

Rhode Island Economic Outlook Update

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November 1, 2023

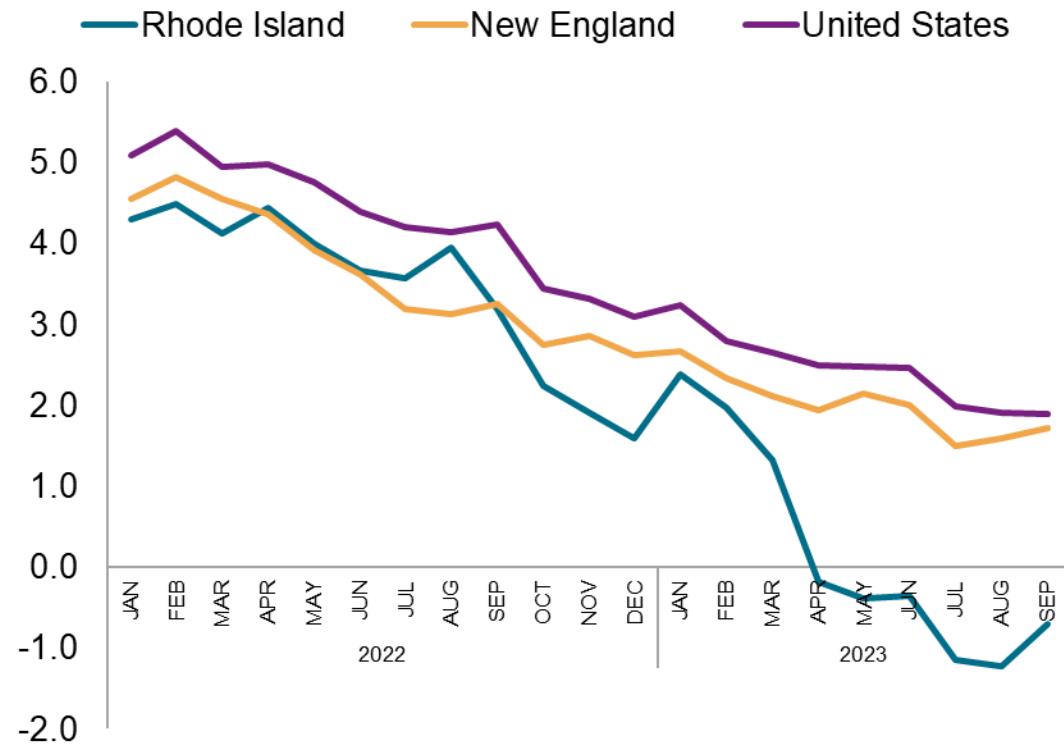


Rhode Island economic growth decelerated sharply in calendar 2023, near-term growth will continue at a below trend pace

- Recent Rhode Island employment data showing mixed messages
 - Payroll employment fell over March to July, but has since firmed over August and September
 - Meanwhile, the unemployment rate reached a record low of 2.6% in September (data back to 1976)
 - The state likely turned the corner on the recent payroll employment weakness but growth going forward will be tepid
- Momentum is waning as the post pandemic recovery cycle matures with headwinds related to stubbornly high inflation, historically tight labor markets, Fed tightening, and housing weighing down growth
 - A recession is not in the baseline, although recession risks are elevated
- Housing market activity has slowed but an outright correction is unlikely
 - Home price growth has come down from the incredible 2021/22 pace. Tight inventories will support continued, albeit weaker, growth in prices despite the surge in mortgage rates and impact on affordability.
 - Housing starts dipped over the first three quarters of 2023, but we expect homebuilding to trend back upwards
- Over the medium-term Rhode Island is positioned to perform slightly better than the New England average

