
Rhode Island Economic Outlook

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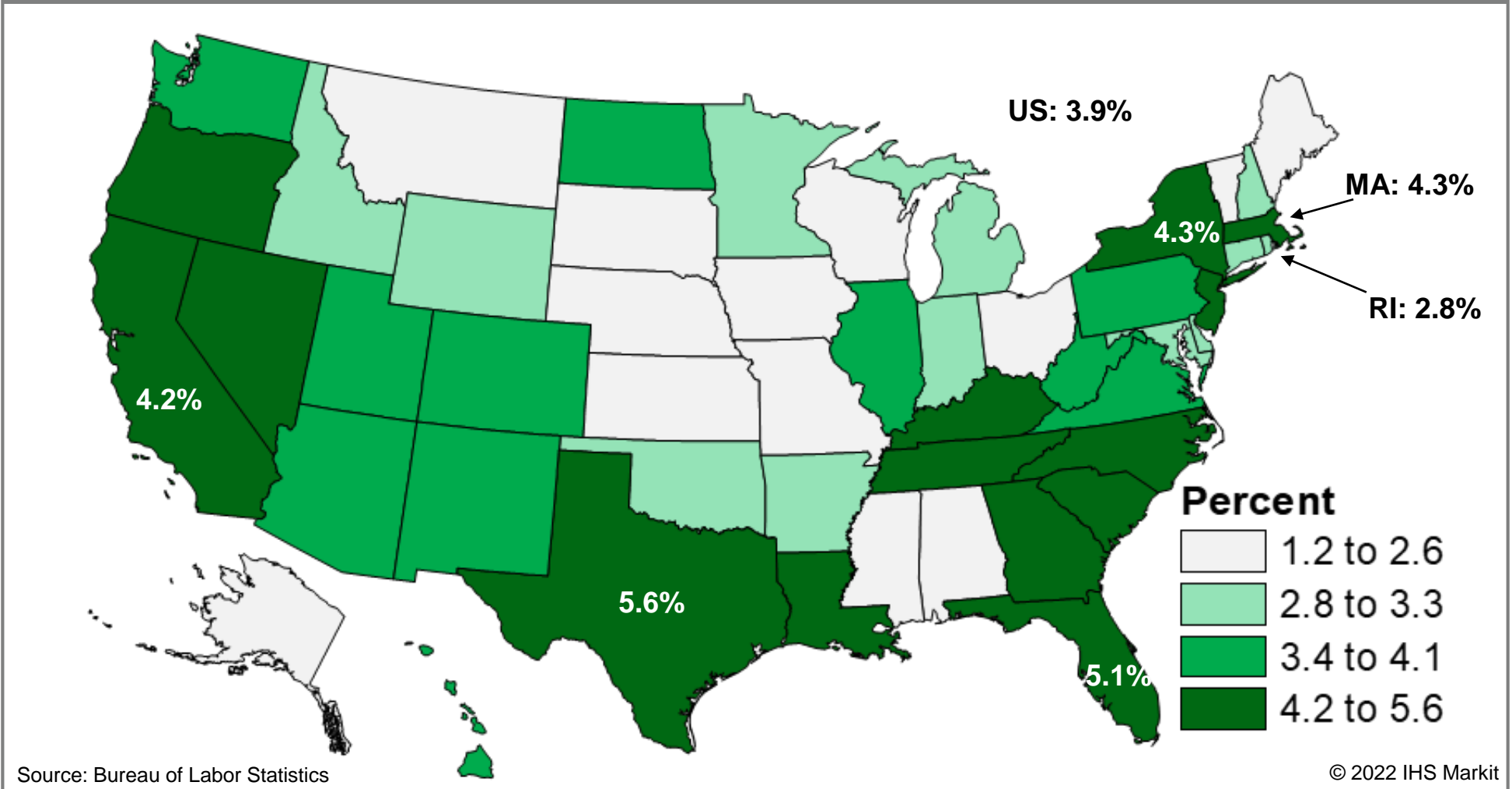
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Rhode Island's recovery will shift to recession

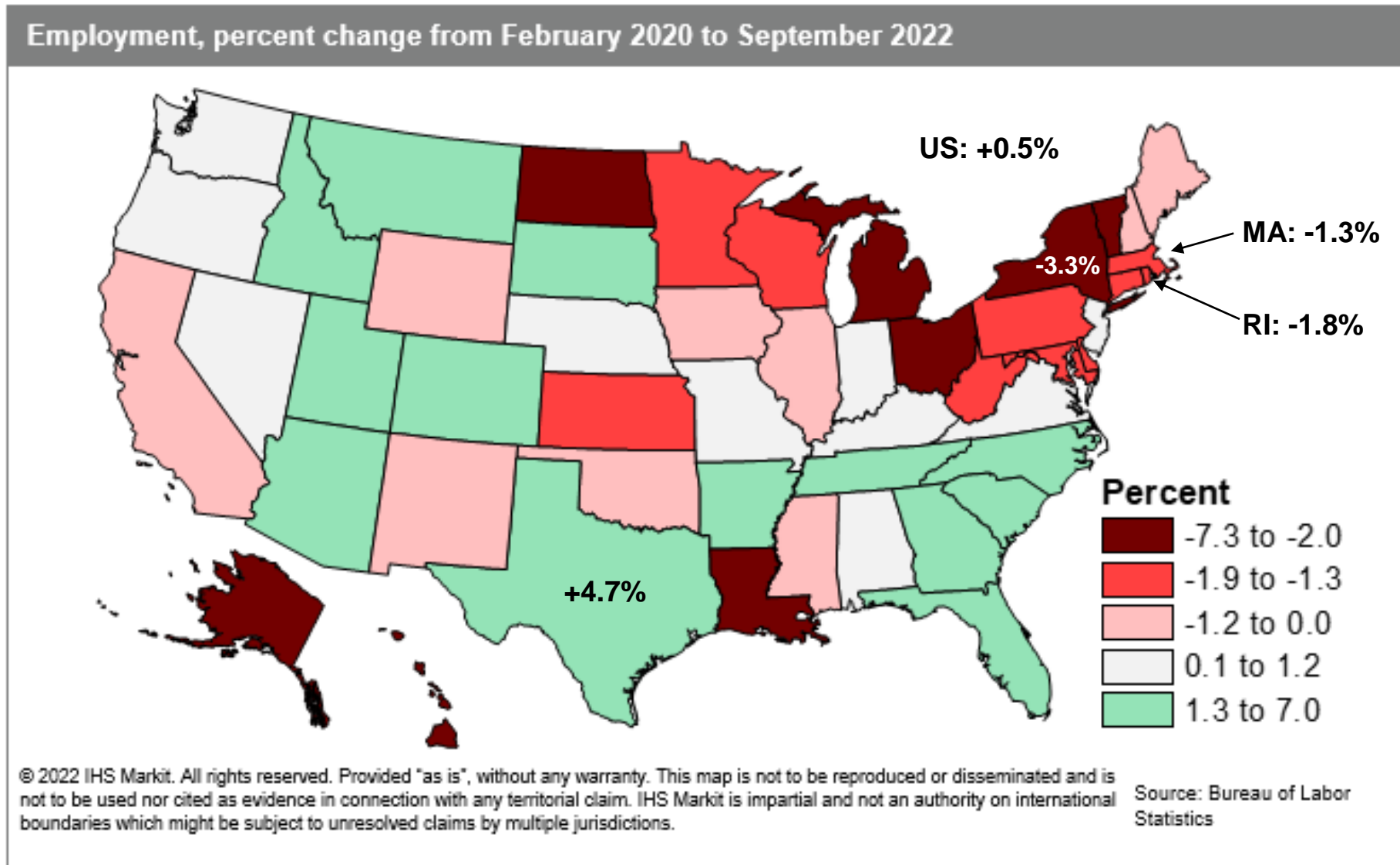
- Rhode Island's employment recovery continued at a decent clip so far in 2022, but recent growth has been slowing and conditions will deteriorate further over the near-term.
- Rhode Island will enter a recession by the end of the year sparked by broader US macro conditions.
 - Persistently high inflation, Fed tightening, and worsening financial conditions will tip the US & states into recession.
 - Employment in Rhode Island will not be fully recovered from the 2020 downturn when the next recession hits.
- The local housing market has been red-hot, but a sharp rise in mortgage rates and deteriorating economic conditions will weigh on home prices, sales, and housing starts over the near-term.
- On the plus side, population growth will accelerate over the near-term as international migration rebounds from the pandemic lows.
- The unemployment rate hit a record low of 2.7% in July (data back to 1976). It's trending higher now and will continue to climb through next year topping out at 5.1% in early 2024.
- All signs point to a weakening outlook with the primary uncertainty being the degree of the downturn.

