



# 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 2020

### Partial recovery in Q3 2020, but economic activity severely constrained by pandemic

Rhode Island's economic contraction in the second quarter of 2020 was greater than contractions across the region and nation, and the state's partial recovery in the third quarter is projected to be slower than that of New England and the nation.

The Rhode Island Gross Domestic Product (GDP) is projected to have expanded 25.6 percent (*annualized rate*) in the third quarter of 2020, compared to reductions of 32.4 percent in the second quarter, and 6.2 percent in the first quarter. The Regional Current Economic Indicator (CEI) estimates that the New England economy expanded 27.6 percent in the third quarter, compared to a reduction of 32.3 percent in the second quarter and 4.8 percent in the first quarter. The U.S. economy expanded at an annualized rate of 33.1 percent in the third quarter of 2020, compared to reductions

of 31.4 percent in the second quarter and 5.0 percent in the first quarter. For years, Rhode Island's GDP growth has been consistently slower than that of the New England region and the nation (see Figure 2).

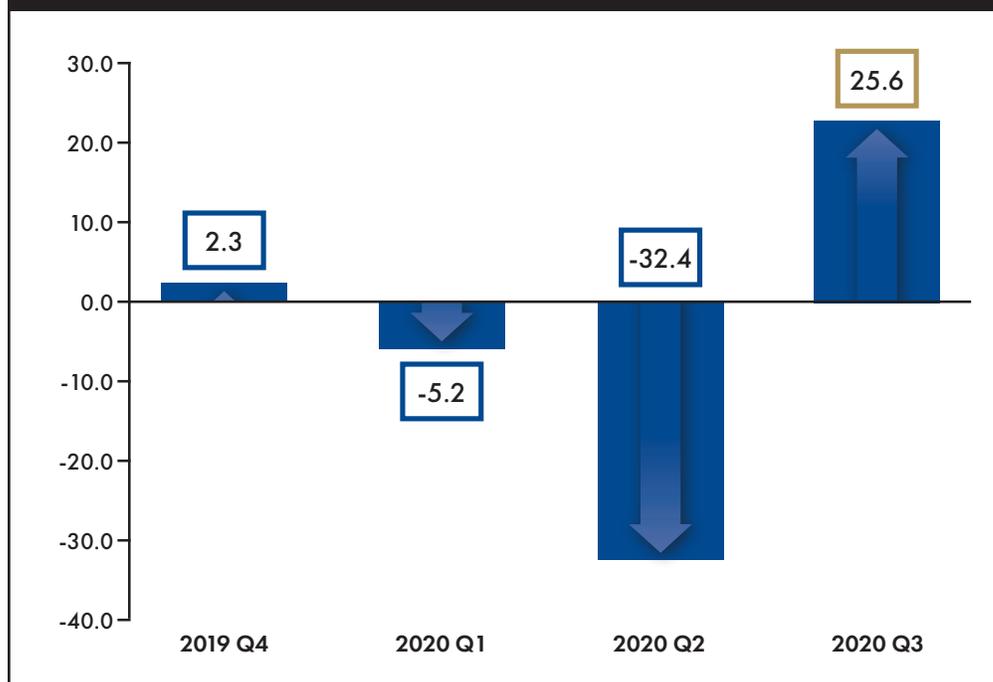
Rhode Island's labor market also experienced a partial recovery in the third quarter, but unemployment is markedly high, and job losses are still significant. Total nonfarm employment increased to 468,000 in September, compared to 446,000 in June and 410,300 in April. The September employment number, however, is 7.9 percent below the February 2020 employment level of 508,400. The unemployment rate increased from 3.4 percent in February 2020 to 18.1 percent in April, and then declined to 10.5 percent in September. Despite these gloomy figures

in the third quarter of 2020, employment in all private industries increased, and other internal factors that comprise the Rhode Island CEI improved.

#### Internal factors impact growth

Economic activity in leisure and hospitality continues to be severely curtailed due to the coronavirus. Employment in leisure and hospitality increased 53.3 percent in the third quarter of 2020, compared to a reduction of 49.6 percent in the second quarter. However, only approximately one half of the jobs lost between March and April 2020 were regained. Employment in leisure and hospitality decreased from an average of 59,670 jobs in the first quarter of 2020 to 29,630 in the second quarter, and

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, Q3 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.

then partially rebounded to an average of 46,130 in the third quarter. Cold temperatures and the recent increase in coronavirus cases are likely to negatively impact leisure and hospitality in the fourth quarter of 2020.

Employment in education and health services has similarly not recovered. Employment in this sector increased from an average of 94,700 jobs in the second quarter of 2020 to 104,200 in the third quarter, which represents a 10.0 percent increase in employment in the third quarter, compared to a 13.7 percent decline in the second quarter. In the third quarter, however, employment in education and health services was 5.5 percent lower than in the first quarter.

Job losses in professional and business services were significant in the second quarter of 2020, followed by a relatively weak recovery in the third quarter. Employment in professional and business services increased 4.3 percent in the third quarter, compared to a decrease of 13.1 percent in the second quarter. In the third quarter, employment in professional and business services was 8.0 percent lower than that observed in the first quarter.

Economic activity in the manufacturing industry has stayed steady in the pandemic thus far, with employment levels hovering at about 39,000 workers in 2020. Employment in manufacturing increased 3.4 percent in the third quarter, in contrast to decreases of 4.2 percent in the second quarter and 0.3 percent in the first quarter.

