
Rhode Island Economic Outlook

29 April 2022

Michael Lynch, Associate Director, michael.lynch@spglobal.com



now a part of

S&P Global

Summary of Year-To-Date Employment Growth in 2022

- Rhode Island economic recovery continued to progress in the first quarter, despite headwinds tied related to the Omicron surge, supply chain disruptions, and inflation pressures.
- Monthly nonfarm payrolls in Rhode Island have reported a cumulative net increase in 2022 of 3,700 through March
- Average annualized monthly growth of 3.1% ranked 4th-fastest in New England (Maine led the region at 7.5%, followed by Massachusetts at 6%) and trailed national growth of 4.2%
- Unemployment rate plunged to 3.4% in March, down from 4.5% in December 2021

March 2022 Employment Growth by Sector, Year-to-Date

Sector	Change*	Sector	Change*
Construction	1.4	Management of Companies	0.0
Retail Trade	1.3	Information Services	-0.1
Professional, Scientific, Technical Svcs.	0.9	Federal Government	-0.1
State and Local Government	0.7	Manufacturing	-0.1
Healthcare and Social Assistance	0.7	Utilities	-0.1
Accommodation and Food Services	0.5	Other Services	-0.2
Transportation and Warehousing	0.4	Finance and Insurance	-0.4
Education Services	0.2	Administrative Support, Waste Management	-1.5

*Level, Thousands

Tracking the recovery – RI labor market overall progress

- Between April 2020 and March 2022, Rhode Island nonfarm payrolls increased by 92,000
 - Accounts for 85% of the total net loss observed between February and April 2020 (108,100 jobs)
- Unemployment rate down to 3.4% in March 2022 from a peak of 18.4%
 - Now slightly below above pre-recession/pandemic level of ~3.6% (February 2020)
- Largest gains over the entire recovery period months concentrated in the sectors hardest-hit:
 - Accommodations/Food Services, Healthcare, Retail Trade

Changes in Monthly Payroll Employment (Level, Thousands) – Apr-20 to Mar-22 vs Feb-20 to Apr-20

Sector	Apr20 - Mar22	Feb20 - Apr20	Sector	Apr20 - Mar22	Feb20 - Apr20
Accommodations and Food Svcs.	28.5	-32.4	State and Local Government	1.2	-3.2
Healthcare and Social Assistance	12.8	-17.4	Real Estate, Rental, and Leasing	0.9	-1.4
Retail Trade	10.4	-11.1	Information Services	0.5	-0.5
Other Services	6.7	-8.1	Federal Government	0.1	-0.1
Manufacturing	6.6	-6.6	Utilities	0.0	0.0
Construction	5.6	-4.4	Finance and Insurance	-0.1	-0.5
Professional, Scientific, Technical Svcs.	5.4	-2.5	Management of Companies	-0.3	-0.6
Administrative Support and Waste Mgmt.	4.7	-6.3	Education Services	-0.5	-2.4

RI Exports bounced back nicely in 2021

Rhode Island's top export product categories in 2021

	Share of total (%)	Value (mil. \$)	Change y/y (%)
Waste & scrap	27.4	811	34.0
Chemicals	21.6	640	19.2
Miscellaneous manufactured commodities	15.3	452	52.2
Primary metal manufacturing	7.5	221	23.5
Computer & electronic products	5.3	157	10.6
Electrical equipment	4.1	121	19.8
Machinery	3.5	104	22.4
Plastics & rubber products	3.0	90	18.4
Transportation equipment	2.6	76	5.6
Fabricated metal products	2.5	74	1.4
Other	7.3	217	13.6

Source: Census Bureau

© 2022 IHS Markit

Rhode Island's largest export destinations in 2021

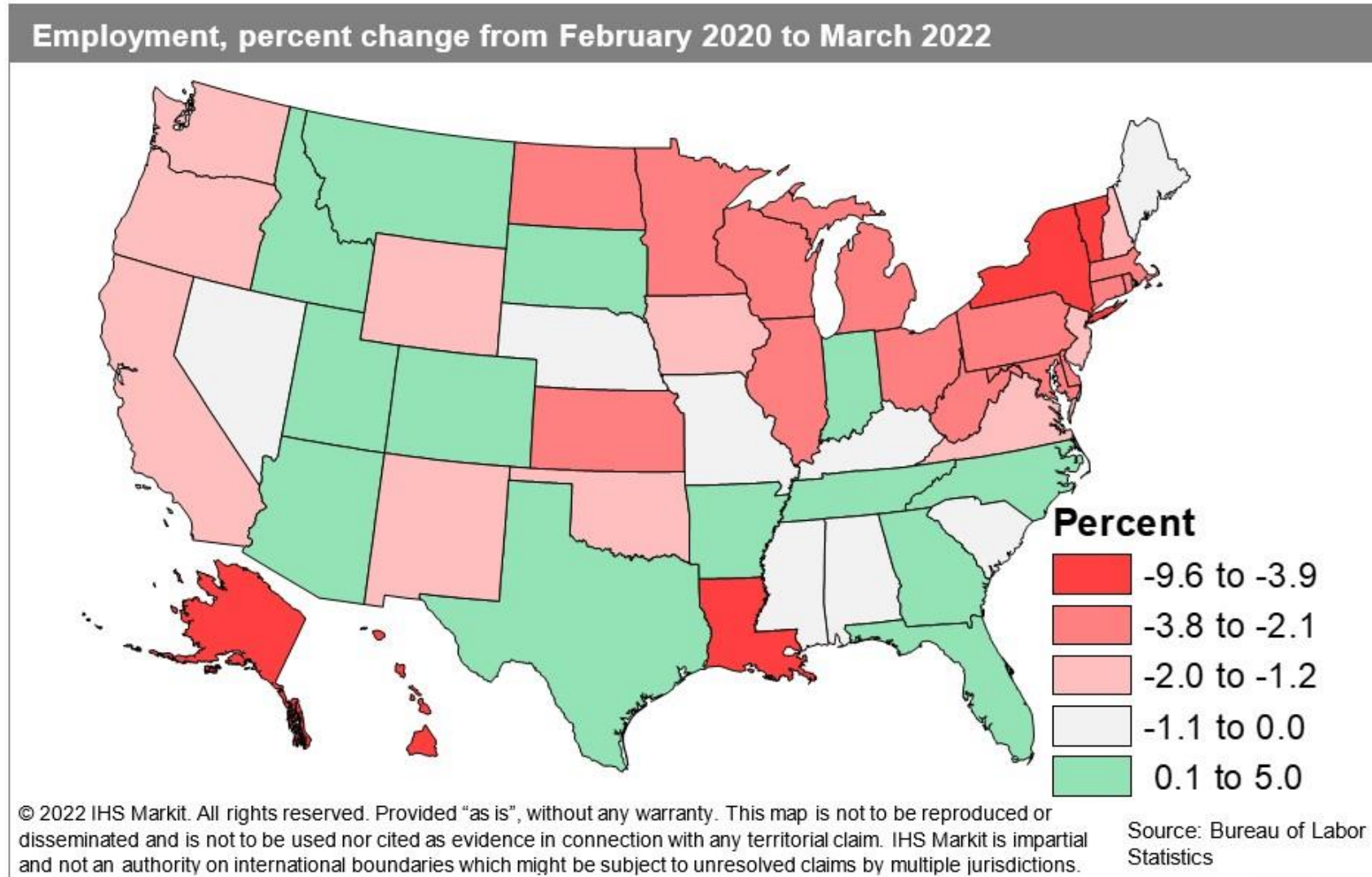
	Share of total (%)	Value (mil. \$)	Change y/y (%)
Italy	15.7	464	81.3
Canada	15.5	459	12.0
Dominican Republic	10.8	319	74.3
Mexico	5.6	165	-3.5
Germany	5.4	159	3.2
China (mainland)	5.0	148	18.4
Ireland	4.5	132	21.1
Turkey	4.5	132	50.0
Japan	4.1	121	4.3
Singapore	2.9	86	30.3
Other	26.3	778	25.7