Job growth continues to run hot across most of the nation

Employment, September 2022, year-over-year % change

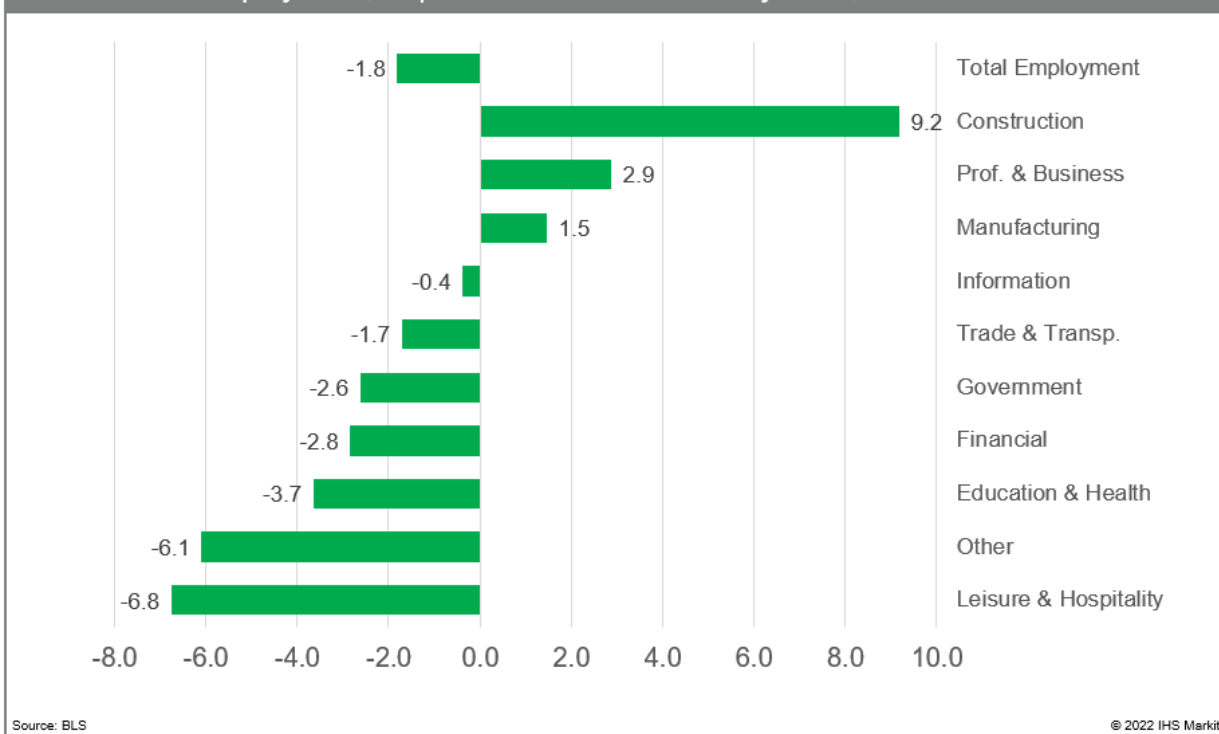


The Mountain and South regions led the US recovery

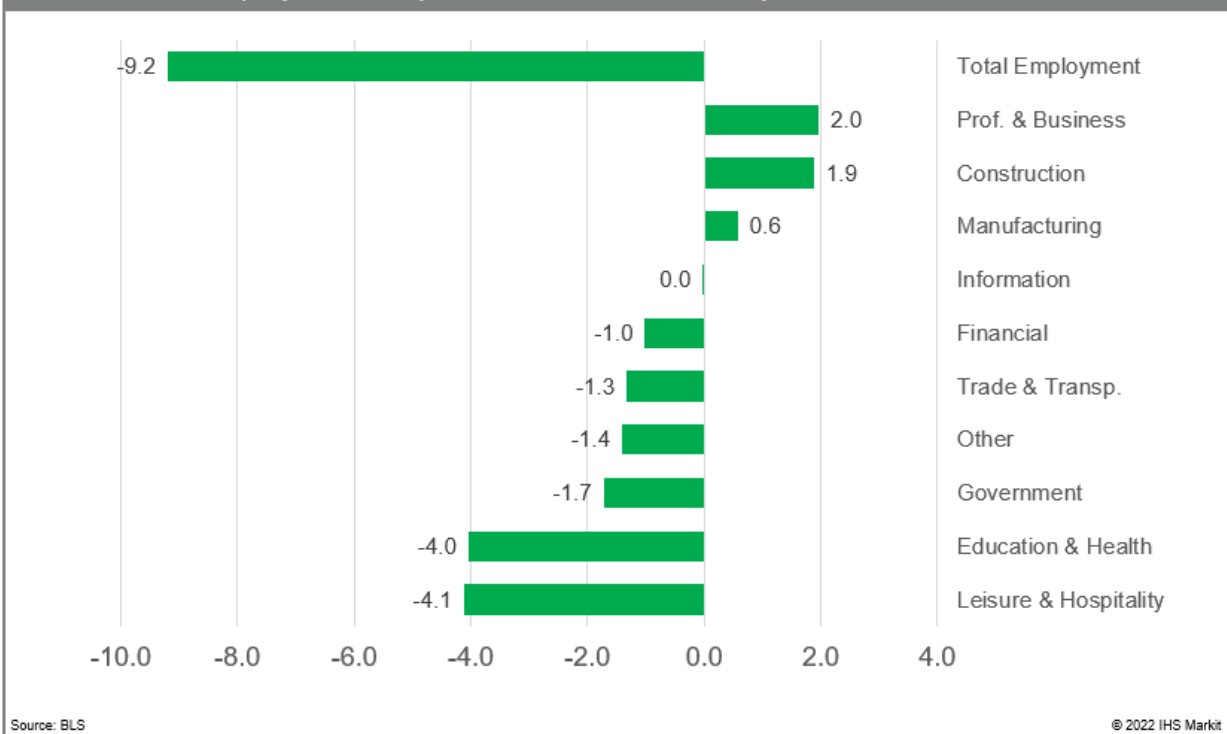


Rhode Island continues to climb back from the pandemic-related job losses

