



# BRIEFING



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Q1 2016

## Rhode Island: Economy picking up steam

The Rhode Island Current Economic Indicator (CEI) estimates that the state economy expanded at an annualized rate of 3 percent in the first quarter of 2016, compared to an expansion of 2.9 percent in the fourth quarter, 2.1 percent in the third quarter, and 3.9 percent in the second quarter of 2015. The Rhode Island Leading Economic Indicator projects that the state economy will expand at an annual growth rate of 2.7 percent in the second quarter of 2016.

The growth of the Rhode Island economy during the last four quarters has been stronger than that observed in previous years and slightly faster than the growth rates observed in New England. The Regional Current Economic Indicator estimates that the New England economy grew at an annualized rate of 2.6 percent in the first quarter of 2016, compared to 2.1 percent in the fourth quarter

of 2015 and to 2 percent in the third quarter. The U.S. Gross Domestic Product (GDP) increased at an annualized rate of 0.5 percent in the first quarter of 2016, compared to 1.4 percent in fourth quarter and 2.0 percent in the third quarter of 2015.

While the recent performance of the Rhode Island economy has improved, the long-term trend (see **FIGURE 2**) shows that the state has been unable to close the “growth gap.” Since the Great Recession ended in 2009, Rhode Island experienced growth much slower than that of both the New England region and the nation. This persistent slow growth suggests that structural headwinds are slowing down economic growth in the state.

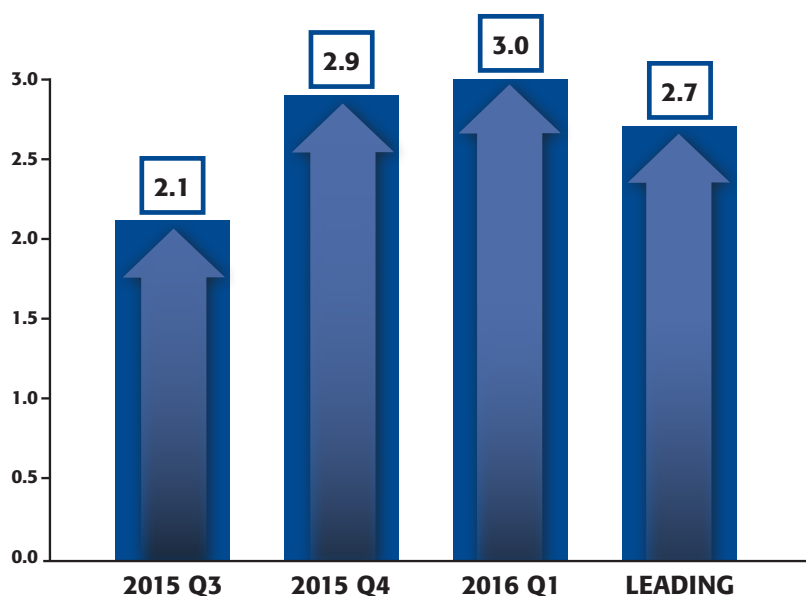
### Internal factors impact growth

Seven internal factors positively affected the Rhode Island Current Economic Indicator

(CEI) in the first quarter of 2016. General sales and gross receipt taxes, a proxy for the state aggregate demand, increased 2 percent (*seasonally adjusted, year-to-year*) in the first quarter, compared to an increase of 1.7 percent in the fourth quarter and 5.0 percent in the third quarter of 2015. Real total wages and salary disbursements increased 0.4 percent in the first quarter, compared to 3.5 percent in the fourth quarter of 2015 and a contraction of 1.2 percent in the third quarter.

Employment in manufacturing continues to expand at very moderate rates, but this industry has sustained job creation over the last two years. Employment in manufacturing expanded 0.3 percent in the first quarter of 2016 compared to 4.2 percent in the fourth quarter of 2015 and a contraction of 0.3 percent in the third quarter. The professional and business services industry, on the other

**FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, Q1 2016**



### 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.

hand, continued to show strong job creation in the first quarter of 2016. Employment in this industry increased 13.6 percent in the first quarter, compared to 1.5 percent in the third quarter and 0.8 percent in the third quarter of 2015. This represents a significant reversal of the poor performance in the first quarter of 2015 and in the fourth quarter of 2014. Employment in financial services increased 4.4 percent in the first quarter, compared to an increase of 4.2 percent in the fourth quarter and a decline of 2.4 percent in the third quarter of 2015. Economic activity in leisure and hospitality services continues to expand. Employment in this industry increased 1.9 percent in the first quarter, compared to an expansion of 4.5 percent in the fourth quarter of 2015 and 0.9 percent in the third quarter. The construction industry reversed several quarters of stagnant performance and experienced significant growth in 2015 and in the first quarter of 2016. Employment in construction increased 28.5 percent (annualized rate) in the first quarter of 2016, compared to an increase of 14.9 percent in the fourth quarter and 5.6 percent in the third quarter of 2015.