Source: Census Bureau

© 2022 IHS Markit

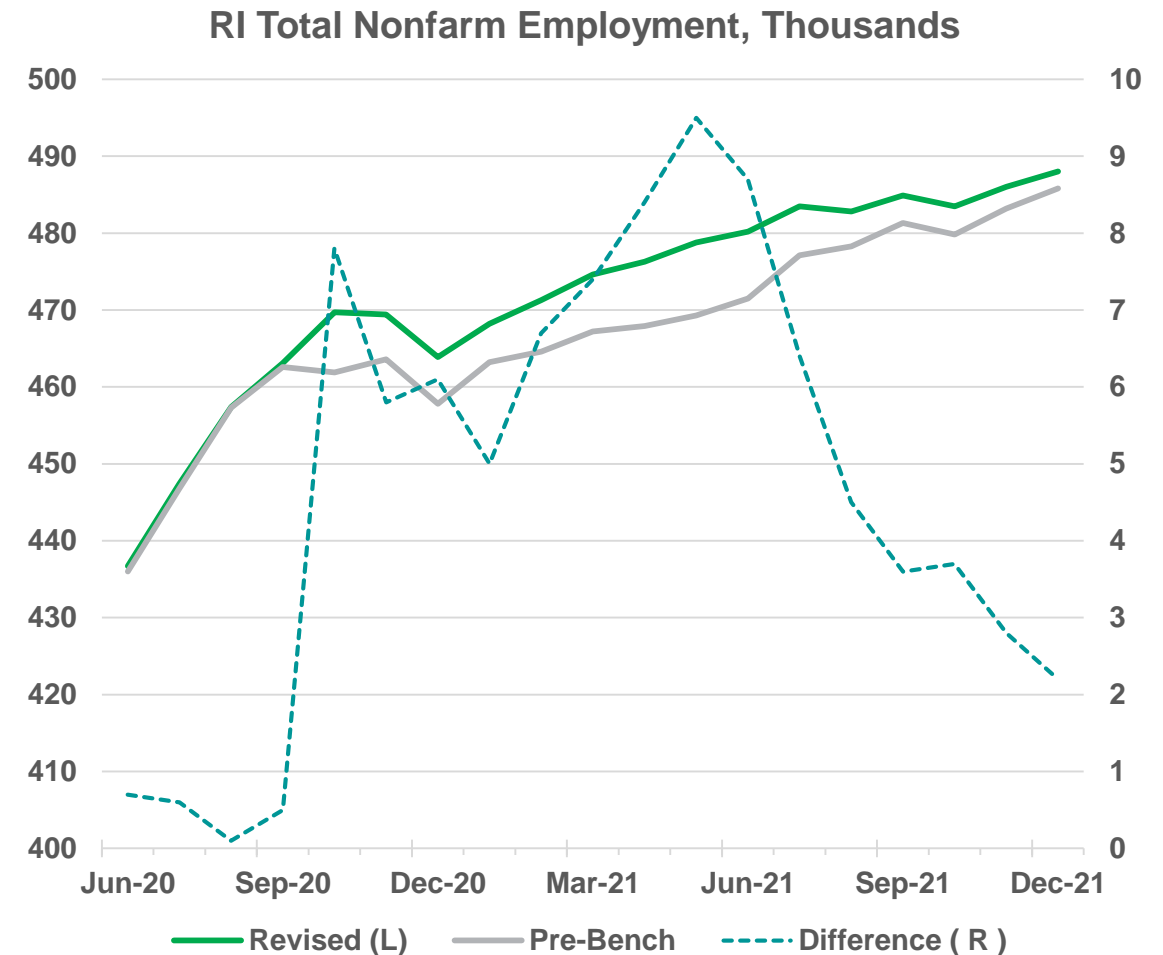
- Rhode Island exports rebounded 23.4% to \$2.96 billion in 2021 to reach a new high, following a 10.4% plunge in 2020.
 - For perspective, exports' share of total GSP in Rhode Island averaged 4.5% over the last five years, vs. 7.7% for the US
- Waste & scrap metals and chemicals were Rhode Island's dominant product categories for 2021 exports
- Largest trading partners included Italy and Canada.
- Minimal direct trade exposure to Russia or Ukraine. Impacts to trade stemming from the conflict will be centered around how it impacts growth in other countries, especially Europe, and broader supply chain challenges.

Employment recoveries take shape in the Southeast and Mountain regions



Benchmark: Overview of revised employment data at year-end 2021

- Nonfarm payrolls in Rhode Island for December 2021 were revised up (+2,200) relative to original estimates
 - 448.0 vs. 485.8 (in thousands)
- However, revisions moved the year-over-year growth path in the opposite direction
 - 5.2% year-over-year gain vs. 6.1% in original estimates
 - Sizeable upward revisions to payroll counts in data for late-2020
- Unemployment rate revised down slightly to 4.5% from 4.8% in initial estimates



More on the benchmark: A look across sectors

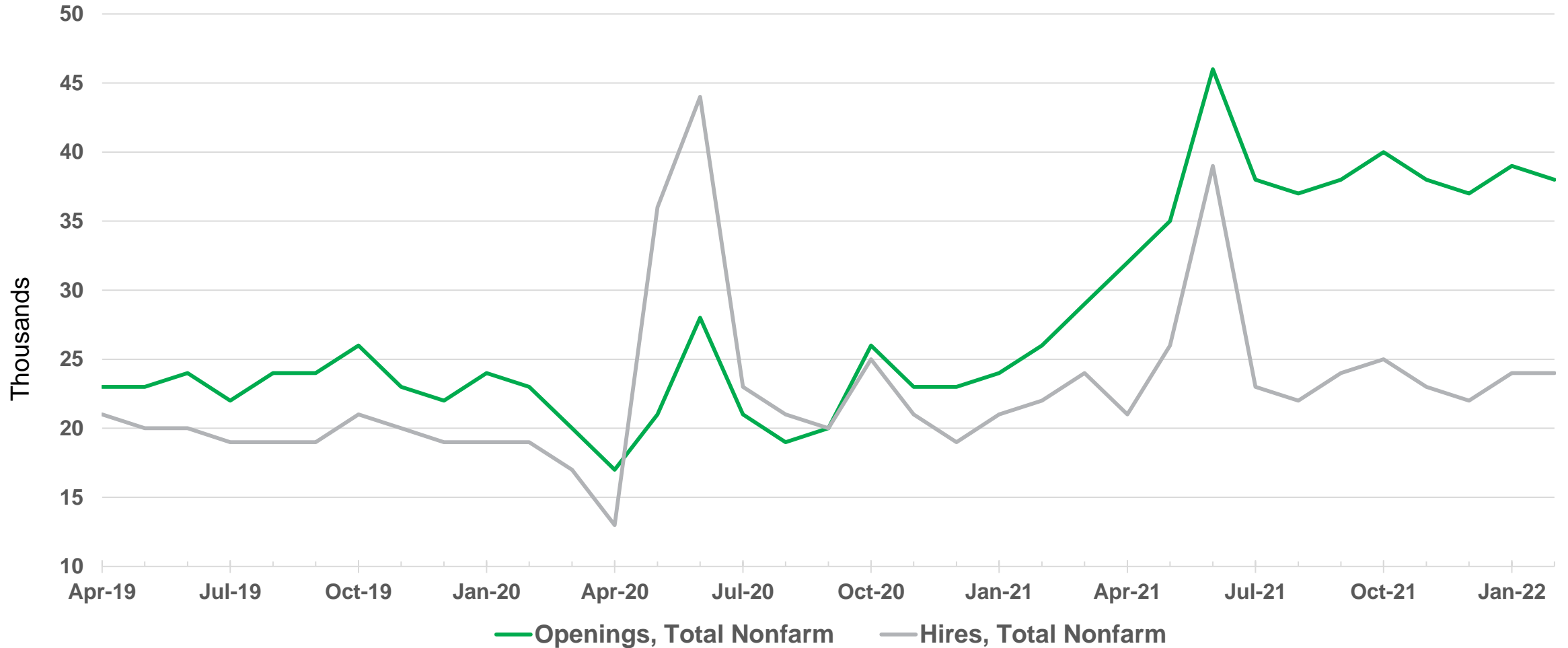
- Largest upward revision seen in professional, scientific, and technical services
- Key hospitality sectors – accommodation/food services and arts/entertainment/recreation – that were still facing the largest gaps vs. pre-pandemic employment levels revised up a combined 1,200 positions
- Largest downward revisions seen in construction, manufacturing, and state/local government
- State labor force count revised up 3.2% (+17,400) in December 2021 though y/y growth also lower

December 2021 Payrolls By Sector - Revised vs. Original Estimate

Sector	Change*	Sector	Change*
Professional, Scientific, Technical Svcs.	3.3	Finance and Insurance	-0.1
Administrative Support and Waste Mgmt.	0.8	Management of Companies	-0.2
Accommodation and Food Services	0.8	Healthcare and Social Assistance	-0.5
Real Estate, Rental, and Leasing	0.7	Transportation and Warehousing	-0.5
Other Services	0.6	Wholesale Trade	-0.6
Information Services	0.5	Construction	-0.9
Arts, Entertainment, Recreation	0.4	Manufacturing	-1.1
Education Services	0.3	State and Local Government	-1.4