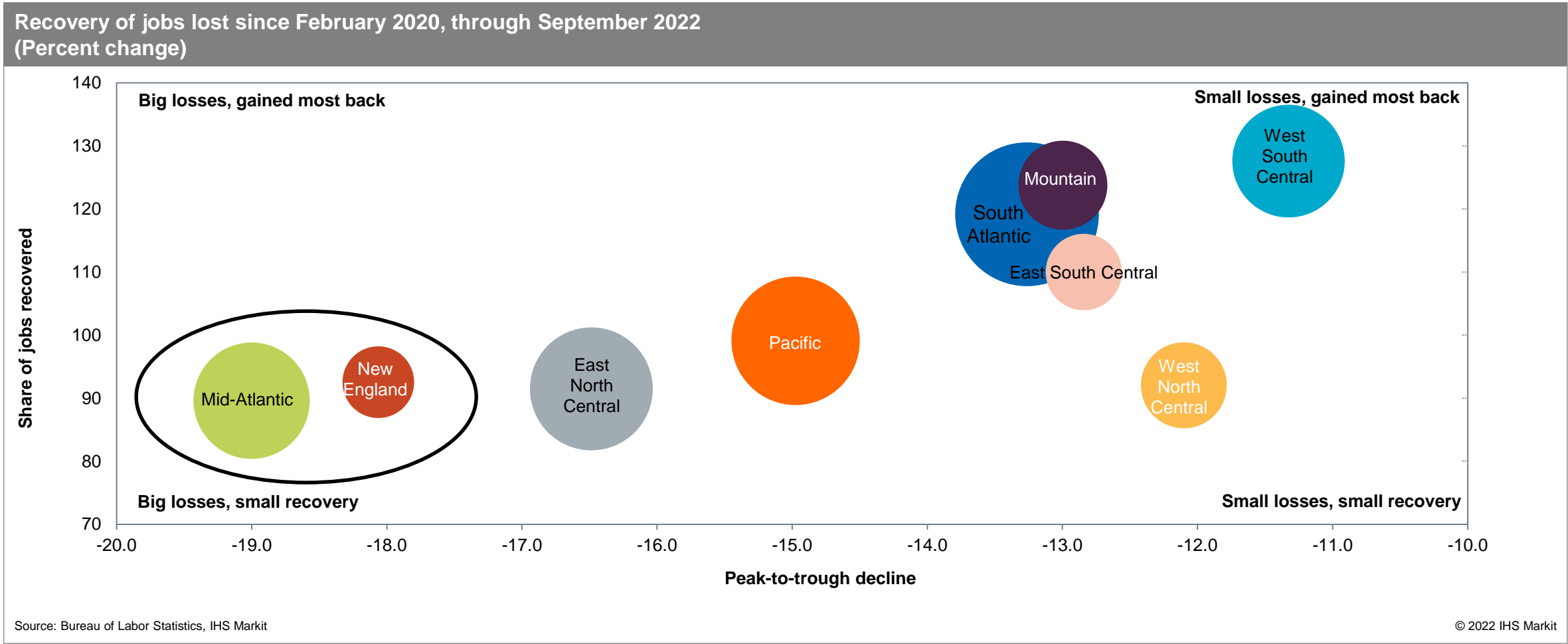
Rhode Island employment, September 2022 vs February 2020, %



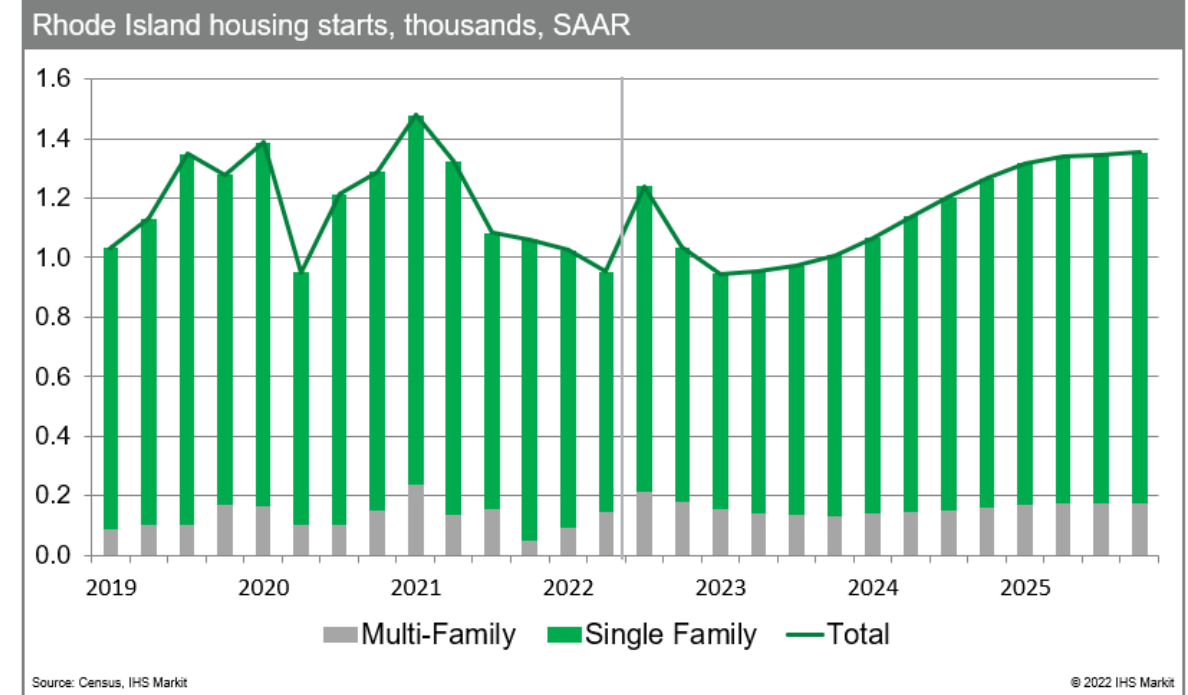
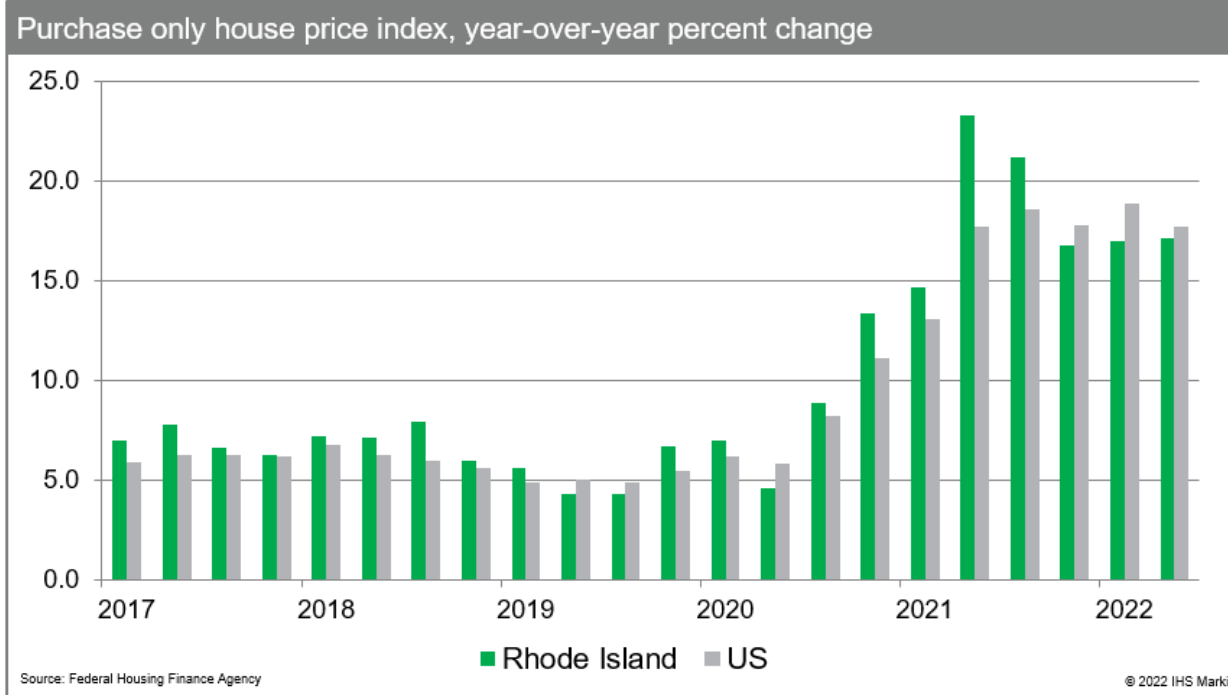
Rhode Island employment, September 2022 vs February 2020, level in thousands