Four of eleven internal factors that comprise the Rhode Island Current Economic Indicator (CEI) negatively affected economic growth in the first quarter. Education and health services, the largest industry in the state, experienced contraction in economic activity for the third consecutive quarter. Employment in education and health services decreased 4 percent in the first quarter of 2016, 0.9 percent in the fourth quarter, and 0.4 percent in the third quarter of 2015. Employment in information services contracted 4.5 percent in the first quarter, compared to an increase of 1.4 percent in the fourth quarter and 6.7 in the third quarter of 2015. Trade, transportation, and utilities services employment decreased 4.1 percent in the first quarter, compared to a decrease of 1.2 percent in the fourth quarter and an increase of 1.6 percent in the third quarter of 2015. Initial unemployment claims increased 9.2 percent in the first quarter of 2016, compared to a reduction of 5.7 percent in the fourth quarter and 2.9 percent in the third quarter of 2015.

### Data Revisions and Corrections

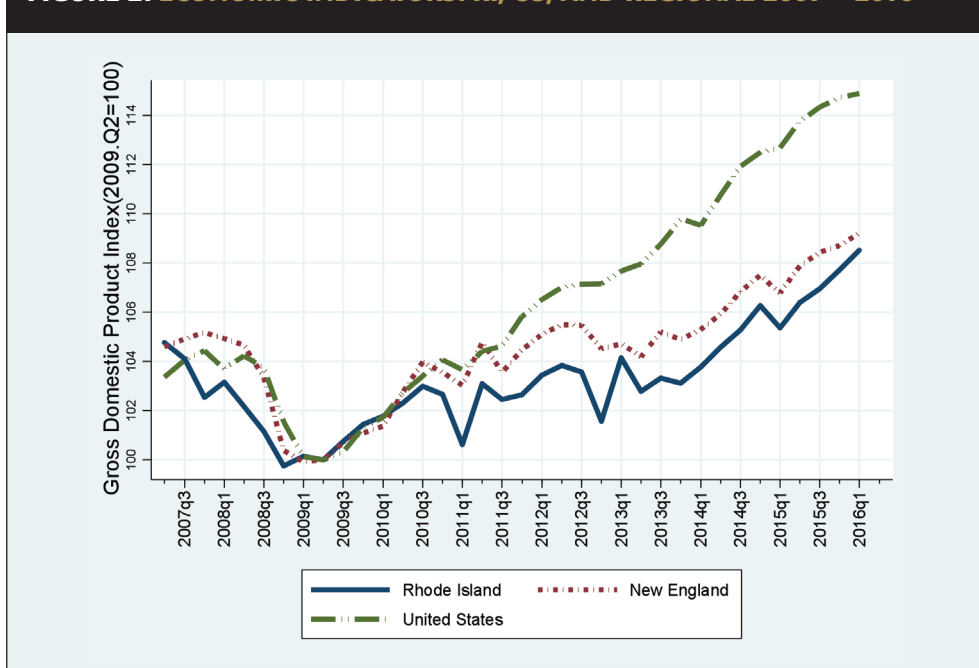
This issue of the Briefing incorporates the just-released quarterly GDP data series for states produced by the U.S. Bureau of Economic Analysis. It also accounts for revisions to employment figures. These revisions have resulted in significant changes to the Rhode Island CEI released in previous Briefings.

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

VARIABLE	2015.Q2	2015.Q3	2015.Q4	2016.Q1
<b>Rhode Island Current Economic Indicator (RI CEI)</b>	<b>3.9<sup>A</sup></b>	<b>2.1<sup>A</sup></b>	<b>2.9<sup>B</sup></b>	<b>3.0<sup>B</sup></b>
<b>Components of the RI CEI:</b>				
Regional Economic Conditions (GDP)	4.2 <sup>A</sup>	2.0 <sup>A</sup>	2.1 <sup>B</sup>	2.6 <sup>B</sup>
National Economic Conditions (U.S. GDP)	3.9	2.0	1.4	0.5
Construction Employment	7.5	5.6	14.9	28.5
Manufacturing Employment	0.3	-0.3	4.2	0.3
Trade, Trans. and Utilities Employment	2.0	1.6	-1.2	-4.1
Information Services Employment	2.9	6.7	1.4	-4.5
Prof. and Bus. Services Employment	4.5	0.8	1.5	13.6
Financial Services Employment	3.2	-2.4	4.2	4.4
Leisure and Hosp. Employment	5.1	0.9	4.5	1.9
Education and Health Services Employment	0.8	-0.4	-0.9	-4.0
Real Wage and Salary Disbursements	6.5	-1.2	3.5	0.4 <sup>B</sup>
Avg. Weekly Initial Unemployment Claims*	-9.1	-2.9	-5.7	9.2
General Sales and Gross Receipt Taxes*	6.6	5.0	1.7	2.0

Figures are annualized percentage changes from previous quarter. All data series are seasonally adjusted.  
\* Variable is not annualized. <sup>A</sup> Actual GDP growth from the U.S. BEA. <sup>B</sup> GDP growth estimate.

**FIGURE 2: ECONOMIC INDICATORS: RI, US, AND REGIONAL 2007 – 2016**



- 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)