



IHS Markit™

The Rhode Island Outlook

April 29, 2020

Michael Lynch, US Economics
+1 781 301 9129, michael.lynch@ihsmarkit.com

Summary of revised employment data at year-end 2019

- Nonfarm payrolls in Rhode Island for December 2019 were revised down slightly (-600) relative to original estimates
 - 505.7 vs. 506.3 (in thousands)
- Upward revisions to employment counts in late 2018 and 2019 changed year-over-year growth path, however
 - > 0.8% year-over-year growth vs. 1.7% in original estimates
- Unemployment rate unchanged at 3.5% in both original and revised estimates

Dec 2019 Payrolls By Sector - Revised vs. Original Estimate

Sector	Change*	Sector	Change*
State and Local Government	4.1	Information	-0.3
Accommodation and Food Services	1.8	Wholesale Trade	-0.5
Finance and Insurance	0.5	Utilities	-0.6
Education Services	0.4	Real Estate, Rental, and Leasing	-1.0
Manufacturing	0.3	Other Services	-1.0
Construction	0.3	Healthcare and Social Assistance	-1.5
Professional, Scientific, Technical Svcs.	0.2	Arts, Entertainment, Recreation	-1.5
Federal Government	0.2	Administrative Support Svcs.	-1.5

*Level, Thousands

Another year of slow population growth

- Census July 1st estimates show 0.1% population growth in 2019 (+1,100)

Population Growth, July 1st Estimates (% Change)							
	2013	2014	2015	2016	2017	2018	2019
Vintage 2019	0.0	0.1	0.0	0.1	-0.1	0.2	0.1
Vintage 2018	0.0	0.1	0.0	0.1	-0.1	0.1	N/A

- New data show two consecutive years of positive net migration flows

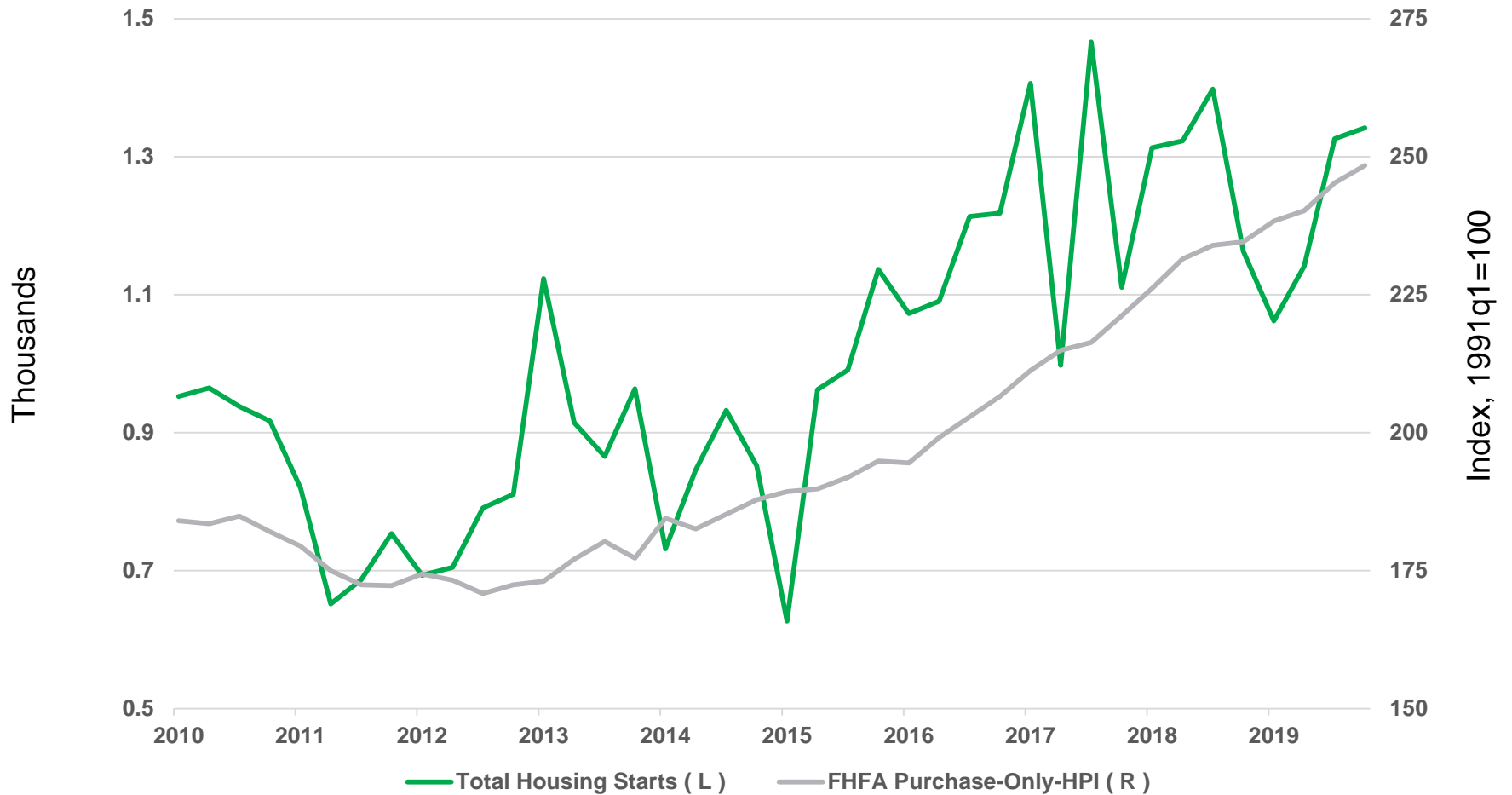
Vintage 2019 Migration Flows, July 1st Estimates (Level)							
	2013	2014	2015	2016	2017	2018	2019
Domestic	-4539	-3539	-5129	-4458	-3912	-2769	-3215
International	3779	3469	4509	4120	2226	4643	3645
Sum	-470	-70	-620	-338	-1686	1884	430