Northeast overall is struggling to get back to the early 2020 peak



A look at home prices and housing starts



- Single family home prices surged by 17.1% y/y in the second quarter of 2022 compared to 17.7% nationally.
- Rhode Island home price growth peaked in mid-2021 (in year-over-year terms) while the US peaked in early 2022. Overall, price gains since the start of 2020 in Rhode Island (+42%) are a shade higher than the national average (+40%).
- Recent monthly data show a sharp deceleration in home price growth. The explosion in prices over the past two years combined with a recent surge in mortgage rates have drastically reduced affordability.

Home price growth in “destination” metros lead the nation

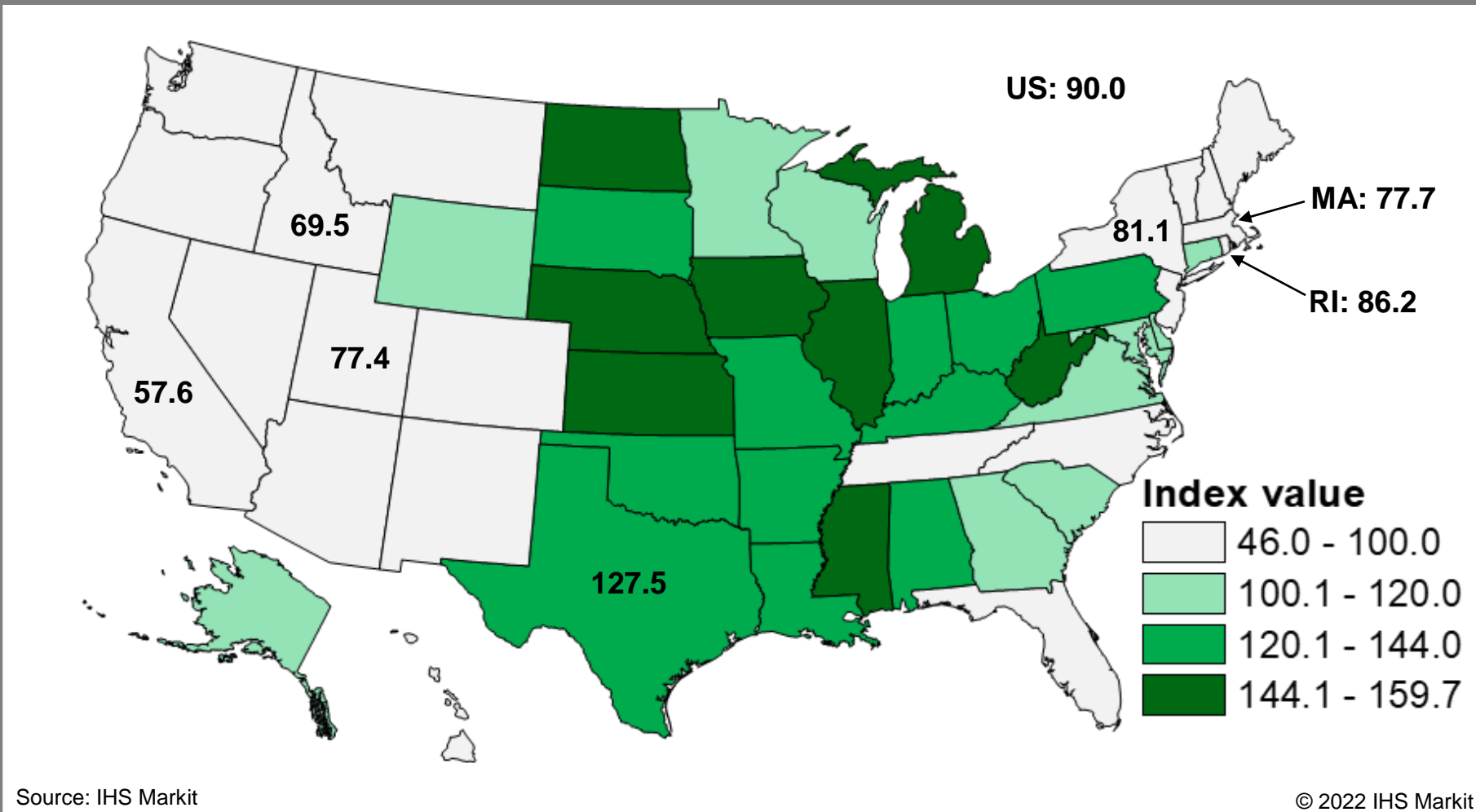
Purchase-only index, year-over-year growth, 2022Q2, 100 largest metros

Rank	Metro	%	Rank	Metro	%
1	Sarasota, FL	36.4	86	Warren, MI	12.0
2	Cape Coral-Fort Myers, FL	36.0	87	Milwaukee, WI	11.9
3	Raleigh-Cary, NC	31.1	88	Louisville, KY	12.2
4	Tampa, FL	29.6	89	Chicago, IL	12.0
5	Jacksonville, FL	29.0	90	Boston, MA	12.0
6	Nashville, TN	28.2	91	Gary, IN	11.9
7	Phoenix, AZ	27.8	92	Baltimore, MD	11.8
8	Fort Lauderdale, FL	26.9	93	Baton Rouge, LA	11.7
9	West Palm Beach, FL	26.4	94	Frederick-Rockville, MD	10.7
10	Orlando, FL	26.3	95	Pittsburg, PA	10.4
11	Miami, FL	26.1	96	Minneapolis, MN-WI	10.1
12	Las Vegas, NV	26.1	97	Oakland, CA	9.8
13	Knoxville, TN	25.6	98	Philadelphia, PA	9.4
14	Dallas, TX	25.6	99	New Orleans, LA	9.4
46	Providence, RI	16.0	100	Washington, DC-VA-MD-WV	9.1

