



# 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 2021

# Rhode Island economy improves in Q1 2021, but weaknesses persist

The Rhode Island Gross Domestic Product (GDP) is projected to have increased by 3.5 percent (*annualized rate*) in the first quarter of 2021, compared to expansions of 2.6 percent in the fourth quarter of 2020 (*revised up*) and 35.5 percent in the third quarter of 2020, and a reduction of 32.4 percent in the second quarter of 2020. The Regional Current Economic Indicator estimates that the New England economy expanded at an annualized rate of 5.2 percent in the first quarter of 2021, 4.9 percent in the fourth quarter of 2020, and 34.2 percent in the third quarter of 2020, compared to a reduction of 32.3 percent in the second quarter of 2020. The U.S. economy expanded at an annualized rate of 6.4 percent in the first quarter of 2021, 4.3 percent in the fourth quarter of 2020, and 33.4 percent in the second quarter of 2020, compared to a reduction of 31.4 percent in the second quarter of 2020. Figure 2

shows that the “output growth gap” widened during the pandemic, as Rhode Island’s GDP growth continued to be slower than that of the New England region and the nation.

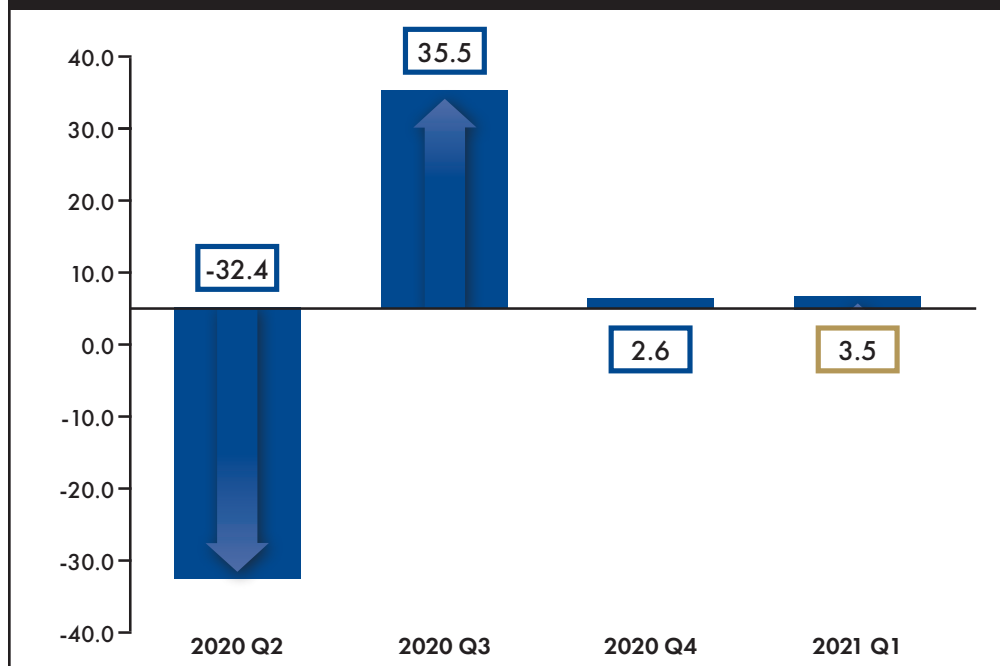
In the first quarter of 2021, the total number of jobs in Rhode Island increased 0.8 percent from the fourth quarter of 2020, while the unemployment rate decreased from 7.7 percent in the fourth quarter of 2020 to 7.2 percent in the first quarter of 2021. Total nonfarm employment increased from an average of 461,100 jobs in the fourth quarter of 2020 to 464,900 jobs in the first quarter of 2021. However, as of March 2021, total employment was still 7.9 percent below the pre-pandemic February 2020 employment level of 507,200 (*revised down*). Job growth in Rhode Island has been slower than the rate of job growth observed in the nation, but the state’s pace of job creation is similar to that of New England (Figure 3).