Another perspective on the Rhode Island labor market – JOLTS* data

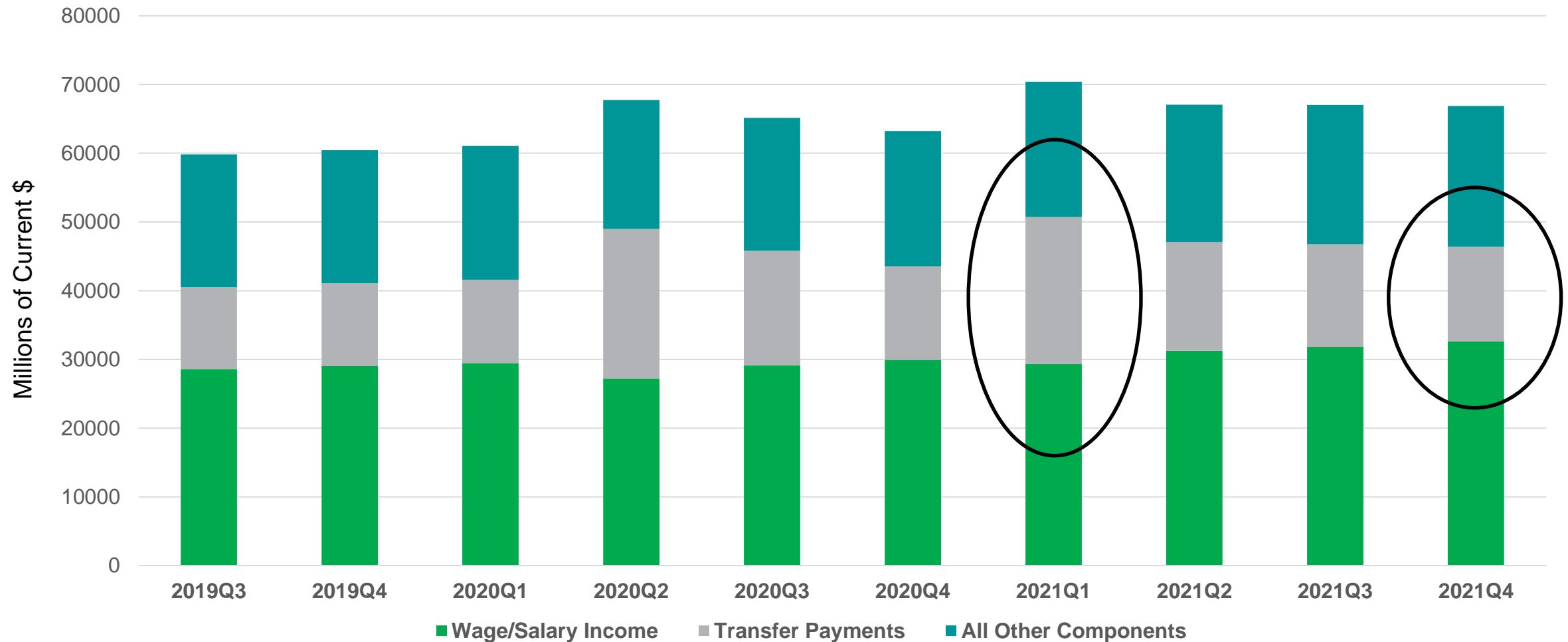
Rhode Island Monthly Job Openings and Hires



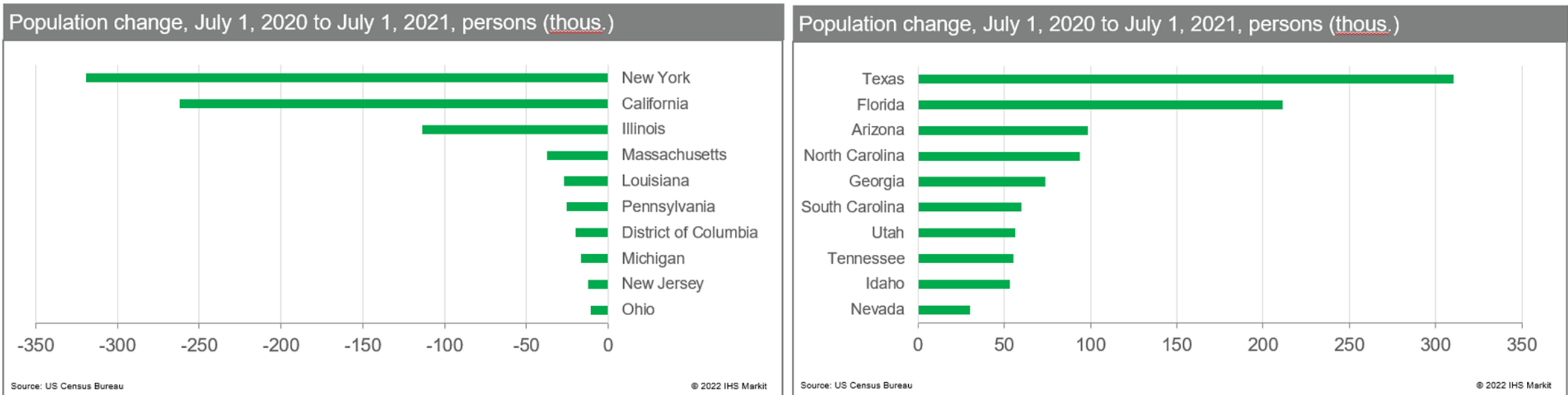
*Job Openings and Labor Turnover Survey, Bureau of Labor Statistics

The evolution of personal income composition in Rhode Island

Rhode Island Total Personal Income by Key Component



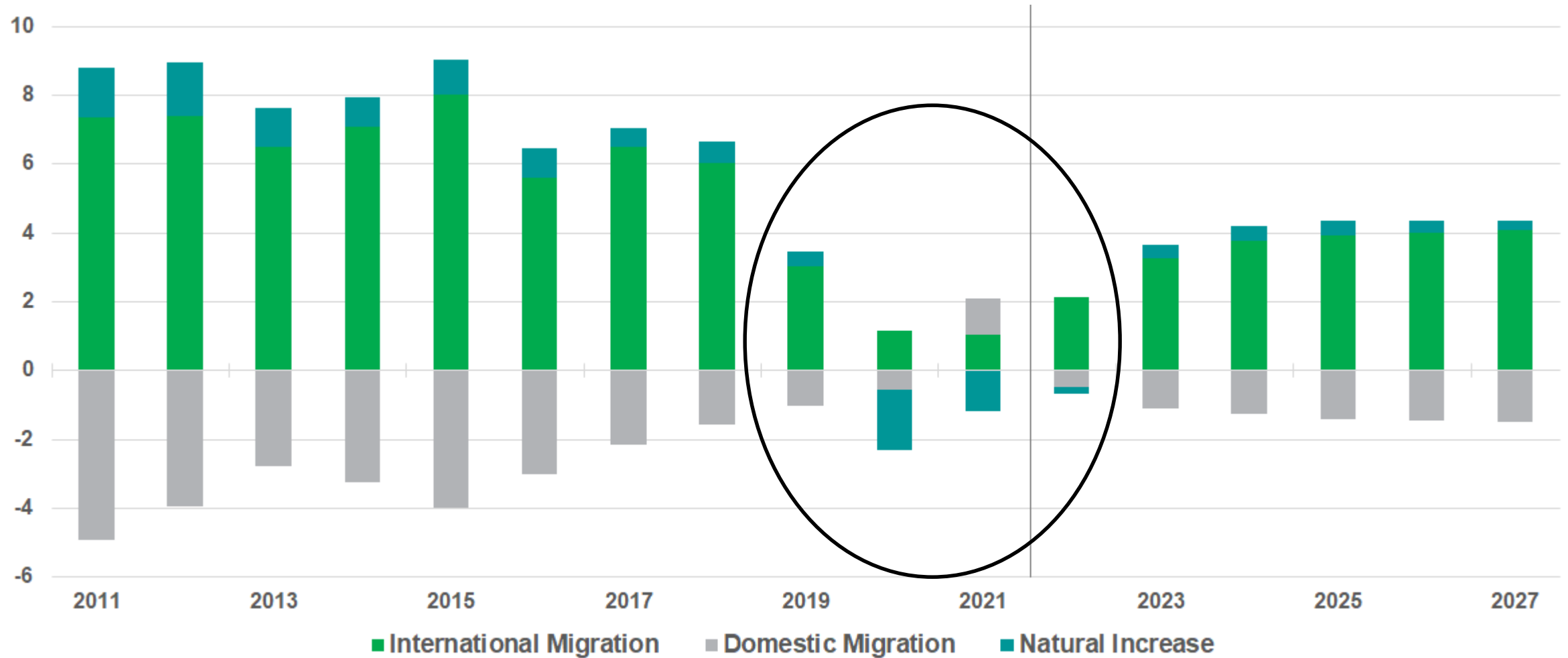
Pandemic-related disruption to population hits a peak in 2021



