



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 2017

Rhode Island Economy on a Solid Growth Path

The Rhode Island Gross Domestic Product (GDP) is projected to have expanded 2.9 percent in the first quarter of 2017, compared to 1.6 percent in the fourth quarter and 5 percent in the second and third quarters of 2016. The strong growth over the last four quarters contrasts to a contraction of 4.4 percent in the state's GDP in the first quarter of 2016. Nonetheless, on a year-to-year basis the Rhode Island economy expanded just 1.2 percent from 2016 to 2017, the 27th highest GDP growth rate across states.

The economic momentum built over the last quarters is expected to continue. Ten of eleven internal factors that comprise the Rhode Island Current Economic Indicator positively affected economic growth in the first quarter of 2017 (see below). In addition, the Rhode Island Leading Economic Indicator projects that the state economy will expand at an annual

growth rate of 2 percent in the second quarter of 2017.

The Regional Current Economic Indicator estimates that the New England economy grew at an annualized rate of 2.4 percent in the first quarter of 2017, compared to 1.9 percent in the fourth quarter and 3.6 percent in the third quarter of 2016. The New England region's GDP increased 1.7 percent in 2016. The U.S. GDP increased at an annualized rate of 0.7 percent in the first quarter of 2017, compared to 2.1 percent in fourth quarter and 3.5 percent in the third quarter of 2016. The U.S. GDP increased 1.5 percent in 2016.

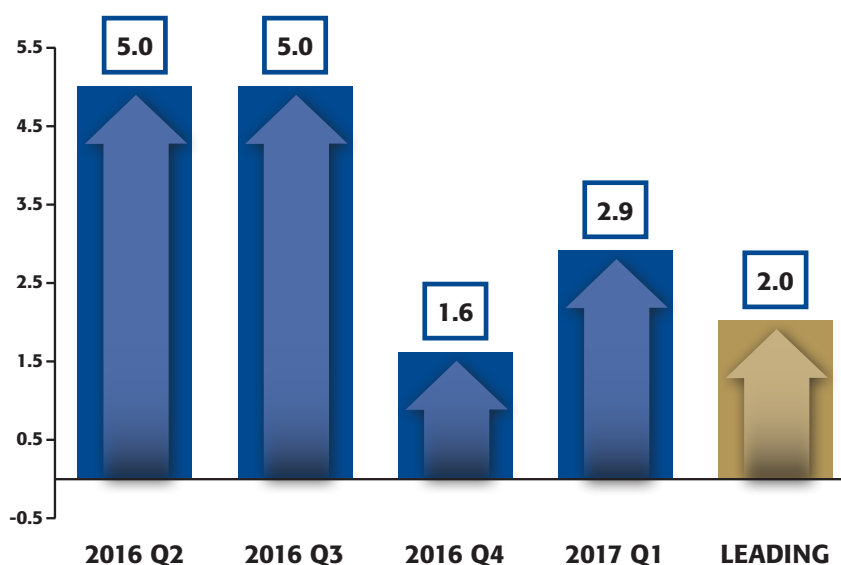
Overall, Rhode Island's economic conditions continue to improve as demonstrated by GDP growth as well as a low unemployment rate, which reached 4.3 percent in April 2017. That is as low as the rate observed in March of 2001. However, the state is still playing

catch-up to recover from the Great Recession of 2008 and its economy has consistently underperformed compared to the New England region and the nation as a whole (see **FIGURE 2**).

Internal factors impact growth

The first quarter of 2017 was remarkably positive for the internal factors that comprise the Rhode Island Current Economic Indicator (CEI). General sales and gross receipt taxes, a proxy for the state aggregate demand, increased 1.3 percent (*seasonally adjusted, year-to-year*) in the first quarter of 2017, compared to increases of 1.2 percent in the fourth quarter and 2.9 percent in the third quarter of 2016. Real wages and salary disbursements increased 3 percent in the first quarter of 2017, compared to a decline of 1.9 percent in the fourth quarter and growth of

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, Q1 2017



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.



7.3 percent in the third quarter and 11.5 percent in the second quarter of 2016. Initial unemployment claims – which gauge the direction of the unemployment rate – reduced 18.3 percent in the first quarter of 2017, compared to an increase of 14.1 percent in the fourth quarter and a reduction of 12 percent in the third quarter of 2016.

The construction industry has experienced job growth for three consecutive quarters. Employment in construction increased 30.2 percent (annualized rate) in the first quarter of 2017, compared to 6.1 percent in the fourth quarter and 6.2 percent in the third quarter of 2016.

Employment in leisure and hospitality services continues to increase in Rhode Island. Employment in this industry increased 1.9 percent in the first quarter of 2017, 6.6 percent in the fourth quarter and 1.2 percent in the third quarter of 2016. Trade, transportation, and utilities services employment increased 3.2 percent in the first quarter of 2017, compared to small jobs losses over the last three quarters of 2016. Employment in professional and business services increased 2.8 percent in the first quarter of 2017, compared to 3.9 percent in the fourth quarter and 3.7 percent in the third quarter of 2016.