Source: Federal Housing Finance Agency

Affordability pressures mount nationwide, most acute in the West/Northeast

Affordability index, median, higher index = more affordable, 2022Q2



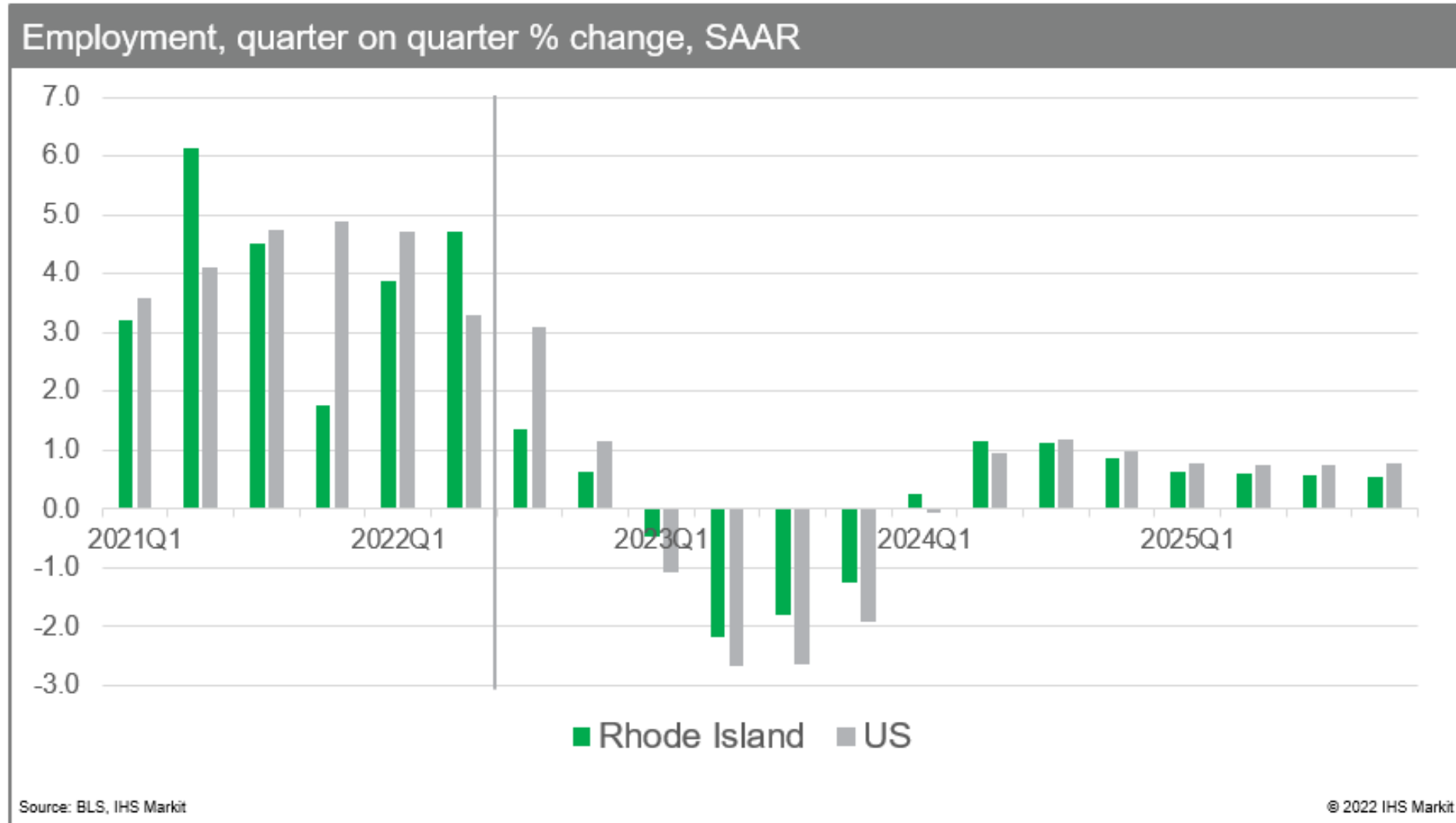
Monthly index shows a sudden downward turn in home prices

Purchase-only home price index -- August 2022 (% change, seasonally adjusted)

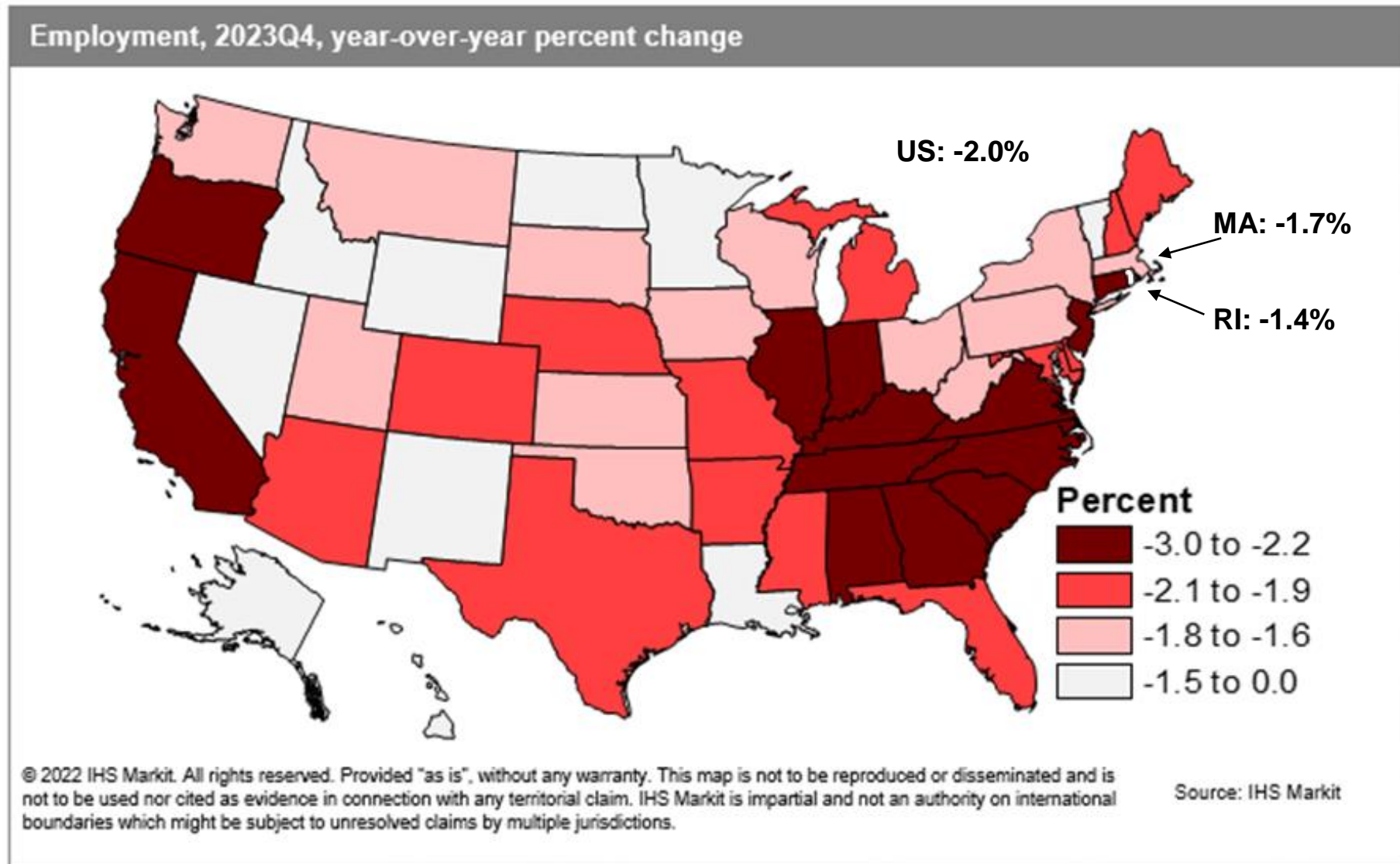
	1 month	3 month	6 month	1 year
Northeast				
New England	0.4	-1.3	3.8	12.2
Mid Atlantic	-0.8	-0.2	3.0	10.8
Midwest				
East North Central	-0.6	-1.0	3.1	10.5
West North Central	0.0	-0.7	3.1	10.5
South				
South Atlantic	-0.7	-0.5	4.9	16.2
East South Central	-0.3	0.6	4.9	14.1
West South Central	-0.1	-0.9	4.5	13.3
West				
Mountain	-2.0	-3.9	1.1	10.6
Pacific	-1.3	-3.3	-0.9	7.4
National	-0.7	-1.2	3.1	11.9

