



# BRIEFING



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

## Q3 2019

### Steady but slow economic expansion in the Ocean State

The Rhode Island Gross Domestic Product (GDP) is projected to have expanded 1.8 percent in the third quarter of 2019, compared to 1.5 percent in the second quarter, 4.8 percent in the first quarter of 2019, and 5.9 percent in the fourth quarter of 2018. Revised GDP figures from the U.S. Bureau of Economic Analysis (BEA) indicate that growth in the first quarter of 2019 and fourth quarter of 2018 was much higher than previously released. GDP growth is forecasted to increase 1.6 percent in the fourth quarter of 2019.

Rhode Island's annualized average GDP growth during the first three quarters of 2019 has been slightly faster than that in the New England Region for the first time since 2013. The Regional Current Economic Indicator estimates that the New England economy grew at an annualized rate of 1.5 percent in the third quarter of 2019, compared to 1.3 percent in the second quarter, 4.8 percent in the first quarter of 2019, and 0.1 percent in the fourth quarter of 2018. The U.S. GDP increased at an

annualized rate of 1.9 percent in the third quarter of 2019, compared to 2.0 percent in second quarter, 3.1 percent in the first quarter, and 1.1 percent in the fourth quarter of 2018. Rhode Island, however, needs to grow much faster than the New England region and the nation to close the "growth gap" created since the 2008 Great Recession (Figure 2).

Rhode Island's modest GDP growth has been followed by significant improvement in its labor market. Total nonfarm employment grew from 495,200 jobs in January 2019 to 503,600 jobs in September, an increase of 8,400 jobs. The unemployment rate has been around 3.6 percent since May 2019, compared to 4.0 percent in January 2019. In addition, eight of eleven internal factors that comprise the Rhode Island Current Economic Indicator (CEI) positively affected economic growth in the third quarter of 2019. As highlighted in the previous issue of this *Briefing*, however, economic activity and employment in manufacturing continue to decline in the Ocean State.

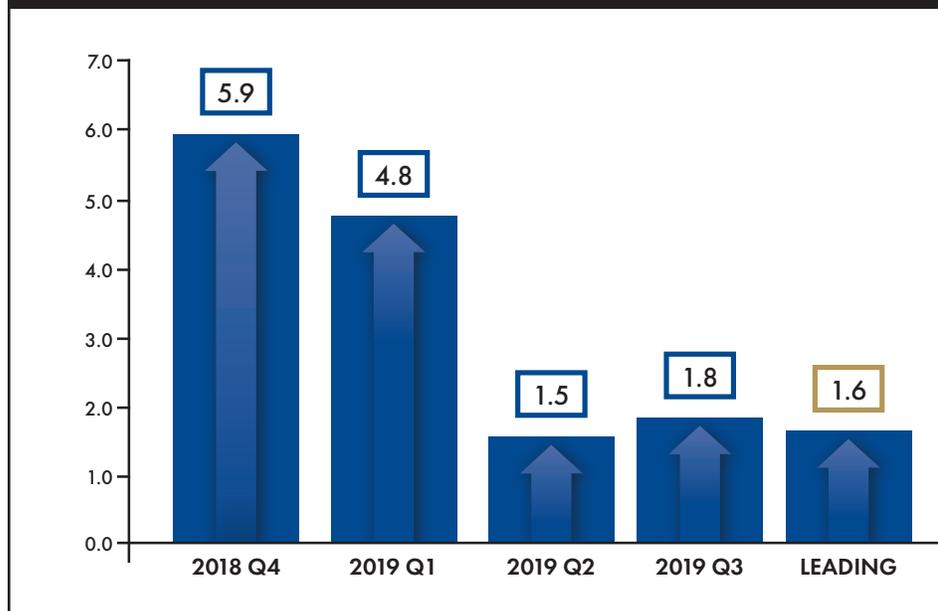
#### Internal factors impact growth

Eight of eleven internal factors that comprise the Rhode Island CEI positively affected economic growth in the third quarter of 2019. General sales and gross receipt taxes, a proxy for aggregate state demand, increased 7.3 percent (*seasonally adjusted, year-to-year*) in the third quarter of 2019, compared to an increase of 9.5 percent in the second quarter and a 6.4 percent increase in the first quarter. These figures suggest that consumer spending has been a key driving force supporting economic recovery in Rhode Island.

Leisure and hospitality employment growth slowed significantly to 0.5 percent (*annualized rate*) in the third quarter of 2019, compared to 10.3 percent in the second quarter. Employment in leisure and hospitality grew from 57,300 jobs in January 2019 to 58,000 in September, an increase of 700 jobs.

Employment in financial services expanded four quarters in a row with an increase of 1.4 percent

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, Q3 2019



#### 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.



(annualized rate) in the third quarter of 2019, 6.9 percent in the second quarter, 2.3 percent in the first quarter, and 0.8 percent in the fourth quarter of 2018.

Employment in education and health services increased 7.3 percent (annualized rate) in the third quarter of 2019 and 7.5 percent in the second quarter, compared to a decrease of 0.1 percent in the first quarter and an increase of 2.9 percent in the fourth quarter of 2018.

Trade, transportation, and utilities services employment increased 1.2 percent (annualized rate) in the third quarter of 2019 and 4.5 percent in the second quarter, compared to no employment change in the first quarter and an increase of 3.0 percent in the fourth quarter of 2018.

