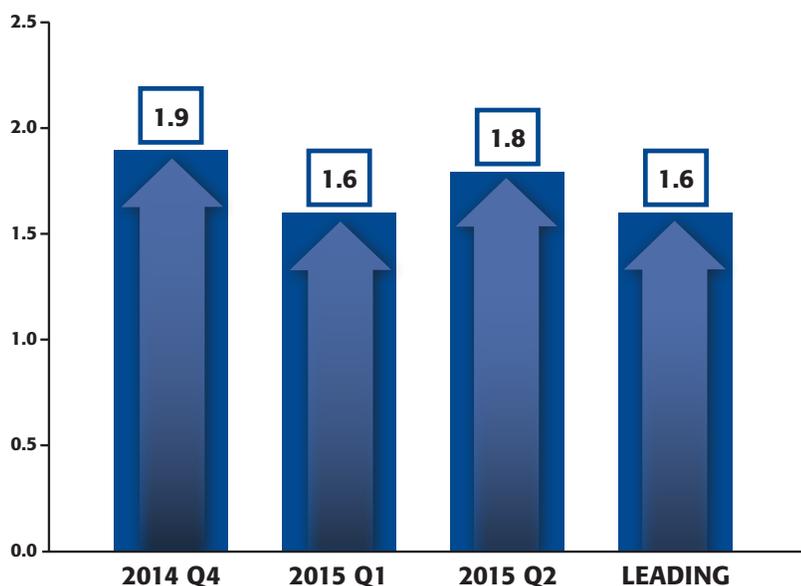
positive trends elsewhere, but is experiencing little growth of its own," he noted.

Internal factors impact growth

Despite of slow growth, seven of eleven internal factors 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 7.2 percent (*seasonally adjusted*) in the second quarter, compared to a decrease of 1.6 percent in the first quarter.

Improvements in key labor market indicators contrast with the slow growth rate of the economy. Real total wages and salary disbursements increased 1.1 percent (annualized rate) in the second quarter compared to a contraction of 0.9 percent (revised down) in the first quarter. Initial

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, Q2 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.

unemployment claims declined 9.3 percent in the second quarter and 0.3 percent in the first quarter. 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 6 percent in the second quarter (and to 5.6 percent in August).

Leisure and hospitality services, with growth of 7.3 percent in the second quarter and 5.9 percent in the first quarter, continues to be fastest growing industry in the state in 2015 (all figures below are at an annualized rate). Employment in manufacturing expanded 0.6 percent in the second quarter, compared to 4.3 percent in the first quarter. Employment in education and health services increased 1.5 percent in the second quarter and 1.1 percent in the first quarter of 2015. The professional and business services industry reversed two consecutive quarters of job cuts and expanded 15.9 percent in the second quarter of 2015. Employment in this sector decreased 2.9 percent in the first quarter of 2015 and 3.4 percent in the fourth quarter of 2014.

Three industries experienced job cuts in the second quarter of 2015. The construction industry experienced significant job losses in the second quarter, totaling 1,900 jobs lost from January to June of 2015. Employment in construction declined 23.5 percent (annualized rate) in the second quarter, compared to an increase of 2.5 percent in the first quarter of 2015 and a reduction of 1.7 percent in the fourth quarter of 2014. The information services industry has cut jobs for the third consecutive quarter. Employment in information services contracted 3.2 percent in the second quarter, 5.8 in the first quarter of 2015 and 4.4 percent in the fourth quarter of 2014. Trade, transportation, and utilities services employment decreased 1.1 percent in the second quarter and 0.7 percent in the first quarter of 2015 compared to an increase of 2.2 percent in the fourth quarter of 2014. Employment in financial services stayed flat for the second consecutive quarter.