Source: Federal Housing Finance Agency

Employment losses will be less severe than the nation

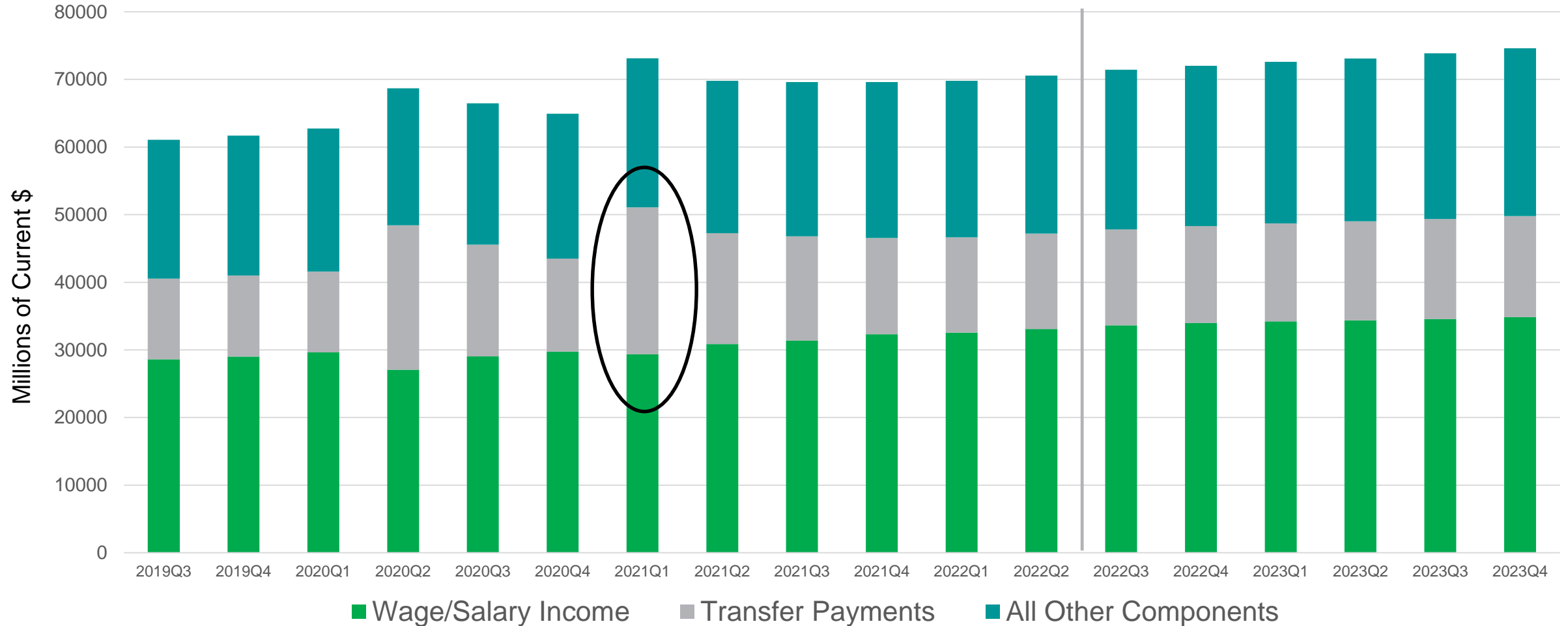


States across the country will endure employment declines in 2023



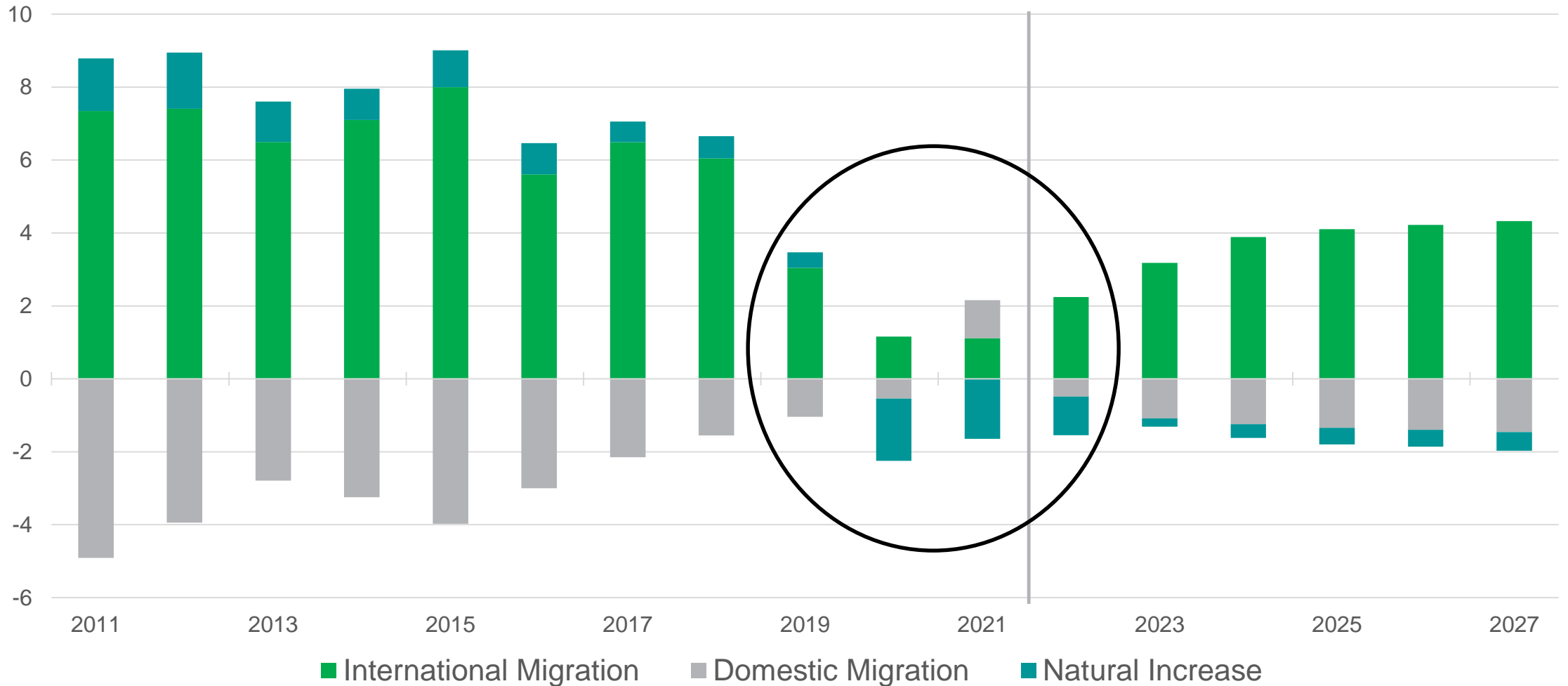
Transfer payments back to trend, wage/salary growth decelerates in 2023