Employment in manufacturing increased 1.7 percent in the first quarter of 2017, compared to a reduction of 3.2 percent in the fourth quarter and 2.3 percent in the third quarter of 2016. Employment in financial services increased 1.2 percent in the first quarter of 2017, compared to a decrease of 5.8 percent in the fourth quarter and an increase of 0.7 percent in the third quarter of 2016. Employment in education and health services – the largest industry in the state – increased 0.2 percent in the first quarter of 2017 and 2.8 percent in the fourth quarter of 2016, compared to a decrease of 0.6 percent in the third quarter.

Information services was the only industry included in the CEI that experienced job losses in the first 3 months of 2017. Employment in information services contracted 11.1 percent in the first quarter of 2017 and 12.5 percent in the fourth quarter of 2016, compared to an increase of 14.3 percent in the third quarter.

Data Revisions and Corrections

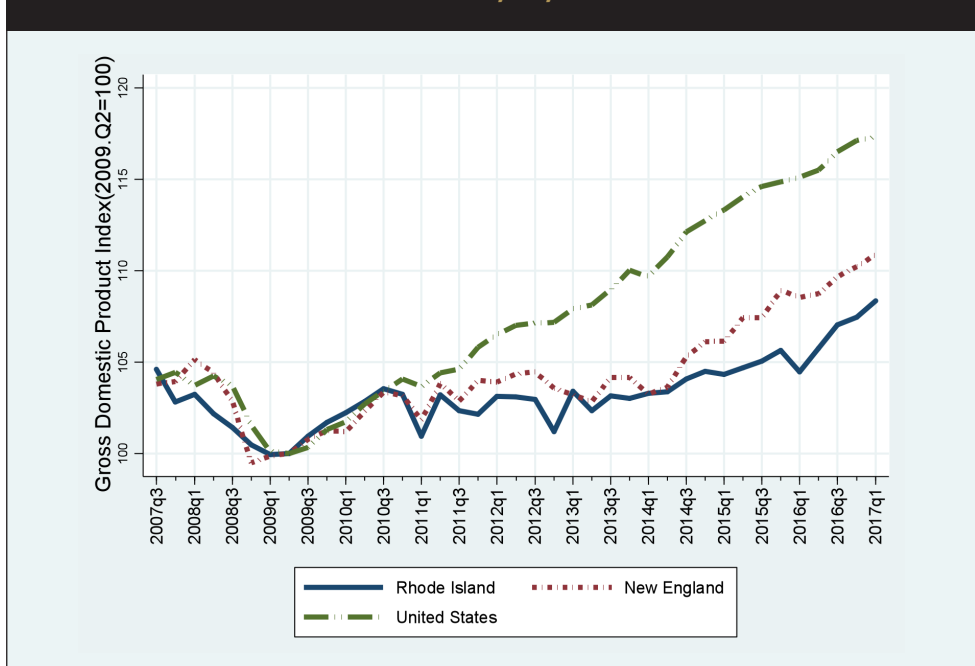
This issue of the Briefing incorporates the final benchmark employment revisions released by the U.S. Bureau of Labor Statistics. It also incorporates just-released updated quarterly GDP data produced by the U.S. Bureau of Economic Analysis.

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

VARIABLE	2016.Q2	2016.Q3	2016.Q4	2017.Q1
Rhode Island Current Economic Indicator (RI CEI)	5.0^A	5.0^A	1.6^A	2.9^B
Components of the RI CEI:				
Regional Economic Conditions (GDP)	0.7 ^A	3.6 ^A	1.9 ^A	2.4 ^B
National Economic Conditions (U.S. GDP)	1.4	3.5	2.1	0.7
Construction Employment	-3.1	6.2	6.1	30.2
Manufacturing Employment	-2.2	-2.3	-3.2	1.7
Trade, Trans. and Utilities Employment	-0.3	-0.9	-0.2	3.2
Information Services Employment	-6.8	14.3	-12.5	-11.1
Prof. and Bus. Services Employment	-1.0	3.7	3.9	2.8
Financial Services Employment	-1.2	0.7	-5.8	1.2
Leisure and Hosp. Employment	2.1	1.2	6.6	1.9
Education and Health Services Employment	1.4	-0.6	2.8	0.2
Real Wage and Salary Disbursements	11.5	7.3	-1.9	3.0 ^B
Avg. Weekly Initial Unemployment Claims*	0.1	-12.0	14.1	-18.3
General Sales and Gross Receipt Taxes*	-2.8	2.9	1.2	1.3

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

FIGURE 2: ECONOMIC INDICATORS: RI, US, AND REGIONAL 2007 – 2017



- 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