Data Revisions and Corrections

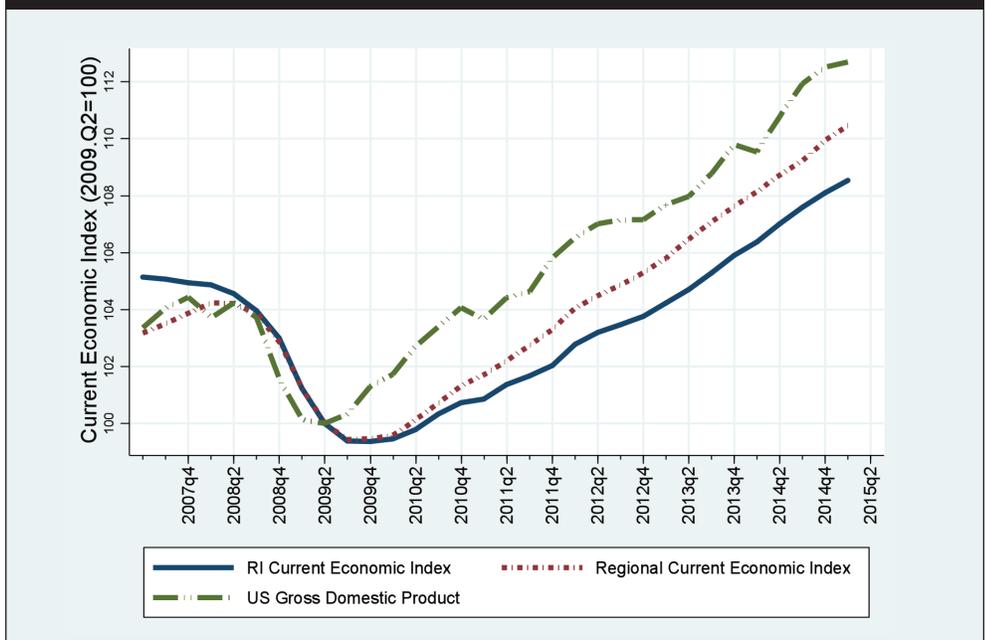
This Briefing incorporates revisions to employment figures and to the U.S. GDP data. It also incorporates changes to the index methodology that are designed to improve its predictive power. These revisions have resulted in changes to the Rhode Island CEI released in previous Briefings.

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

| VARIABLE | 2014.Q3 | 2014.Q4 | 2015.Q1 | 2015.Q2 |
|---|------------|------------|------------|------------|
| Rhode Island Current Economic Indicator (RI CEI) | 2.2 | 1.9 | 1.6 | 1.8 |
| Components of the RI CEI: | | | | |
| Regional Economic Conditions | 1.8 | 2.7 | 1.9 | 2.8 |
| National Economic Conditions | 4.3 | 2.1 | 0.6 | 3.9 |
| Construction Employment | -2.4 | -1.7 | 2.5 | -23.5 |
| Manufacturing Employment | 3.6 | 1.0 | 4.3 | 0.6 |
| Trade, Trans. and Utilities Employment | 0.5 | 2.2 | -0.7 | -1.1 |
| Information Services Employment | 3.2 | -4.4 | -5.8 | -3.2 |
| Prof. and Bus. Services Employment | 5.4 | -3.4 | -2.9 | 15.9 |
| Financial Services Employment | 2.5 | -1.7 | 0.0 | 0.0 |
| Leisure and Hosp. Employment | -0.4 | 1.9 | 5.9 | 7.3 |
| Education and Health Services Employment | 1.4 | -2.1 | 1.1 | 1.5 |
| Real Wage and Salary Disbursements | 0.8 | 9.5 | -0.9 | 1.1 |
| Avg. Weekly Initial Unemployment Claims* | -5.0 | 3.8 | -0.3 | -9.3 |
| General Sales and Gross Receipt Taxes* | 0.6 | 0.5 | -1.6 | 7.2 |

Figures are annualized percentage changes from previous quarter. All data series are seasonally adjusted.
* Variable is not annualized.

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.
- 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