



BRIEFING



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Q1 2020

Pandemic causes unprecedented contraction of economic activity in Rhode Island

The COVID-19 pandemic disrupted the national and international trade of goods and services, reduced supply capabilities, and caused an unprecedented drop in aggregate demand in Rhode Island, across the United States, and around the globe. Output and employment levels have declined across the board since stay-at-home orders went into effect in the second half of March.

Even though the pandemic's economic consequences hit Rhode Island in the second half of March, their effects are projected to be significant in the first quarter of 2020. The Rhode Island Gross Domestic Product (GDP) is projected to have contracted 4.3 percent (annualized rate) in the first quarter of 2020, compared to declines of 4.8 percent in the New England region and 4.7 percent in the U.S.

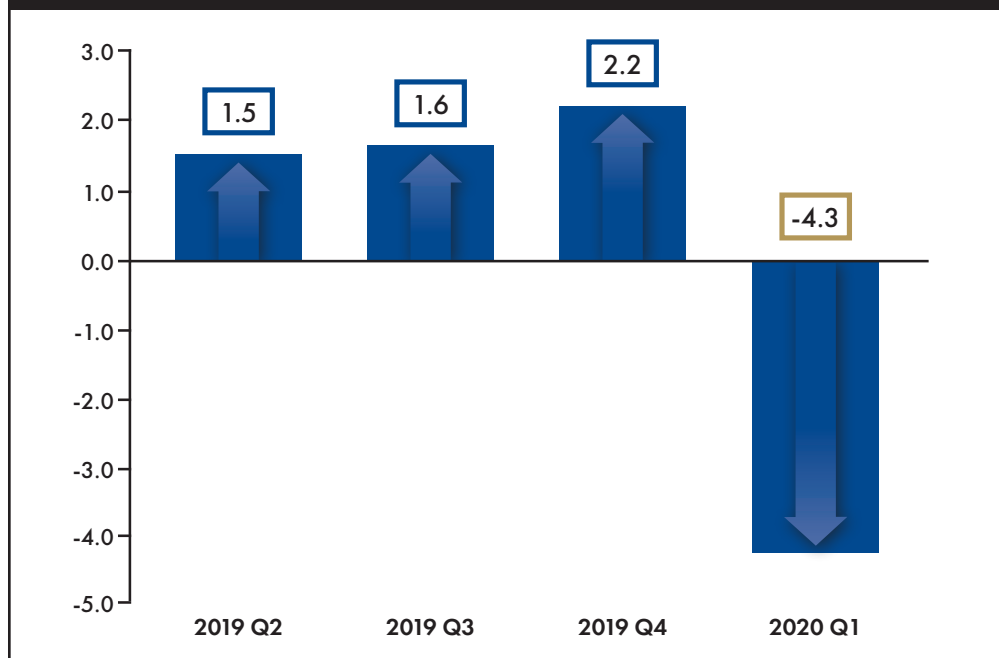
The effects of the pandemic on first quarter economic activity were limited, with the brunt of its force to be felt in second quarter economic indicators; the most recent figures show that job losses soared and the economy came to a near standstill in April. In Rhode Island, total nonfarm employment decreased from 506,900 jobs in January 2020 to 409,700 jobs in April, a contraction of 97,200 jobs, of which 88,800 jobs were shed in April. Leisure and hospitality were the hardest hit sectors, losing about two thirds of their workforce. There also were large job losses in the retail and transportation industries (see below).

Unemployment numbers released by the U.S. Bureau of Labor Statistics show that the unemployment rate in Rhode Island jumped from 3.5 percent in January 2020 to 17.0 percent in April. This figure, however, likely underestimates

the true dimension of the unemployment crisis in Rhode Island. Cumulative initial unemployment insurance claims filed from March 9 to May 8 reached 162,670, which represents more than 30 percent of the state's labor force. This figure must be interpreted cautiously due to duplicate claims and possible fraudulent applications, but it corroborates the point that economic activity declined sharply in April and early May, and that the state is experiencing an unprecedented economic downturn.

The severity and duration of the current economic crisis is inherently linked to the health crisis caused by COVID-19. Thus, the economic recovery also depends on finding mechanisms (e.g. vaccine, change in behavior, etc.) that can mitigate or eliminate the negative health impacts of the pandemic.

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, Q1 2020



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.



Internal Economic Dynamics

This *Briefing* usually presents only quarterly data, but this issue focuses on the most recent monthly estimates to provide an overview of the impact of the current economic crisis across industries in Rhode Island. Table 1 provides quarterly statistics for all metrics that are included in the Current Economic Indicator. Figure 2 reports change in employment by industry using the most recent data (April 2020).

Job losses mounted across the board in March and April 2020. Total non-farm employment declined from 508,400 in February to 498,500 in March and 409,700 in April, the lowest employment level recorded in Rhode Island since April 1984. From March to April, total employment declined 17.8 percent, which contrasts significantly to a strong performance of the job market in the second half of 2019 and the first two months of 2020.

Employment levels in leisure and hospitality contracted by approximately two thirds in March and April of 2020, the largest drop in employment ever recorded in the sector. Employment in these industries declined from 61,200 workers in February, to 56,500 in March and 21,500 in April. Percentagewise, employment in leisure and hospitality decreased 61.9 percent from March to April.