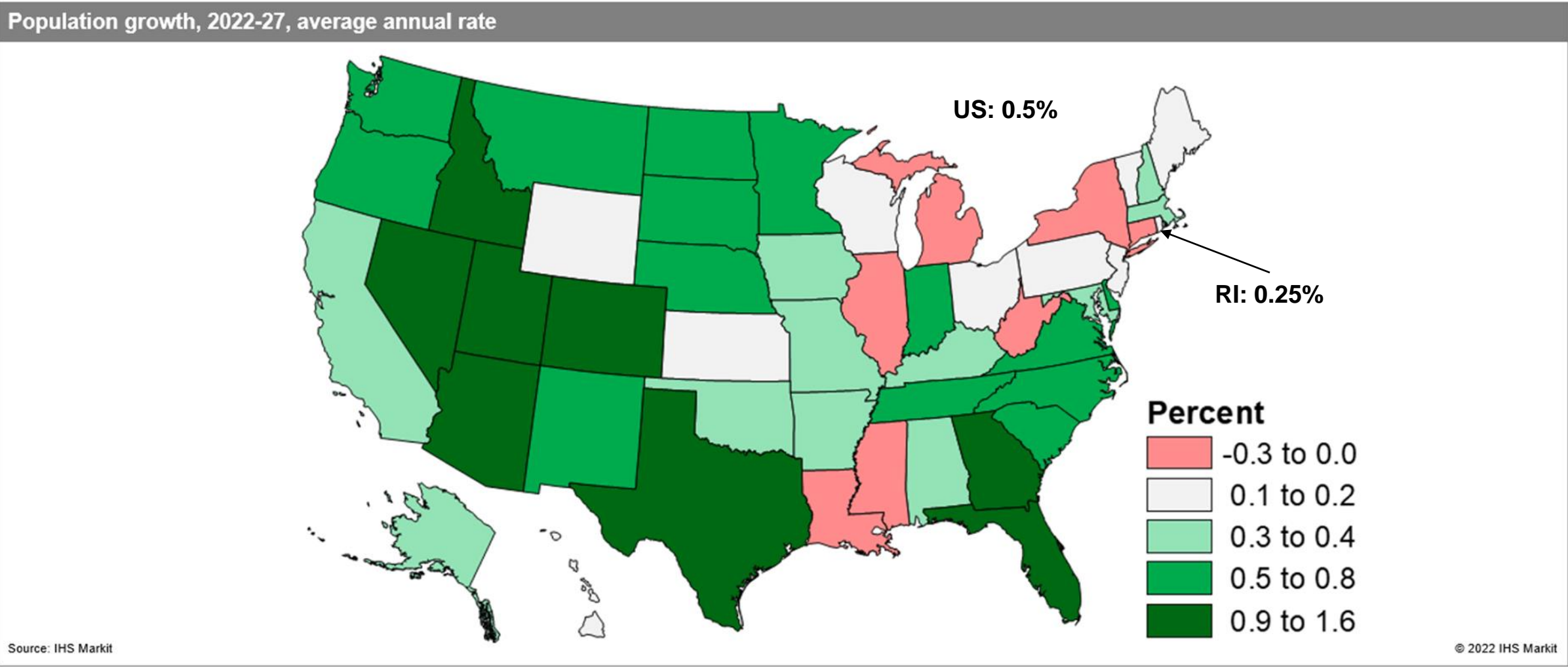
- US population grew by a meager 0.1% in 2021 (July to July), the slowest rate of growth since 1900 – the first year for which Census began tracking annual population changes.
- A sharp drop in international migration, lower birth rates, and higher death rates all contributed to the result.
- Regionally, there were dramatic differences between the top and bottom performing geographies with some performing quite well while others saw historic declines.

State population: recent history and outlook

Rhode Island, Components of Population Change (Thousands)

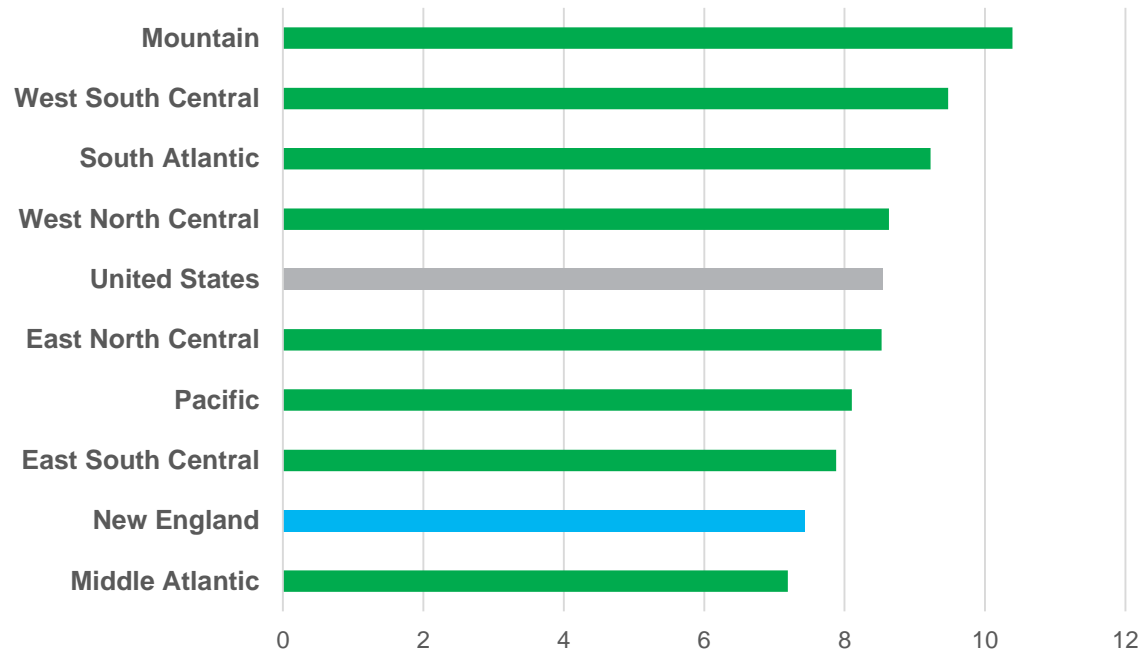


Population growth will accelerate from the pandemic lows

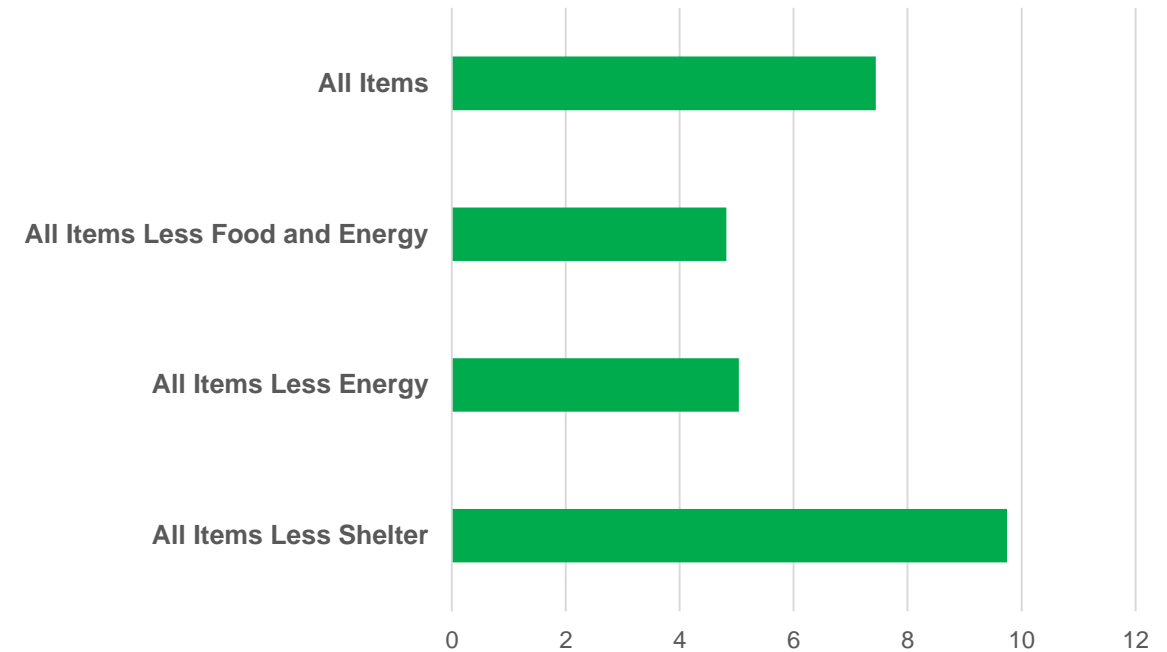


CPI inflation runs hot across the Census divisions tracked by BLS data

CPI Inflation By Region, March 2022 (%chg Y/Y)