- Though recent contributions from natural increase remain weak

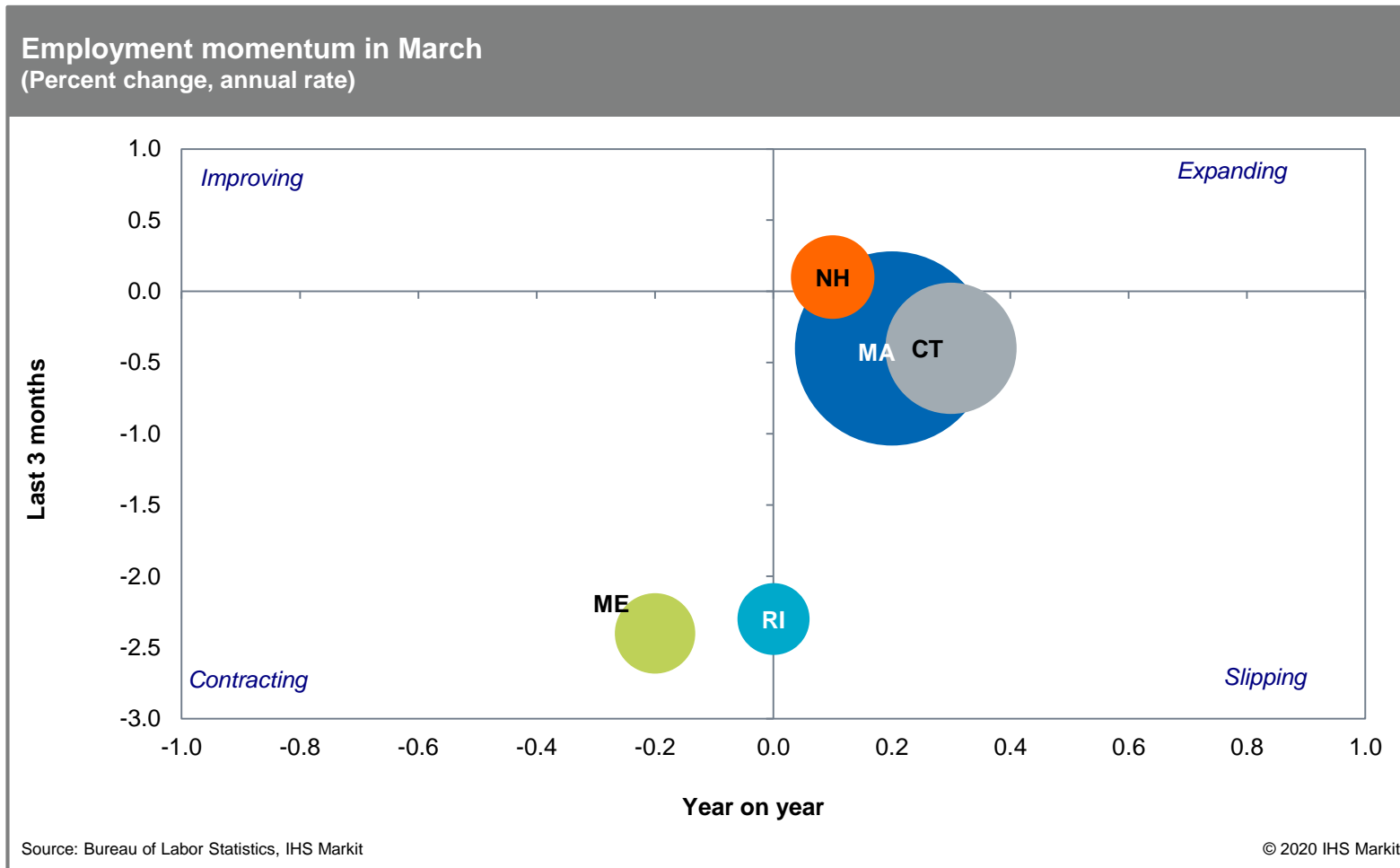
Vintage 2019 Natural Population Changes, July 1st Estimates (Level)							
	2013	2014	2015	2016	2017	2018	2019
Births	10871	10731	10875	10901	10663	10691	10481
Deaths	9631	9697	10079	9831	10044	9939	9802
Natural Increase	1240	1034	796	1070	619	752	679