The pandemic caused economic activity to decline significantly in trade and transportation. From March to April 2020, trade, transportation, and utilities services shed 11,600 jobs, a decline of 20.8 percent in employment in this sector.

Education and health services, two key industries in Rhode Island, also experienced large job losses due to the pandemic. From March to April, employment declined 17.5 percent in health care and 11.0 percent in (private) educational services.

There were also large job losses in professional and business services (-15.0 percent) and construction (-13.4 percent) in April.

Comparatively, April 2020 job losses were smaller in manufacturing (-5.6 percent), financial

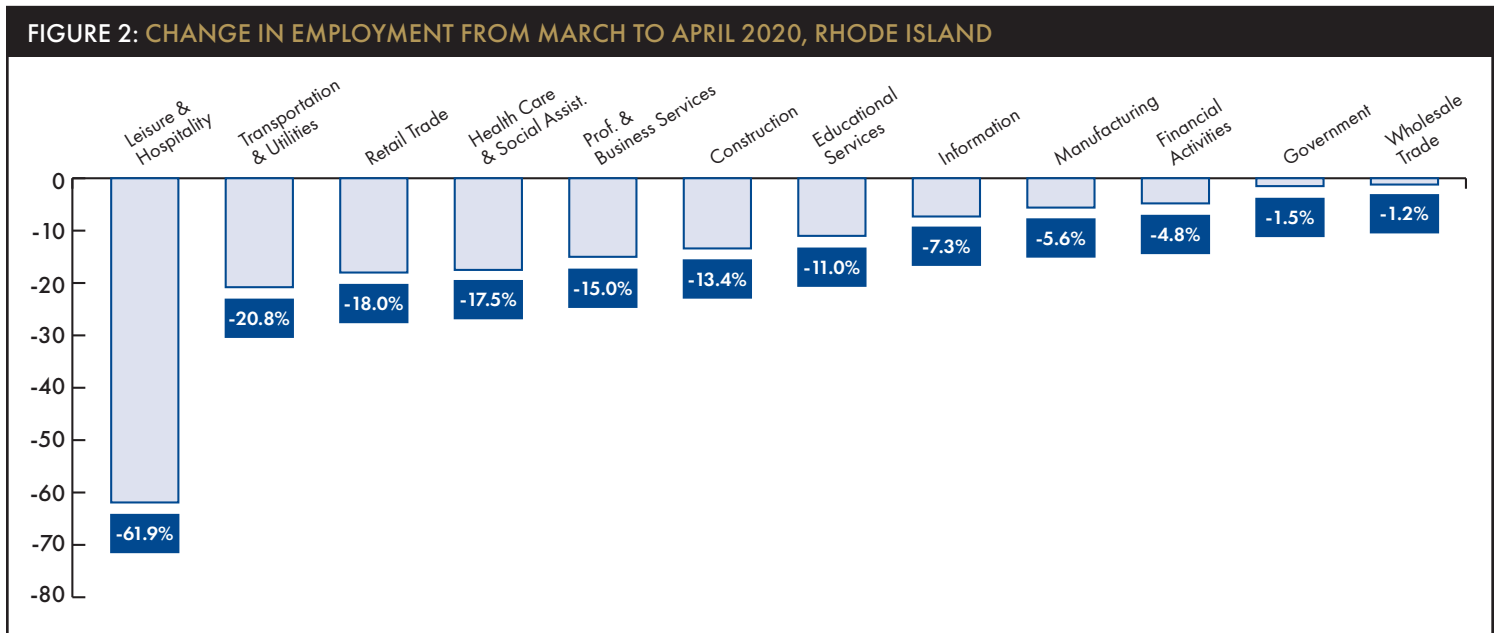
activities (-4.8 percent), wholesale trade (-1.2 percent), and government (-1.5 percent).

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. Bureau of Economic Analysis.

TABLE 1: PERFORMANCE OF KEY ECONOMIC INDICATORS (% CHANGE)				
VARIABLE	2019.Q2	2019.Q3	2019.Q4	2020.Q1
Rhode Island Current Economic Indicator (RI CEI)	1.5 ^A	1.6 ^A	2.2 ^A	-4.3 ^B
Components of the RI CEI:				
Regional Economic Conditions (GDP)	1.3 ^A	2.1 ^A	1.8 ^A	-4.8 ^B
National Economic Conditions (U.S. GDP)	2.0 ^A	2.1 ^A	2.1 ^A	-4.7 ^A
Construction Employment	-1.4	-2.0	-6.5	9.1
Manufacturing Employment	-0.7	-1.0	-2.3	-1.3
Trade, Trans., and Utilities Employment	-2.2	-0.5	6.7	1.2
Information Services Employment	-12.7	11.6	-2.0	-18.8
Prof. and Bus. Services Employment	-2.5	0.4	0.6	-1.3
Financial Services Employment	1.5	2.3	-1.5	3.0
Leisure and Hosp. Employment	1.6	0.9	2.5	-4.7
Education and Health Services Employment	1.1	-1.1	4.2	0.9
Wage and Salary Disbursements	0.3	-11.1	2.4	-2.6
Avg. Weekly Initial Unemployment Claims*	27.3	-25.9	16.6	379.3
General Sales and Gross Receipt Taxes*	9.5	7.3	9.2	4.2
Total Non-Farm Employment	-0.3	-0.2	1.8	-0.5

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.



- 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