Rhode Island employment is trending back up following soft patch

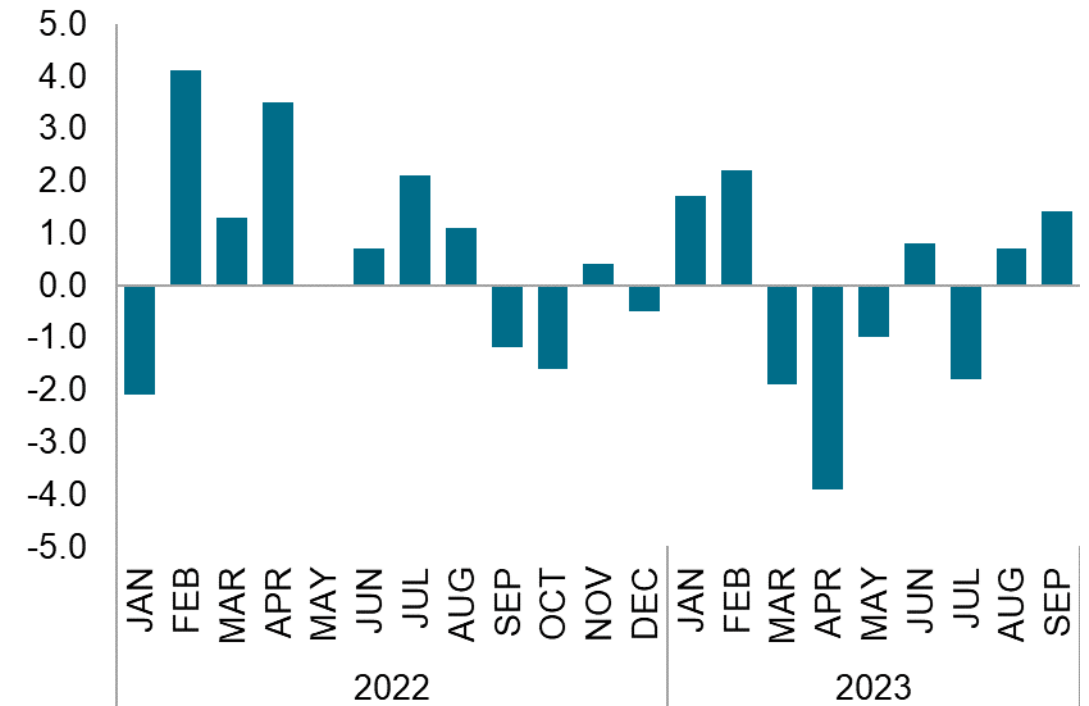
Employment, year-over-year change (%)



Data compiled October 2023.
 Source: S&P Global Market Intelligence, Bureau of Labor Statistics.
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Rhode Island employment