Residential real estate begins 2020 on solid footing

Housing Starts and Home Prices



An early at look COVID-19 Impacts on the labor markets?



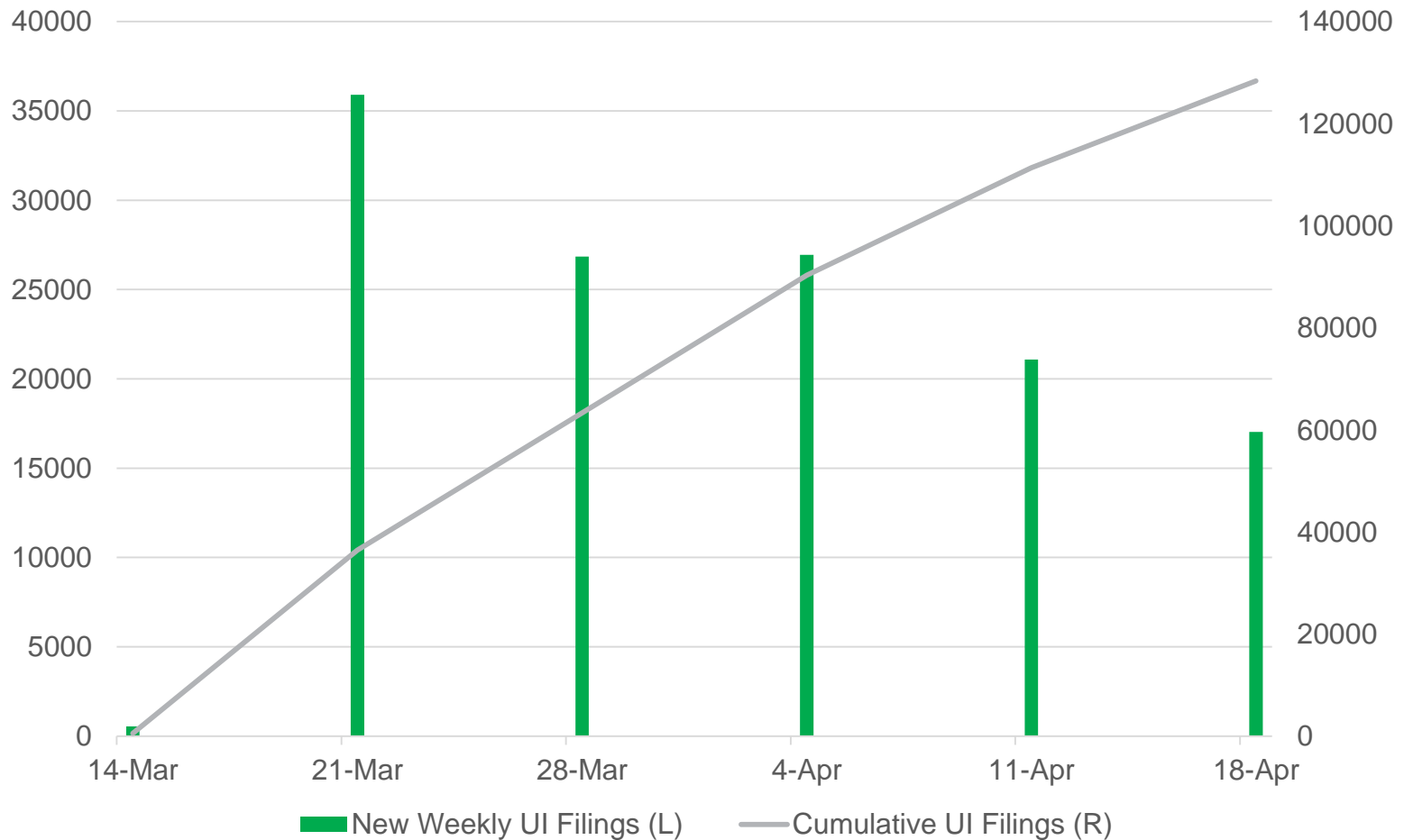
Rhode Island employment history review – March 2020

- After averaging gains of 3.5% per month in January and February, private-sector nonfarm payrolls contracted at a 13.2% annualized pace in March
 - Translates to a monthly net loss of ~5,200 jobs, overall Q1 growth still positive
- As the establishment employment survey data relies on a mid-month sampling period, the March data gives a snapshot of the labor market largely before the implementation of social distancing/virus mitigation policies.

March 2020 Payrolls By Sector – Change vs. Previous Month (Thousands)			
Sector	Change	Sector	Change
Accommodations and Food Services	-2.0	Real Estate, Rental, and Leasing	-0.0
Healthcare and Social Assistance	-1.0	Other Services	-0.0
Administrative Support Services	-1.0	Construction	-0.0
Arts, Entertainment, Recreation	-0.9	Wholesale Trade	0.0
Professional, Scientific, Technical Svcs.	-0.4	Utilities	0.0
State and Local Government	-0.3	Finance and Insurance	0.1
Transportation and Warehousing	-0.1	Information	0.1
Federal Government	-0.1	Retail Trade	0.2

- Unemployment rate rose 1.2 percentage points for the month, from 3.4% in February to 4.6% in March.

Meanwhile, COVID-19 Specific UI Claims Surge Past 100,000



Source: RI Department of Labor and Training

Rhode Island plunges into recession to close FY2020

- In the final quarter of FY20, both employment and output are projected to contract sharply as the effects of the spread of COVID-19 and the accompanying disease mitigation policies take hold
 - While output falls somewhat in FY20Q3, employment does not
- At the sectoral level, the largest employment hits are allocated to the “at-risk” categories:
 - Accommodations/Food Services
 - Arts, Entertainment, Recreation (Includes Casinos)
 - Retail Trade activities
 - Administrative/Support services
- However the cascading effects of such a severe downturn mean that few industries are immune from some damage
 - Losses projected in finance, healthcare/social insurance, construction
- Unemployment rate surges, abruptly rising well into the double digits in FY20q4

Rhode Island plunges into recession (Continued)