The employment outlook in information services continues to look bleak, with current employment levels representing only approximately two thirds of 2006 levels. Despite growth in the third and second quarters of 2019, there was virtually no job growth in Rhode Island's information services industry over the last 12 months.

Professional and business services, a key industry in Rhode Island, added jobs in the third quarter of 2019, reversing two consecutive quarters of job losses. Employment in professional and business services increased 6.9 percent (annualized rate) in the third quarter, compared to a decrease of 1.2 percent in the second quarter and a decrease of 9.7 percent in the first quarter. The sector added 800 jobs from January 2019 to September 2019.

Initial unemployment claims – which gauge the direction of the labor market and unemployment rate – decreased 26.2 percent in the third quarter of 2019, compared to an increase of 27.1 percent in the second quarter and a decrease 20.1 percent in the first quarter. Initial unemployment claims have been particularly volatile over the last two years in Rhode Island, suggesting that the labor market is inherently volatile in the state.

Two of eleven internal factors that comprise the Rhode Island CEI negatively affected economic growth in the second quarter of 2019. The construction industry reversed several months of employment growth and experienced a decline of 0.6 percent (annualized rate) in employment in the third quarter of 2019, which contrasts with increases of 6.3 percent in the second quarter, 4.9 percent in the first quarter, and 2.7 percent in the fourth quarter of 2018.

Employment in the manufacturing industry contracted 2.3 percent (annualized rate) in the third quarter of 2019 and 5.9 percent in second quarter.

From September 2018 to September 2019, the state lost 1,200 manufacturing jobs.

Preliminary estimates indicate that total real wages and salary disbursements stayed constant in the third quarter of 2019, compared to increases of 2.9 percent (annualized rate) in the second quarter and 3.9 percent in the first quarter. The figures for

the first and second quarters of 2019 were revised upwards by the U.S. BEA.

### Data Revisions and Corrections

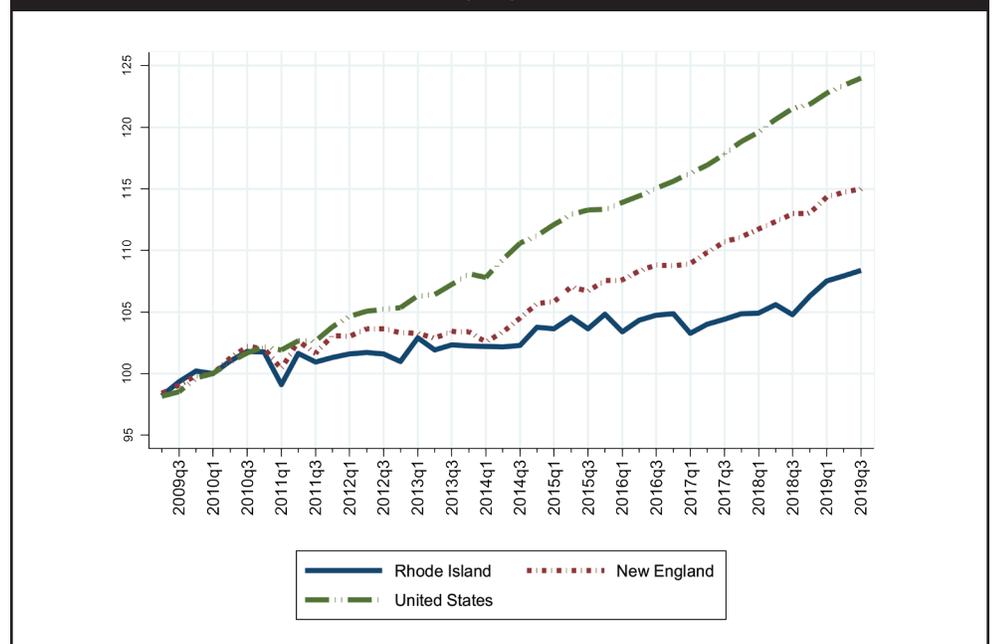
This issue of the *Briefing* incorporates revisions to employment data by the U.S. Bureau of Labor Statistics and to the quarterly GDP data by the U.S. BEA.

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

VARIABLE	2018.Q4	2019.Q1	2019.Q2	2019.Q3
Rhode Island Current Economic Indicator (RI CEI)	5.9 <sup>A</sup>	4.8 <sup>A</sup>	1.5 <sup>A</sup>	1.8 <sup>B</sup>
<b>Components of the RI CEI:</b>				
Regional Economic Conditions (GDP)	0.1 <sup>A</sup>	4.8 <sup>A</sup>	1.3 <sup>A</sup>	1.5 <sup>B</sup>
National Economic Conditions (U.S. GDP)	1.1	3.1	2.0	1.9
Construction Employment	2.7	4.9	6.3	-0.6
Manufacturing Employment	-4.2	0.6	-5.9	-2.3
Trade, Trans., and Utilities Employment	3.0	0.0	4.5	1.2
Information Services Employment	7.0	-6.5	7.0	4.7
Prof. and Bus. Services Employment	0.6	-9.7	-1.2	6.9
Financial Services Employment	0.8	2.3	6.9	1.4
Leisure and Hosp. Employment	-11.0	-1.9	10.3	0.5
Education and Health Services Employment	2.9	-0.1	7.5	7.3
Wage and Salary Disbursements	12.2	3.9	2.9	0.0
Avg. Weekly Initial Unemployment Claims*	17.4	-20.1	27.1	-26.2
General Sales and Gross Receipt Taxes*	5.9	6.4	9.5	7.3

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 2009 – 2019



- 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)