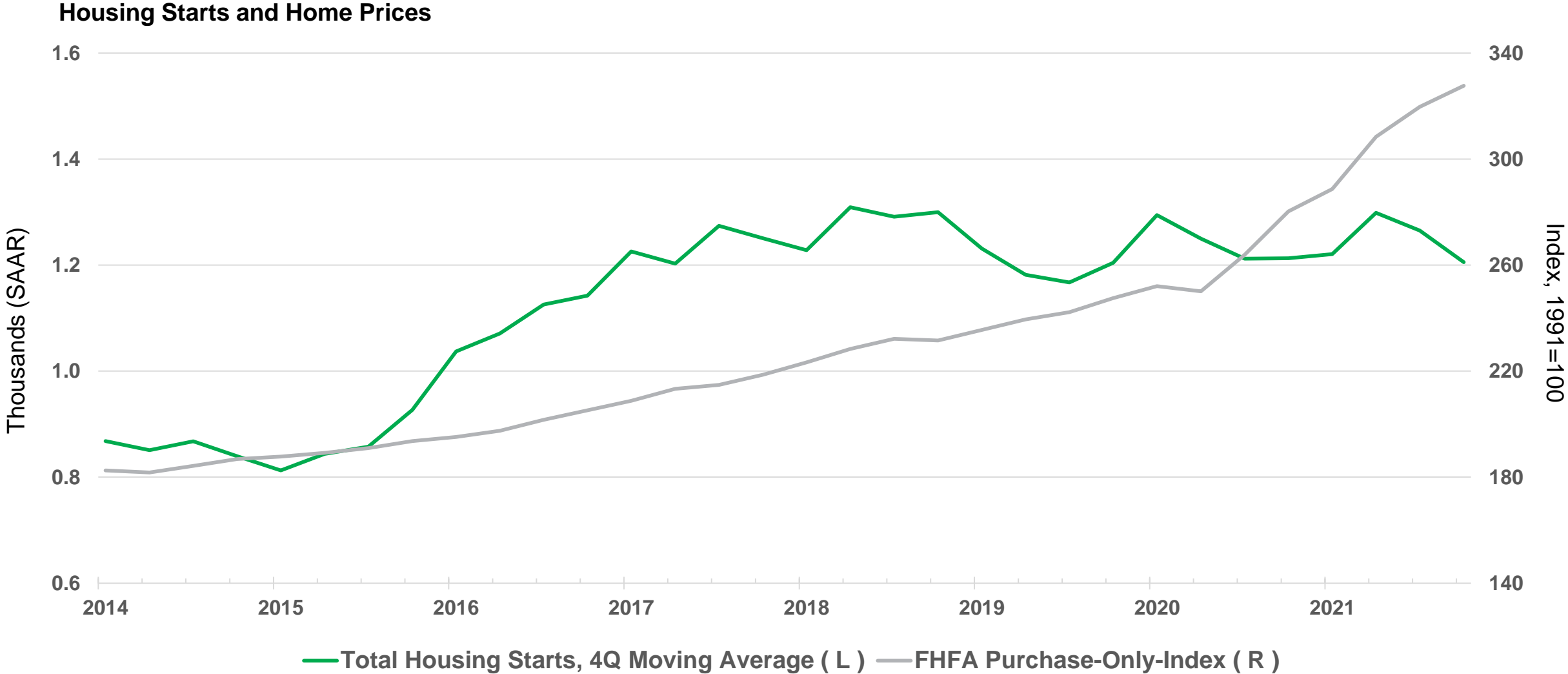


Measures of CPI Inflation, New England, March 2022 (%chg Y/Y)



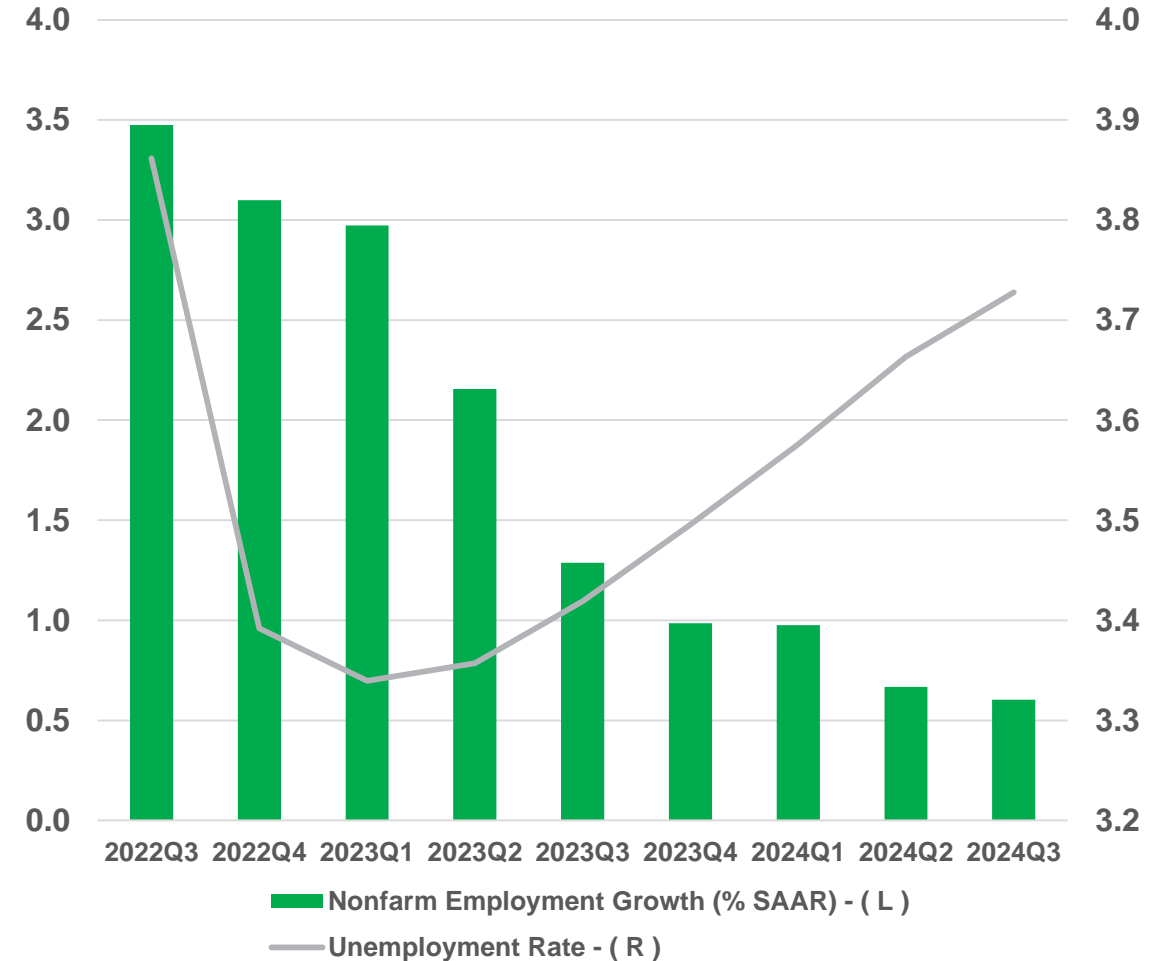
- CPI inflation has ranged from over 10% y/y in in the Mountain division to just over 7% in the Middle Atlantic states.
 - New England came in at 7.4% year-over-year in March 2022 data
- Areas most dependent on driving are generally seeing higher CPI inflation given the sharp increases in gas prices.
- Also, imputed rent costs have a large regional variance. “Destination” regions have generally seen outsized growth in CPI inflation as home prices soar.