### Internal factors impact growth

Eight of eleven internal factors that comprise the Rhode Island CEI positively affected economic growth in the first quarter of 2021. General sales and gross receipt taxes, a proxy for aggregate state demand, increased 8.9 percent in the first quarter of 2021, 6.8 percent in the fourth quarter of 2020, and 6.2 percent in the third quarter of 2020 (*seasonally adjusted, year-to-year*). The strong growth in general sales and gross receipt taxes suggests that consumption levels have contributed to support the state’s economy during the pandemic.

The job market has been improving, but performance is not consistent across all economic sectors and wage growth has been slow. Real wages and salary disbursements are projected to have increased 0.4 percent in the first quarter of 2021, compared to increases of 0.3 percent in the

FIGURE 1: RHODE ISLAND ECONOMIC INDICATOR, Q1 2021



### 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.

fourth quarter of 2020 and 6.5 percent in the third quarter of 2020.

The construction sector has been particularly resilient to the pandemic, with a current employment level surpassing pre-pandemic levels. Employment in construction increased 2.9 percent in the first quarter of 2021, 3.5 percent in the fourth quarter of 2020, and 8.7 percent in the third quarter of 2020. There has also been significant economic activity in trade, transportation, and utilities. Employment growth in trade, transportation, and utilities increased 1.8 percent in the first quarter of 2021, 2.8 percent in the fourth quarter of 2020, and 12.5 percent in the third quarter of 2020.

Economic activity in leisure and hospitality is still severely constrained by the pandemic and job growth continues to be slow in this industry. Employment in leisure and hospitality increased 2.4 percent in the first quarter of 2021 and 3.2 percent in the fourth quarter of 2020. However, the sector employed 46,700 workers in March 2021, compared to 60,800 workers in February 2020.

The manufacturing industry added jobs for three consecutive quarters. Employment in manufacturing increased 0.8 percent in the first quarter of 2021, 0.6 percent in the fourth quarter of 2020, and 6.3 percent in the third quarter of 2020.

Employment in education and health services increased 1.1 percent in the first quarter of 2021, 0.2 percent in the fourth quarter of 2020, and 6.6 percent in the third quarter of 2020. Despite these gains, however, employment in education and health services is 8.8 percent below pre-pandemic, first quarter of 2020 levels.

Only two industries negatively impacted economic activity in the first quarter of 2021. Employment in professional and business services decreased 1.8 percent in the first quarter of 2021, compared to increases of 1.2 percent in the fourth quarter of

2020 and 5.7 percent in the third quarter of 2020. Employment in information services decreased 3.1 percent in the first quarter of 2021, compared to increases of 0.6 percent in the fourth quarter of 2020 and 2.6 percent in the third quarter of 2020.

Also negatively impacting the Rhode Island CEI, the number of initial unemployment claims increased 102.7 percent in the first quarter of 2021, compared to decreases of 14.1 percent in the fourth quarter of 2020 and 53.9 percent in the third quarter of 2020. The increase in initial unemployment claims was particularly large in January and February, trending down in March 2021.

### Data revisions and corrections

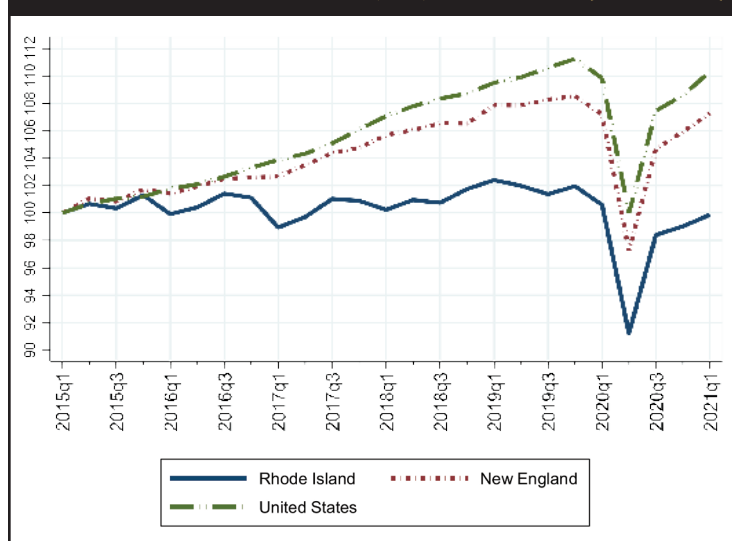
This issue of the Briefing presents a growth rate of employment that has not been annualized (*standard practice*) as annualized figures would be hard to interpret because of the unusually large rate of change observed in the second and third quarters of 2020. It incorporates revisions to employment data by the U.S. Bureau of Labor Statistics and to quarterly GDP data by the U.S. Bureau of Economic Analysis.