Rhode Island Total Personal Income by Key Component



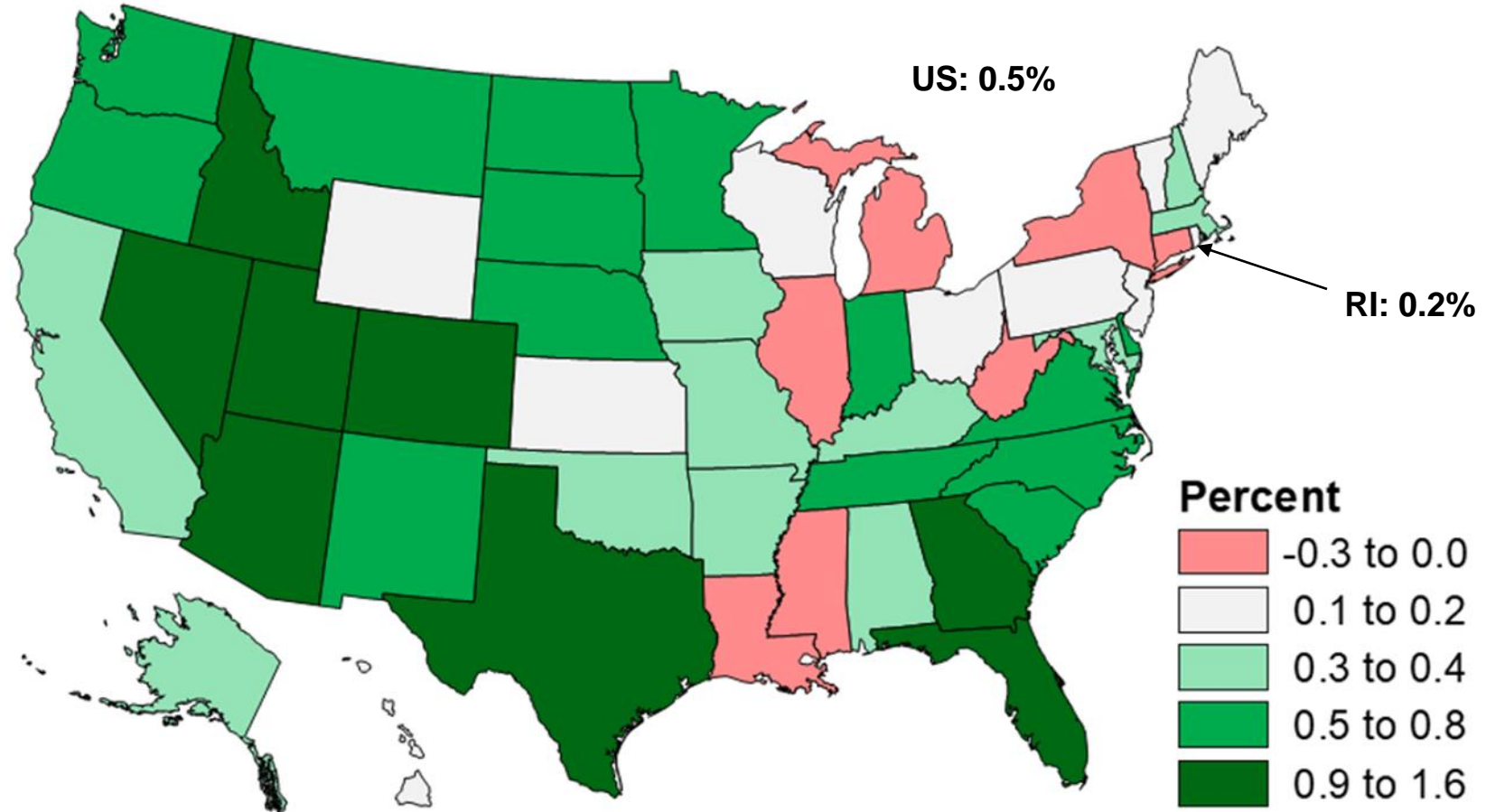
State population: International migration trends higher in the coming years

Rhode Island, Components of Population Change (Thousands), Calendar Years



Population growth accelerates from pandemic lows

Population growth, 2022-27, average annual rate



Source: IHS Markit

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Forecast changes in selected concepts: 1022 vs. 0422

Nonfarm Employment (Level)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SPG April 2022	502.6	482.8	468.4	488.3	500.5	505.3	507.6	508.1	509.4
SPG October 2022	502.6	482.8	468.4	489.0	497.4	492.3	495.9	498.8	500.6
Change – Apr to Oct	0.0	0.0	0.0	0.7	-3.1	-13.0	-11.7	-9.3	-8.8

Nonfarm Employment Growth	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SPG April 2022	0.7	-3.9	-3.0	4.3	2.5	1.0	0.4	0.1	0.2
SPG October 2022	0.7	-3.9	-3.0	4.4	1.7	-1.0	0.7	0.6	0.4
Change – Apr to Oct	0.0	0.0	0.0	0.2	-0.8	-2.0	0.3	0.5	0.1

Unemployment Rate (Level)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SPG April 2022	3.7	6.7	7.4	4.4	3.4	3.7	4.0	4.3	4.4
SPG October 2022	3.7	6.7	7.4	4.3	3.4	5.1	4.9	4.6	4.4
Change – Apr to Oct	0.0	0.0	0.0	-0.1	-0.0	1.4	1.0	0.4	0.1

Forecast changes in selected concepts: 1022 vs. 0422 (Continued)

Total Personal Income Growth	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SPG April 2022	3.9	6.0	6.7	1.4	5.0	5.7	4.9	4.5	4.3
SPG October 2022	5.1	6.9	7.9	1.9	3.4	3.9	4.7	4.6	4.3
Change – Apr to Oct	1.3	0.9	1.2	0.6	-1.6	-1.8	-0.2	0.1	0.0