Home price appreciation persists throughout 2021



Rhode Island labor market over the next two years (FY22q3-24q3)

- Employment growth will proceed at a steady, yet decelerating pace over time as the recovery continues
- Overall, quarterly annualized gains average 1.6% over this period, for an overall net gain of ~15,700 jobs by FY24Q3
 - FY2022q3 employment data is now history
- At the sectoral level, accommodations and food services accounts for the largest share of projected employment gains (+7,800) as it continues to recover
- Other significant contributors will include:
 - Administrative Support Services (+1,900)
 - State and Local Government (+1,800)
 - Arts, Entertainment, Recreation (+1,600)
 - Healthcare and Social Assistance (+1,500)
- Unemployment rate (quarterly) falls an additional 0.5 percentage point over next two quarters, before beginning a gradual ascent to 3.7% by FY24Q3

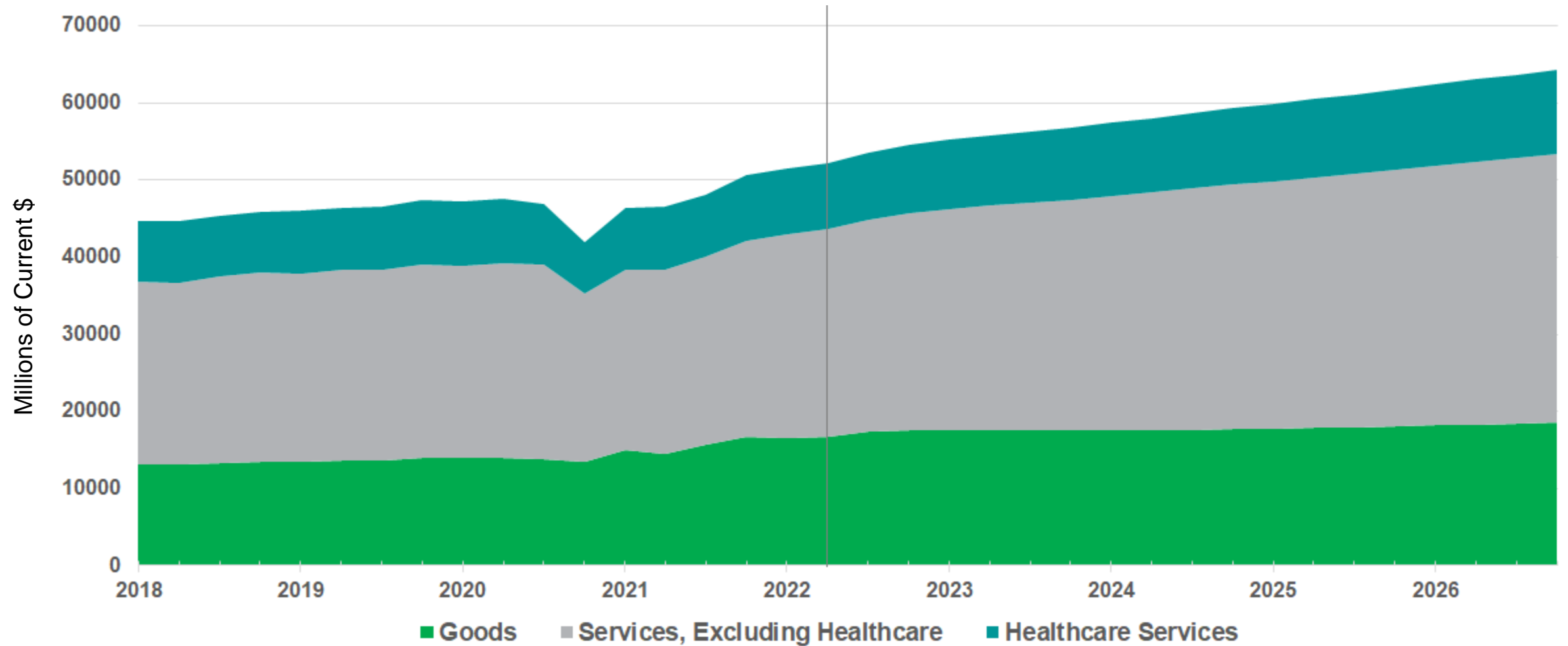


Rhode Island key economic indicators, 2022-2025

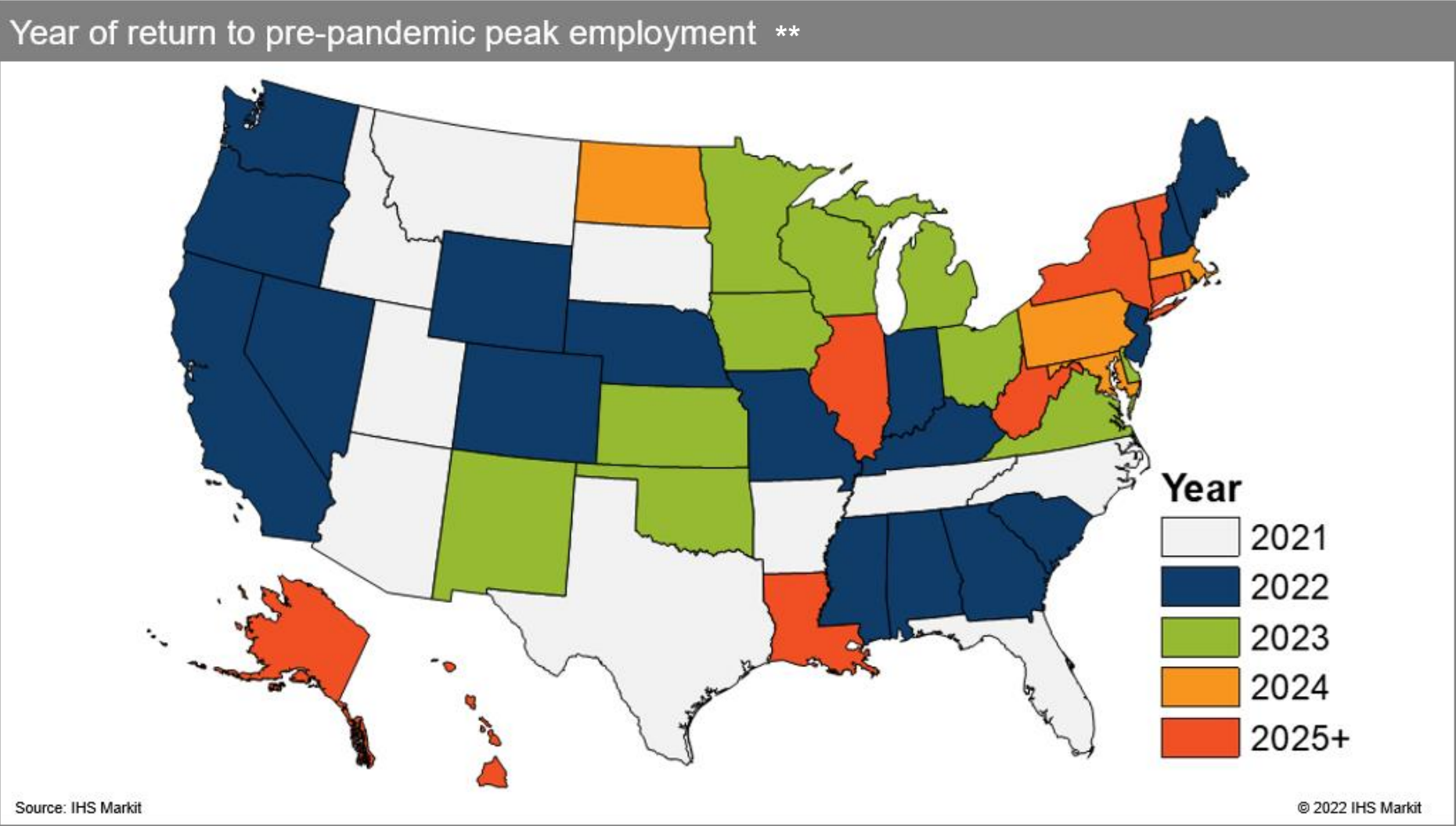
April 2022 Forecast – Annual Percent Change						
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Employment, Total Nonfarm	-3.9	-3.0	4.3	2.5	1.0	0.4
Real GSP, (2012\$)	-1.9	2.1	4.4	1.7	2.2	2.0
Total Personal Income (\$)	6.0	6.7	1.4	5.0	5.7	4.9
Real Personal Income, (2012\$)	4.4	4.4	-4.0	0.7	3.6	2.8
Wages and Salaries (\$)	0.5	4.6	9.8	7.1	5.2	4.5
Transfer Payments (\$)	25.2	16.7	-17.0	0.8	5.9	5.3
Personal Consumption Exp.	-1.4	4.3	10.7	5.8	4.1	4.3
Real PCE, (2012\$)	-3.0	2.0	4.8	1.4	2.0	2.1
Unemployment Rate (% , Level)	6.7	7.4	4.4	3.4	3.7	4.0

Consumer spending composition in the forecast

Personal consumption expenditures by category, Rhode Island (Quarterly, Fiscal Year Basis)