- The fourth quarter of FY20 will be Rhode Island's worst during the downturn, as the projected speed of contraction slows drastically in FY21Q1
- Implicit in the May state forecast is the assumption that the pandemic begins to subside in FY21Q1
 - This would be consistent with a easing of social distancing/disease mitigation policy beginning in June
 - Economic rebound in the forecast first materializes in FY21q2
- The overall duration of the decline during the downturn will be confined to a short period, but its magnitude will be exceptionally severe.
- Projected peak-to-trough declines in key variables such as nonfarm employment and real gross state product will reach well into the double-digits
 - Deeper than Great Recession

Rhode Island key economic indicators, 2020-2023

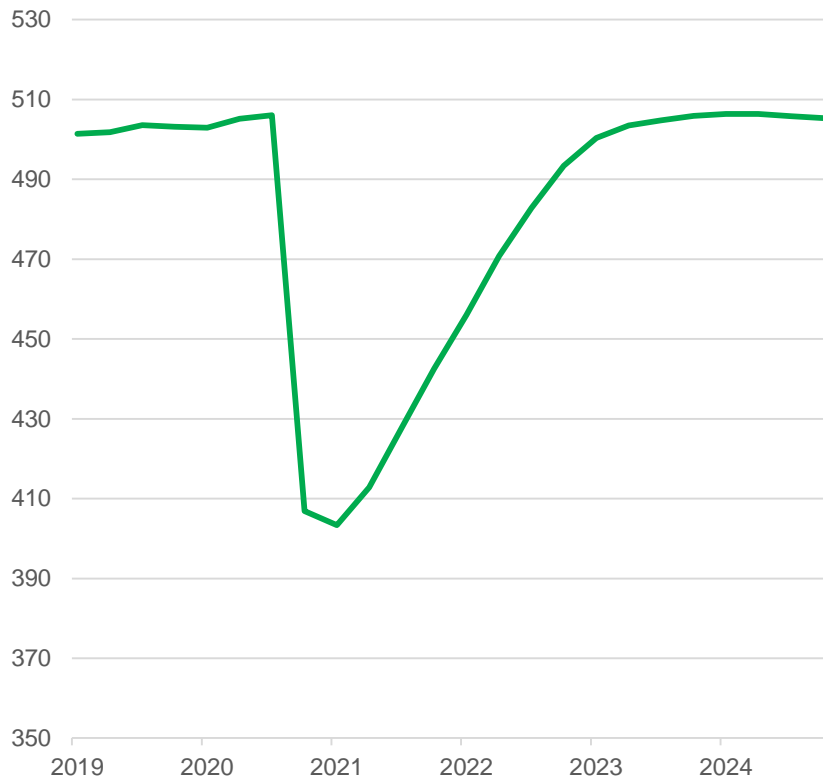
May 2020 Forecast					
Percent change	FY2019	FY2020	FY2021	FY2022	FY2023
Employment, Total Nonfarm	0.7	-4.4	-12.2	12.8	5.9
Real GSP, (2012\$)	1.6	-2.1	-7.6	12.1	3.6
Total Personal Income (\$)	3.9	0.5	-0.7	7.2	4.4
Real Personal Income (2012\$)	2.2	-0.7	-1.6	5.4	2.1
Wages and Salaries	2.6	-3.7	-7.2	16.2	8.6
Personal Consumption Exp.	4.2	-0.6	-2.4	11.2	4.2
Unemployment Rate (% , Level)	3.7	7.4	15.9	7.5	4.2

Key Takeaways:

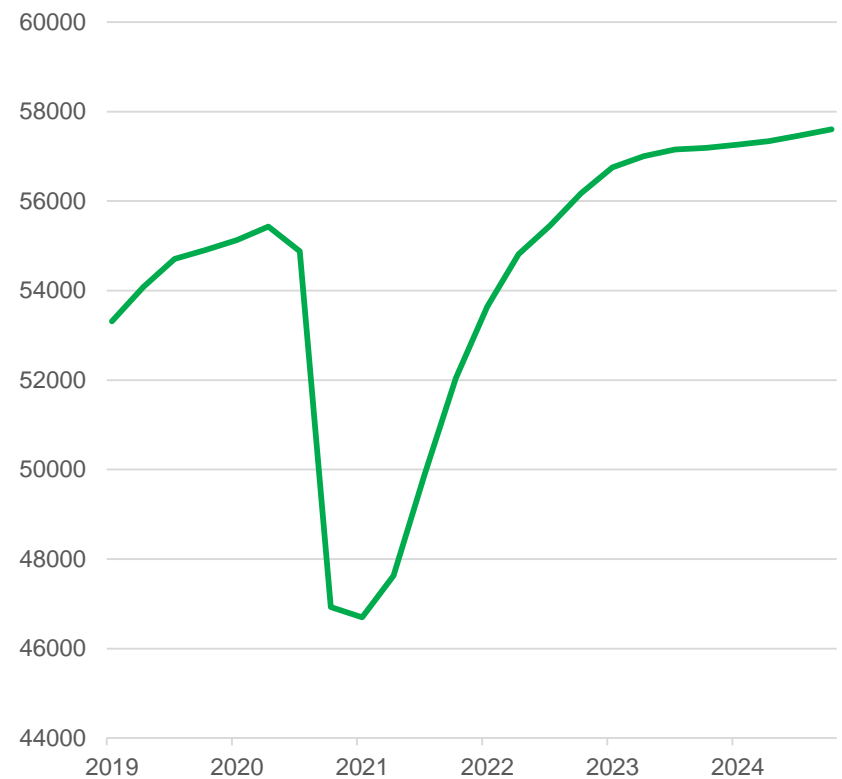
- Nonfarm employment returns to pre-COVID peak in late FY2023 / early FY2024
- Real gross state product returns to pre-COVID peak in second half of FY2022
- State unemployment rate remains above 5% until late FY2022

Picturing the shape of recession and recovery in R.I.

**Employment, Total Nonfarm
(Thousands)**



**Real Gross State Product
(Millions of 2012\$)**



*Graph Time Scales show Quarterly Frequency in Fiscal Year Terms

Forecast changes in selected concepts: 0520 vs. 1119

Nonfarm Employment	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
IHS November 2019	488.1	491.4	495.0	497.4	505.7	508.0	509.7	509.9	508.7
IHS May 2020	492.1	495.1	498.8	502.5	480.3	421.6	475.8	503.6	506.0
Change – Nov to May	3.9	3.8	3.8	5.1	-25.4	-86.4	-34.0	-6.3	-2.7

Nonfarm Employment Growth	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
IHS November 2019	1.3	0.7	0.7	0.5	1.7	0.5	0.3	0.0	-0.2
IHS May 2020	1.3	0.6	0.7	0.7	-4.4	-12.2	12.8	5.9	0.5
Change – Nov to May	0.0	0.0	0.0	0.2	-6.1	-12.7	12.5	5.8	0.7

Wage and Salaries Income Growth	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
IHS November 2019	2.7	2.7	4.0	2.8	5.1	4.2	4.1	4.0	3.9
IHS May 2020	2.7	2.7	4.0	2.6	-3.7	-7.2	16.2	8.6	3.6
Change – Nov to May	0.0	0.0	0.0	-0.2	-8.7	-11.3	12.0	4.5	-0.2

Unemployment Rate (RI)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
IHS November 2019	5.5	4.7	4.3	3.9	3.6	3.6	3.9	4.2	4.7
IHS May 2020	5.5	4.7	4.3	3.7	7.4	15.9	7.5	4.2	4.3
Change – Nov to May	0.0	0.0	0.0	-0.1	3.8	12.3	3.6	0.0	-0.4

Housing Starts	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
IHS November 2019	1.1	1.2	1.3	1.1	1.2	1.2	1.2	1.2	1.2
IHS May 2020	1.1	1.2	1.3	1.2	1.2	1.0	1.2	1.2	1.2
Change – Nov to May	0.0	0.0	0.0	0.1	0.0	-0.2	0.0	0.1	0.0



IHS Markit™

Thank You!

April 29, 2020

Michael Lynch, US Economics
+1 781 301 9129, michael.lynch@ihsmarkit.com