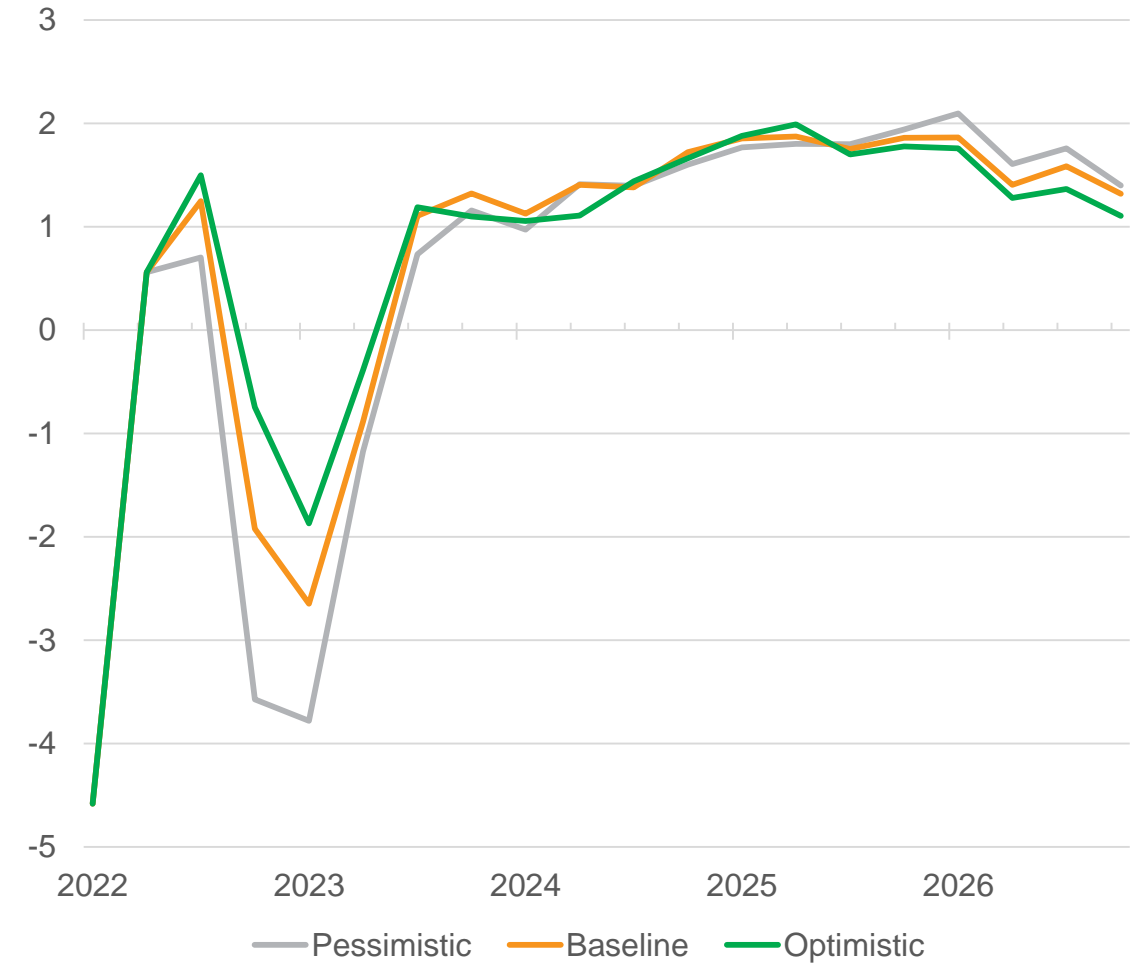
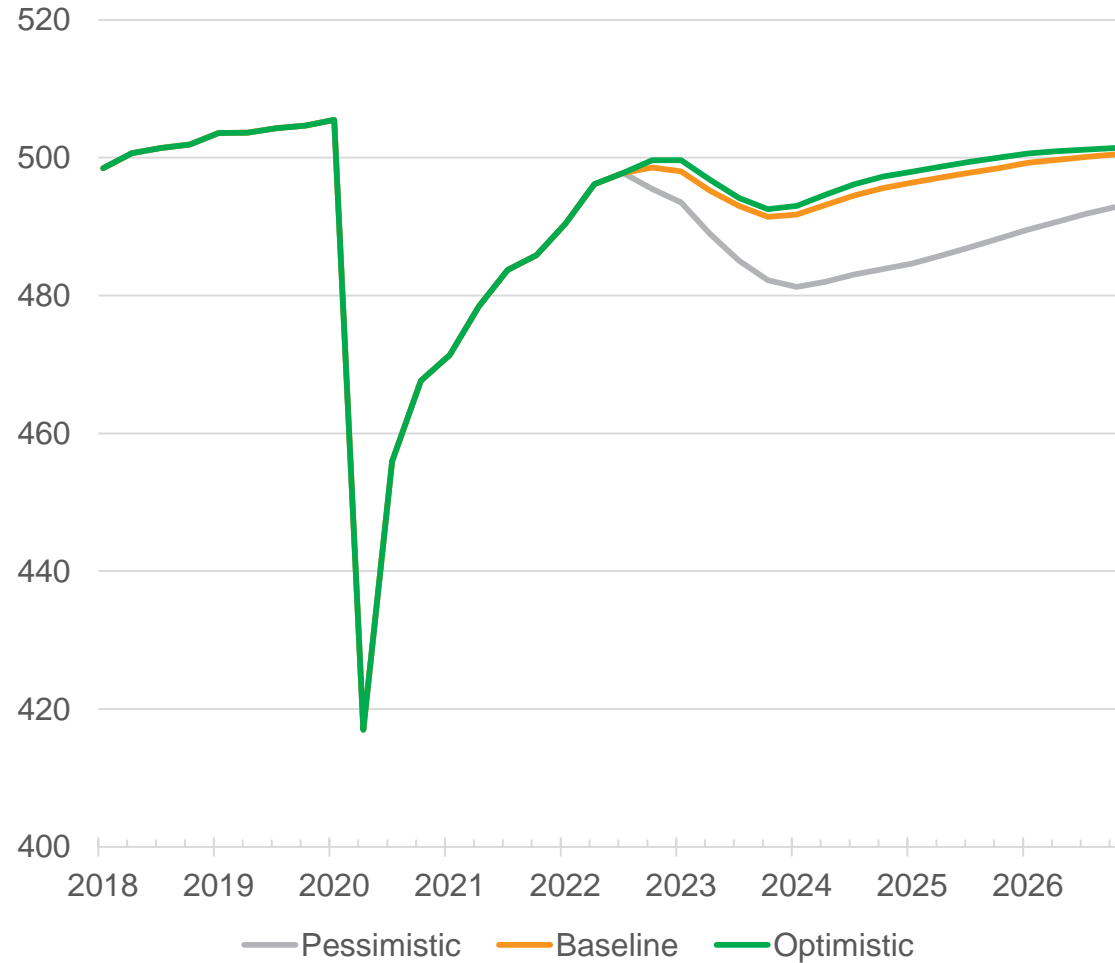
Wage/Salary Disbursement Growth	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SPG April 2022	2.8	0.5	4.6	9.8	7.1	5.2	4.5	4.0	4.1
SPG October 2022	2.9	0.4	4.1	8.7	5.3	3.1	5.2	4.9	4.4
Change – Apr to Oct	0.1	-0.1	-0.6	-1.2	-1.7	-2.1	0.7	0.9	0.3

Personal Consumption Expenditure Growth	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SPG April 2022	3.1	-1.4	4.3	10.7	5.8	4.1	4.3	4.2	4.4
SPG October 2022	2.9	-1.6	5.6	11.4	5.6	2.8	3.7	4.0	3.8
Change – Apr to Oct	-0.2	-0.2	1.4	0.7	-0.2	-1.3	-0.5	-0.1	-0.6

Risks to the US forecast

	Baseline (55%)	Pessimistic (30%)	Optimistic (15%)
GDP Growth	Real GDP rises 1.7% in 2022 as the aggressive recovery following the pandemic-induced downturn begins to chill. A recession drops output by 0.5% in 2023 before rising modestly at 1.3% in 2024.	Real GDP rises a mere 1.5% in 2022 and contracts 1.5% in 2023 in response to sustained weakness through the end of this year leading into next year. Growth resumes at 0.9% in 2024.	Real GDP rises 1.8% in 2022 as the relative strength in consumer spending supports growth. Growth persists at 0.2% in 2023 and 1.3% in 2024.
Consumer spending	Consumption slips from 8.3% in 2021 to a more subtle 2.5% in 2022. Growth continues in 2023 and 2024 at 0.3% and 1.4%, respectively	Spending rises 2.3% in 2022, before falling by 0.3% in 2023. Growth resumes at 1.3% in 2024	Spending rises 2.6% in 2022 and 0.9% in 2023, before growth eases to 1.4% in 2024.
Housing	Housing starts shrink from 1.61 million in 2021 to 1.56 million in 2022 before continuing downward to 1.22 million in 2023 and popping slightly up to 1.32 million in 2024.	Housing starts drop in 2022 to 1.56 million before declining further to 1.11 million in 2023, then rise to 1.20 million in 2024.	Housing starts edge down from 1.61 million in 2021 to 1.57 million in 2022. Starts then fall to 1.25 million in 2023 and 1.35 million in 2024.
Inflation	Core personal consumption (PCE) price inflation rises from 3.5% in 2021 to 5.0% in 2022, before moderating to 3.7% in 2023 and 2.3% in 2024.	Core PCE price inflation registers 5.0% growth in 2022 but slows to 4.0% in 2023 and 2.1% in 2024.	Core PCE price inflation rises to 4.9% in 2022, slowing to 3.8% in 2023 and 2.5% in 2024.
Business fixed investment	Jumps 3.2% in 2022 with growth turning negative in 2023 and 2024 by 1.6% and 0.2%, respectively.	Grows 2.7% in 2022, before shrinking 5.3% in 2023 and 3.7% in 2024.	Rises 3.3% in 2022, falls 0.5% in 2023, and grows 0.4% in 2024.

Rhode Island Alternative Scenarios, Employment (thous) and Real GDP (%)



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