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

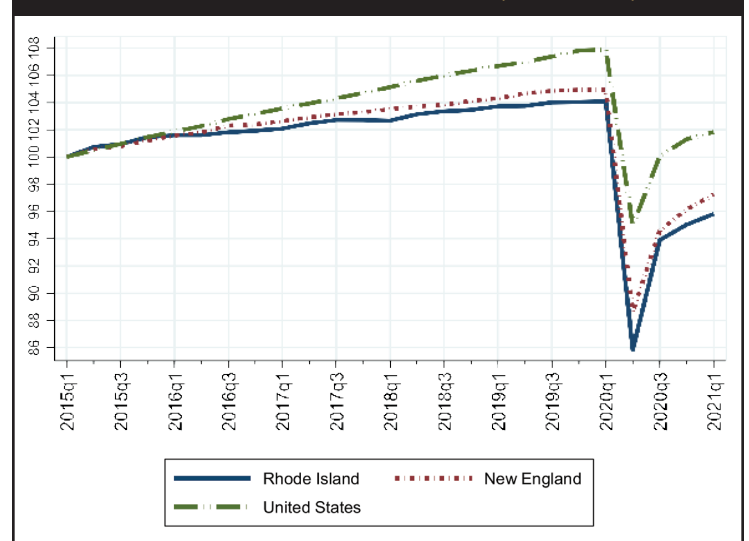
VARIABLE	2020.Q2	2020.Q3	2020.Q4	2021.Q1
Rhode Island Current Economic Indicator (RI CEI)	-32.4 <sup>A</sup>	35.5 <sup>A</sup>	2.6 <sup>A</sup>	3.5 <sup>B</sup>
<b>Components of the RI CEI:</b>				
Regional Economic Conditions (GDP)	-32.3 <sup>A</sup>	34.2 <sup>A</sup>	4.9 <sup>A</sup>	5.2 <sup>B</sup>
National Economic Conditions (U.S. GDP)	-31.4 <sup>A</sup>	33.4 <sup>A</sup>	4.3 <sup>A</sup>	6.4 <sup>A</sup>
Construction Employment*	-14.6	8.7	3.5	2.9
Manufacturing Employment*	-12.0	6.3	1.6	0.8
Trade, Trans., and Utilities Employment*	-18.1	12.5	2.8	1.8
Information Services Employment*	-13.9	2.6	0.6	-3.1
Prof. and Bus. Services Employment*	-10.9	5.7	1.2	-1.8
Financial Services Employment*	-5.0	0.8	0.4	0.4
Leisure and Hosp. Employment*	-51.3	50.3	3.2	2.4
Education and Health Services Employment*	-15.4	6.6	0.2	1.1
Wage and Salary Disbursements*	-7.3	6.5	0.3	0.4
Avg. Weekly Initial Unemployment Claims*	82.6	-53.9	-14.1	102.7
General Sales and Gross Receipt Taxes	-11.8	6.2	6.8	8.9
Total Non-Farm Employment*	-17.5	9.4	1.2	0.8

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, U.S., AND REGIONAL (2015 Q1=100)**



**FIGURE 3: TOTAL NON-FARM EMPLOYMENT INDEX (2015 Q1=100)**



- 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)