Employment in financial services increased 4.5 percent in the third quarter of 2020, compared to a decrease of 4.2 percent in the second quarter and growth of 0.7 percent in the first quarter. There was no job growth in the information services sector in the third quarter, following job losses of 5.9 percent in the second quarter and 5.1 percent in the first quarter.

Employment growth in the third quarter of 2020 caused real wages and salary disbursements to increase 5.9 percent, following a decrease of 7.6 percent in the second quarter and an increase of 0.9 percent in the first quarter. General sales and gross receipt taxes, a proxy for aggregate state demand, increased 6.2 percent in the third quarter of 2020 (seasonally adjusted, year-to-year), compared to an 11.8 percent decrease (revised figure) in the second quarter, and a 10.4 percent increase in the first quarter.

Initial unemployment claims — which gauge the direction of the labor market and unemployment rate — decreased 54.7 percent in the third quarter of 2020, contrasting with increases of 83.2 percent in the second quarter and 381.7 percent in the first

quarter. Initial unemployment claims, however, continue to be very high, averaging 3,251 weekly claims in the third quarter of 2020, which is much higher than an average of 1,075 weekly claims in 2019.

### Data Revisions and Corrections

This issue of the *Briefing* presents a growth rate of employment that has not been annualized

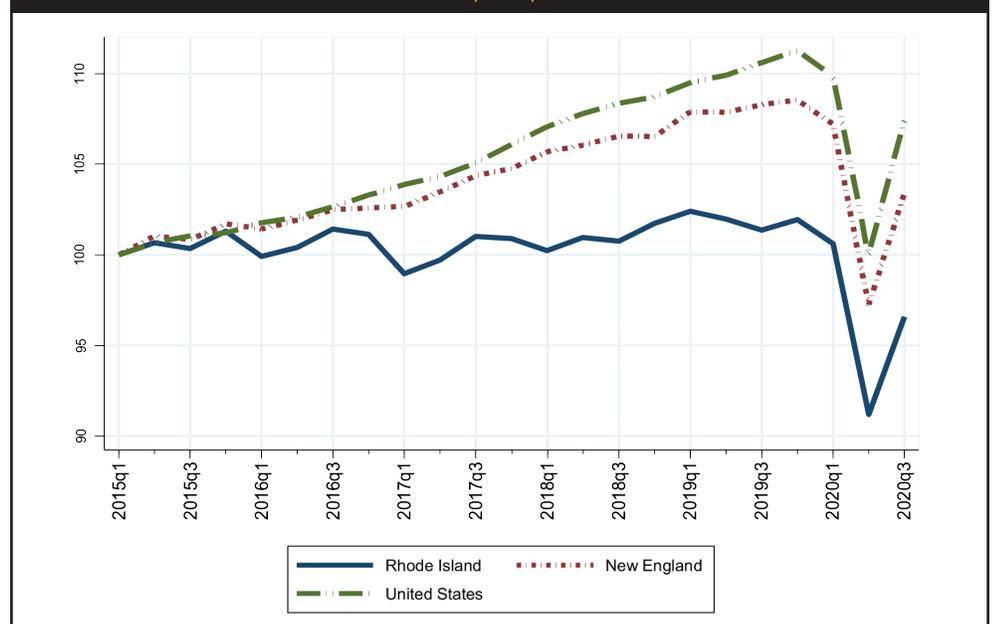
(standard practice) as annualized figures would be hard to interpret because of the unusually high rate of change observed in the second and third quarters of 2020. It also incorporates revisions to employment data by the U.S. Bureau of Labor Statistics and to the quarterly GDP data by the U.S. Bureau of Economic Analysis.

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

VARIABLE	2019.Q4	2020.Q1	2020.Q2	2020.Q3
Rhode Island Current Economic Indicator (RI CEI)*	2.3 <sup>A</sup>	-5.2 <sup>A</sup>	-32.4 <sup>A</sup>	25.6 <sup>B</sup>
<b>Components of the RI CEI:</b>				
Regional Economic Conditions (GDP)*	1.0 <sup>A</sup>	-4.8 <sup>A</sup>	-32.3 <sup>A</sup>	27.6 <sup>B</sup>
National Economic Conditions (U.S. GDP)*	2.4	-5.0	-31.4	33.1
Construction Employment	-1.7	2.2	-10.8	3.1
Manufacturing Employment	-0.6	-0.3	-4.2	3.4
Trade, Trans., and Utilities Employment	1.6	0.3	-14.3	6.4
Information Services Employment	-0.5	-5.1	-5.9	0.0
Prof. and Bus. Services Employment	0.1	-0.3	-13.1	4.3
Financial Services Employment	-0.4	0.7	-4.2	4.5
Leisure and Hosp. Employment	0.6	-1.2	-49.6	53.3
Education and Health Services Employment	1.0	0.2	-13.7	10.0
Wage and Salary Disbursements	0.8	0.9	-7.6	5.9
Avg. Weekly Initial Unemployment Claims	17.4	381.7	83.2	-54.7
General Sales and Gross Receipt Taxes*	9.2	10.4	-11.8	6.2
Total Non-Farm Employment	0.5	-0.1	-15.5	8.9

\*Figures are annualized percentage changes from previous quarter. All data series are seasonally adjusted.  
<sup>A</sup>Actual GDP growth from the U.S. BEA. <sup>B</sup>GDP growth estimate.

**FIGURE 2: ECONOMIC INDICATORS: RI, U.S., AND REGIONAL 2015 – 2020**



- 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)