Southeast and Mountain regions recover soonest, Northeast and West coast lag



**Calendar Year

Forecast changes in selected concepts: 0422 vs. 1021

Nonfarm Employment (Level)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
IHSM October 2021	502.6	482.8	462.8	485.3	500.9	507.6	511.0	512.3	513.2
SPG April 2022	502.6	482.8	468.4	488.3	500.5	505.3	507.6	508.1	509.4
Change – Oct to Apr	0.1	0.1	5.6	3.0	-0.4	-2.3	-3.4	-4.2	-3.8

Nonfarm Employment Growth	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
IHSM October 2021	0.7	-3.9	-4.1	4.9	3.2	1.3	0.7	0.3	0.2
SPG April 2022	0.7	-3.9	-3.0	4.3	2.5	1.0	0.4	0.1	0.2
Change – Oct to Apr	0.0	0.0	1.1	-0.6	-0.7	-0.4	-0.2	-0.2	0.1

Unemployment Rate (Level)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
IHSM October 2021	3.8	6.2	8.4	5.0	3.9	3.8	3.8	4.0	4.1
SPG April 2022	3.7	6.7	7.4	4.4	3.4	3.7	4.0	4.3	4.4
Change – Oct to Apr	0.0	0.4	-0.9	-0.6	-0.5	-0.1	0.2	0.3	0.3

Forecast changes in selected concepts: 0422 vs. 1021 (Continued)

Total Personal Income Growth	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
IHSM October 2021	3.9	6.5	5.6	-0.1	4.7	4.8	4.9	4.8	4.7
SPG April 2022	3.9	6.0	6.7	1.4	5.0	5.7	4.9	4.5	4.3
Change – Oct to Apr	0.0	-0.4	1.2	1.5	0.4	0.9	0.0	-0.3	-0.3

Wage/Salary Disbursement Growth	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
IHSM October 2021	2.8	1.5	2.7	8.1	6.6	5.2	4.7	4.5	4.4
SPG April 2022	2.8	0.5	4.6	9.8	7.1	5.2	4.5	4.0	4.1
Change – Oct to Apr	0.1	-1.0	2.0	1.8	0.5	0.1	-0.2	-0.4	-0.4

Personal Consumption Expenditure Growth	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
IHSM October 2021	3.5	-1.0	3.1	9.3	5.0	4.3	4.8	4.9	5.0
SPG April 2022	3.1	-1.4	4.3	10.7	5.8	4.1	4.3	4.2	4.4
Change – Oct to Apr	-0.4	-0.4	1.1	1.4	0.8	-0.2	-0.5	-0.8	-0.7

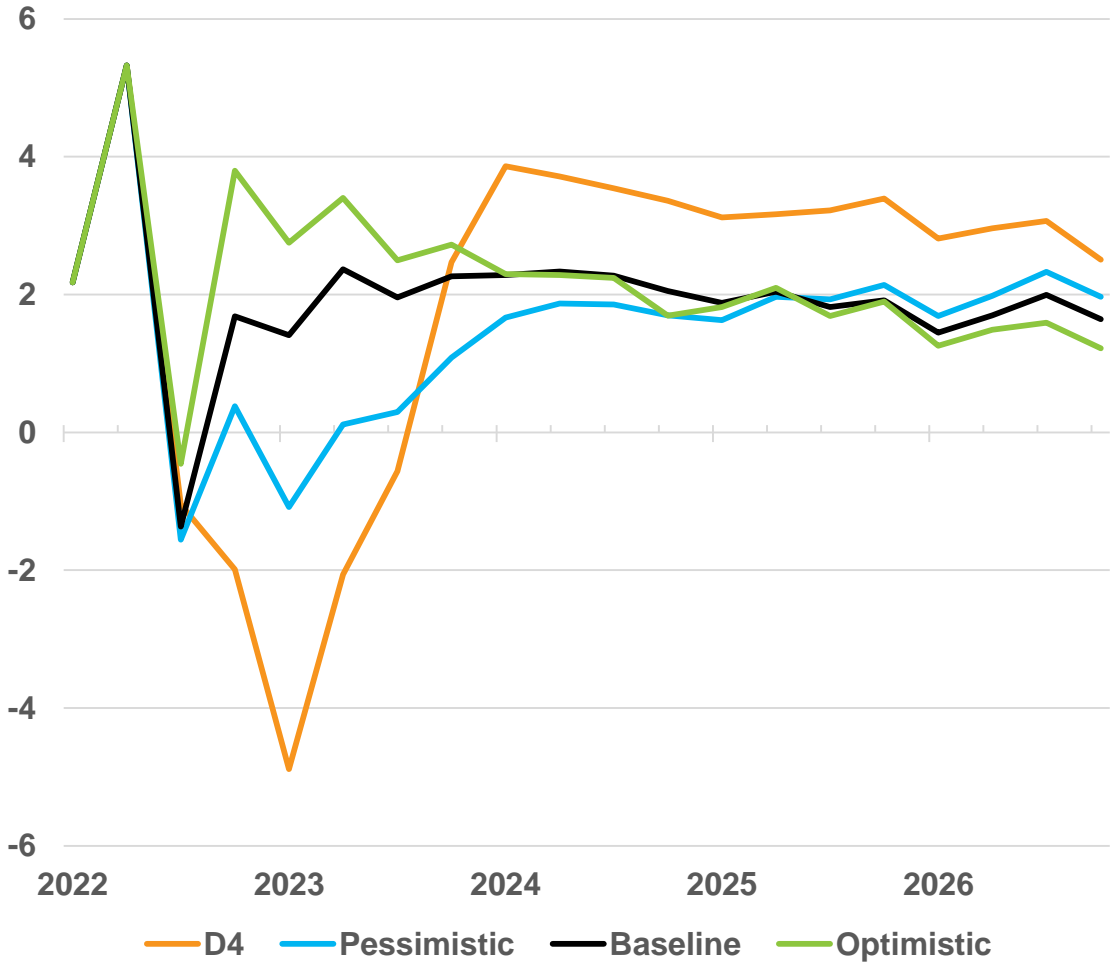
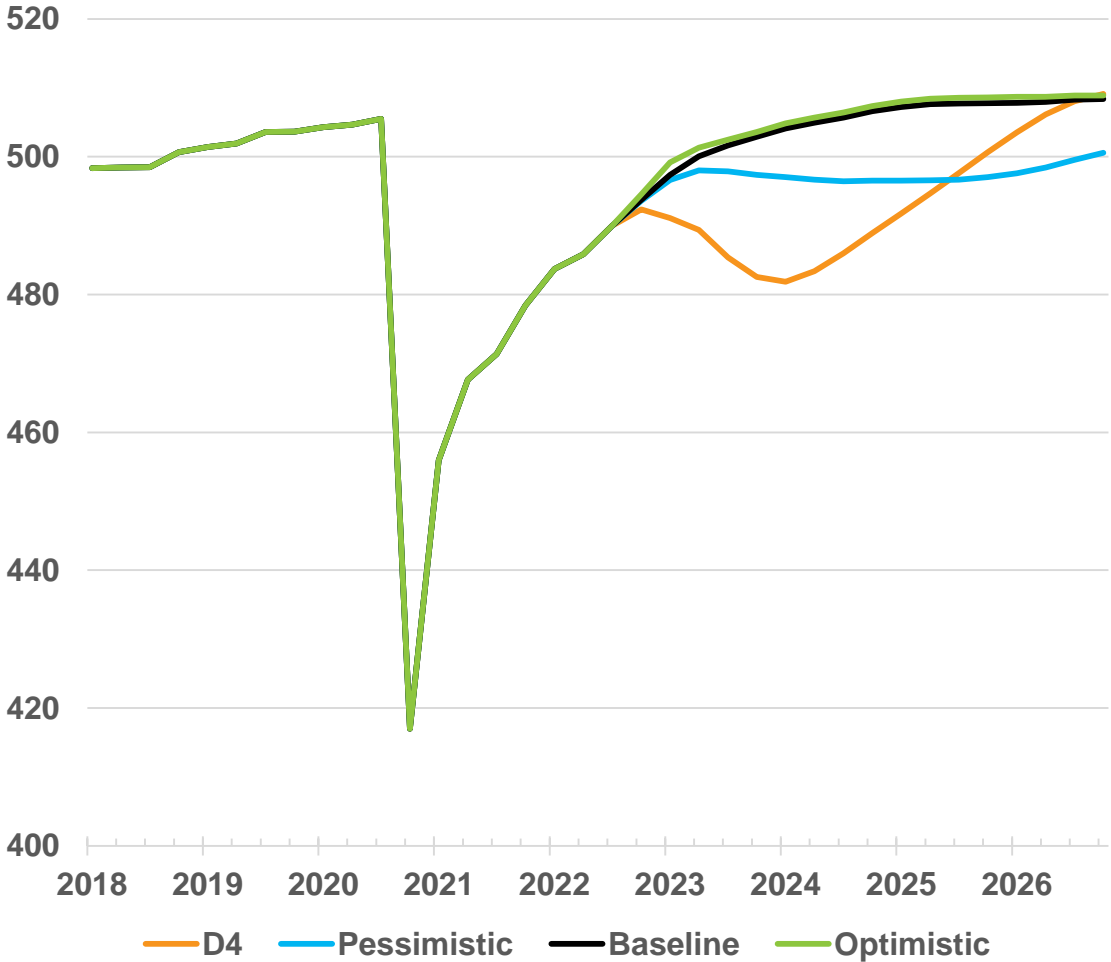
Risks to the US forecast

Scenario	Characteristics
<p>Pessimistic: Recovery stumbles as Russia-Ukraine conflict intensifies, grinds on</p> <p><u>D1 Scenario</u></p>	<ul style="list-style-type: none"> • The pessimistic scenario is characterized by a weaker recovery in consumer spending and GDP growth than in the baseline forecast. • Underlying this narrative is the assumption that the Russia-Ukraine conflict intensifies, leading to higher price paths for energy commodities, other industrial commodities, and grains. • As a result of the higher prices, PCE fall at a 0.8% annual rate in the second half of this year. • GDP growth remains essentially in the second half of this year, versus 2.8% in the base forecast. On an annual basis, GDP grows 2.1% in 2022 and 0.8% in 2023. • The price of Brent spikes to average \$129 per barrel in the second quarter.
<p>Optimistic: Faster resolution to the Russia-Ukraine conflict, still more stimulus, and improving supply issues</p> <p><u>U1 Scenario</u></p>	<ul style="list-style-type: none"> • The optimistic scenario is characterized by a quicker recovery of consumer spending and by stronger productivity relative to the baseline. • We assume the consumer and business response to the Infrastructure Investment and Jobs Act (IIJA) is more robust than in the base, while a quicker resolution to the Russia-Ukraine war allows for a smaller increase in energy prices. • GDP rises at a 1.3% annual rate in the first quarter of 2022 and 4.0% over 2022. • The price of Brent oil remains on average \$5 below baseline through mid-2022 before converging to baseline. This allows consumer spending to rise 4.2% over 2022 versus 3.1% in the base. • The unemployment rate quickly falls to 3.1% by mid-2022 and PCE inflation remains below baseline through mid-2022 thanks to lower energy prices.
<p>Baseline forecast</p>	<ul style="list-style-type: none"> • The base forecast, reflecting an assessment of the economic, financial, and political fallout from the Russian invasion of Ukraine. • Real GDP rises at a 0.2% annual rate in the first quarter of 2022 and 3.0% over 2022. • Real PCE grow 3.1% in 2022 as core PCE price inflation rises to 4.8% in 2022. • The Fed raises its policy rate seven times in 2022.

Additional Scenario: Moderate recession and consumer pullback (D4)

- The Russia-Ukraine conflict intensifies and persists for an extended time, leading to sharply higher energy prices, which hinder the global economic recovery in the aftermath of the pandemic
 - Brent oil prices, for example, top out at an average of \$155 per barrel in second quarter 2022, \$35 dollars higher than the baseline, before declining to \$86 per barrel by late 2026, \$18 higher than the base.
- Businesses scale back investment plans for the next year and a half while consumer spending remains weak as higher energy prices erode disposable income.
- New COVID-19 cases remain elevated but not alarmingly so. Containment measures are not reimplemented but a small voluntary pullback from “socially dense” consumption presents an additional drag on consumer spending.
- Higher inflation, the sanctions against Russia, and an uncertain economic environment will lead to global and US recessions
- The downturn in the US will span four quarters starting in the second quarter of this year, and result in a 2.8% decline (not annualized) in real GDP
 - The unemployment rate spikes to 7.6% by mid-2023 (national level) and returns slowly back to normal levels by 2026.

Rhode Island Alternative Scenarios, Employment and Real GDP



Rhode Island Alternative Scenarios: Key Indicators

Real Gross State Product, Annual Percent Change (FY)								
	2020	2021	2022	2023	2024	2025	2026	2027
Baseline	-1.9	2.1	4.4	1.7	2.2	2.0	1.7	1.8
Pessimistic	-1.9	2.1	4.3	0.1	1.4	1.8	2.0	2.2
D4	-1.9	2.1	4.2	-1.7	2.6	3.3	3.0	2.4
Pessimistic vs. Baseline	0.0	0.0	-0.1	-1.6	-0.9	-0.2	0.2	0.4
D4 vs. Baseline	0.0	0.0	-0.2	-3.4	0.3	1.3	1.3	0.6

Unemployment Rate, Annual Level (FY)								
	2020	2021	2022	2023	2024	2025	2026	2027
Baseline	6.7	7.4	4.4	3.4	3.7	4.0	4.3	4.4
Pessimistic	6.7	7.4	4.5	3.9	4.8	5.2	5.1	4.8
D4	6.7	7.4	4.5	5.1	5.9	5.0	4.1	4.2
Pessimistic vs. Baseline	0.0	0.0	0.0	0.5	1.1	1.2	0.9	0.4
D4 vs. Baseline	0.0	0.0	0.1	1.7	2.2	1.0	-0.1	-0.2

Rhode Island Alternative Scenarios: Key Indicators (Continued)

Total Nonfarm Employment, Annual Percent Change (FY)								
	2020	2021	2022	2023	2024	2025	2026	2027
Baseline	-3.9	-3.0	4.3	2.5	1.0	0.4	0.1	0.2
Pessimistic	-3.9	-3.0	4.3	1.9	-0.2	0.0	0.5	0.9
D4	-3.9	-3.0	4.2	-0.2	-0.4	2.3	2.1	0.7
Pessimistic vs. Baseline	0.0	0.0	0.0	-0.6	-1.1	-0.4	0.4	0.7
D4 vs. Baseline	0.0	0.0	-0.1	-2.7	-1.4	1.9	2.0	0.4

Personal Consumption Expenditures, Annual Percent Change (FY)								
	2020	2021	2022	2023	2024	2025	2026	2027
Baseline	-1.4	4.3	10.7	5.8	4.1	4.3	4.2	4.4
Pessimistic	-1.4	4.3	10.0	2.3	2.8	3.3	3.6	3.9
D4	-1.4	4.3	9.5	0.3	4.9	6.4	5.8	5.1
Pessimistic vs. Baseline	0.0	0.0	-0.7	-3.5	-1.3	-1.0	-0.6	-0.5
D4 vs. Baseline	0.0	0.0	-1.2	-5.5	0.8	2.2	1.6	0.7

Copyright notice and disclaimer

© 2022 IHS Markit. All rights reserved. For IHS Markit clients' use only.

These webinar slides are subject to IHS Markit copyright and are being provided to IHS Markit clients only. You are free to redistribute the slides internally within your organization in the form as made available by IHS Markit provided that all IHS Markit legal notices and markings are displayed. You are not permitted to reproduce, reuse, or otherwise redistribute the slides or any portion of this presentation to anyone outside of your organization without prior written consent of IHS Markit.

This presentation is not to be construed as legal or financial advice, use of or reliance on any content is entirely at your own risk, and to the extent permitted by law, IHS Markit shall not be liable for any errors or omissions or any loss, damage, or expense incurred by you or your organization.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings (“Content”) in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers (“Content Providers”) do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

Customer Care

CustomerCare@ihsmarkit.com

Asia and the Pacific Rim

Japan: +81 3 6262 1887

Asia Pacific: +604 291 3600

Europe, Middle East, and Africa: +44 1344 328 300

Americas: +1 800 447 2273

Disclaimer

The information contained in this presentation is confidential. Any unauthorized use, disclosure, reproduction, or dissemination, in full or in part, in any media or by any means, without the prior written permission of IHS Markit or any of its affiliates ("IHS Markit") is strictly prohibited. IHS Markit owns all IHS Markit logos and trade names contained in this presentation that are subject to license. Opinions, statements, estimates, and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of IHS Markit. Neither IHS Markit nor the author(s) has any obligation to update this presentation in the event that any content, opinion, statement, estimate, or projection (collectively, "information") changes or subsequently becomes inaccurate. IHS Markit makes no warranty, expressed or implied, as to the accuracy, completeness, or timeliness of any information in this presentation, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, IHS Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided. The inclusion of a link to an external website by IHS Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). IHS Markit is not responsible for either the content or output of external websites. Copyright © 2022, IHS Markit®. All rights reserved and all intellectual property rights are retained by IHS Markit.



now a part of

S&P Global