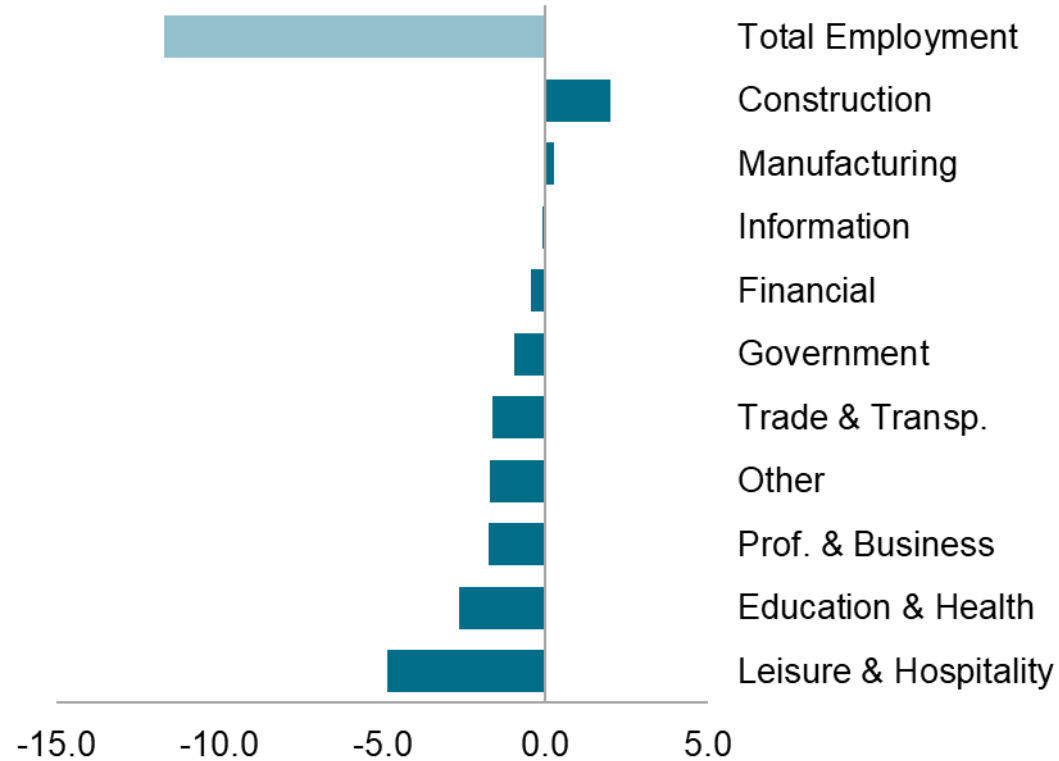
Change (thous.), month-over-month



Data compiled October 2023.
 Source: S&P Global Market Intelligence, Bureau of Labor Statistics.
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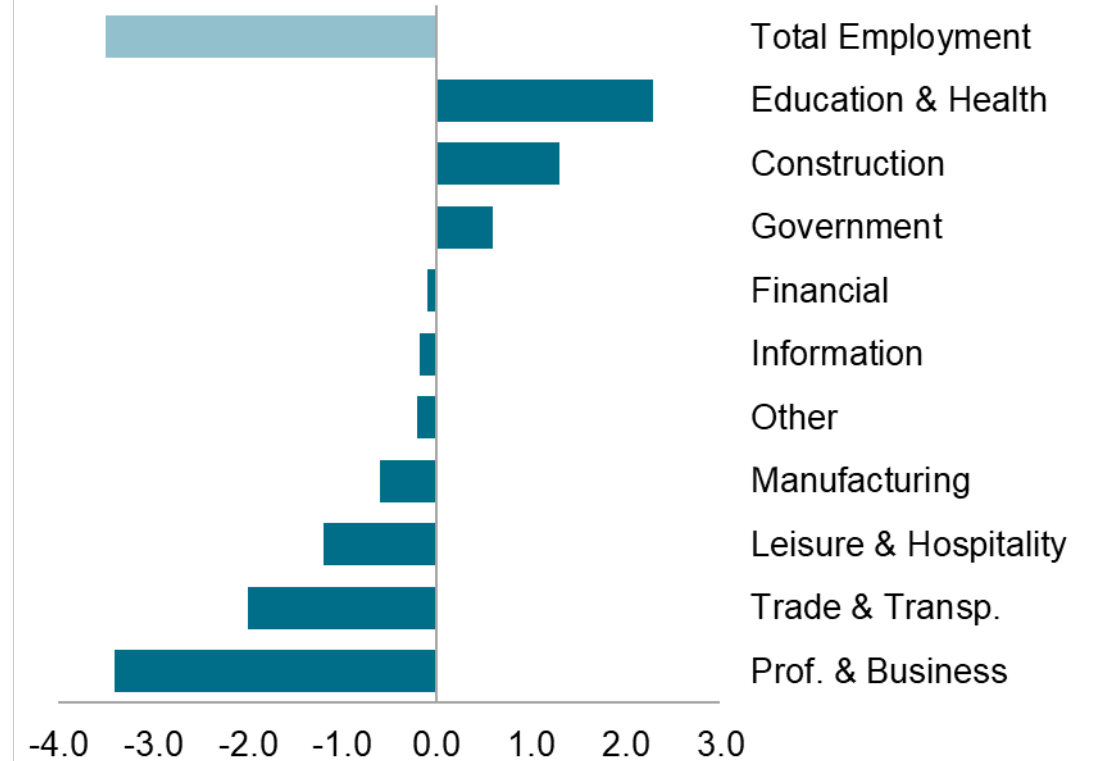
Rhode Island employment below pre-pandemic peak, education & health services driving recent growth

Employment, Sep. 2023 vs Feb. 2020 (thous.)



Data compiled October 2023.
 Source: Bureau of Labor Statistics, S&P Global Market Intelligence.
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Employment, Sep. 2023, y/y chg. (thous.)

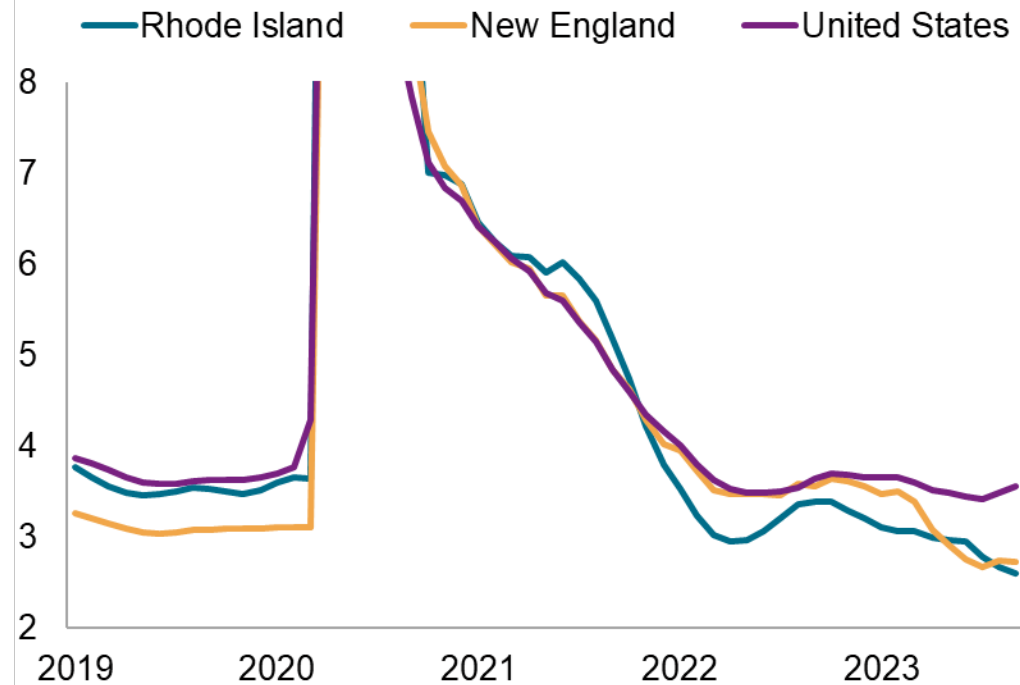


Data compiled October 2023.
 Source: Bureau of Labor Statistics, S&P Global Market Intelligence.
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A look at labor market tightness through the unemployment rate and JOLTS* data

Unemployment rate

Percent, seasonally adjusted (data through Sep-23)



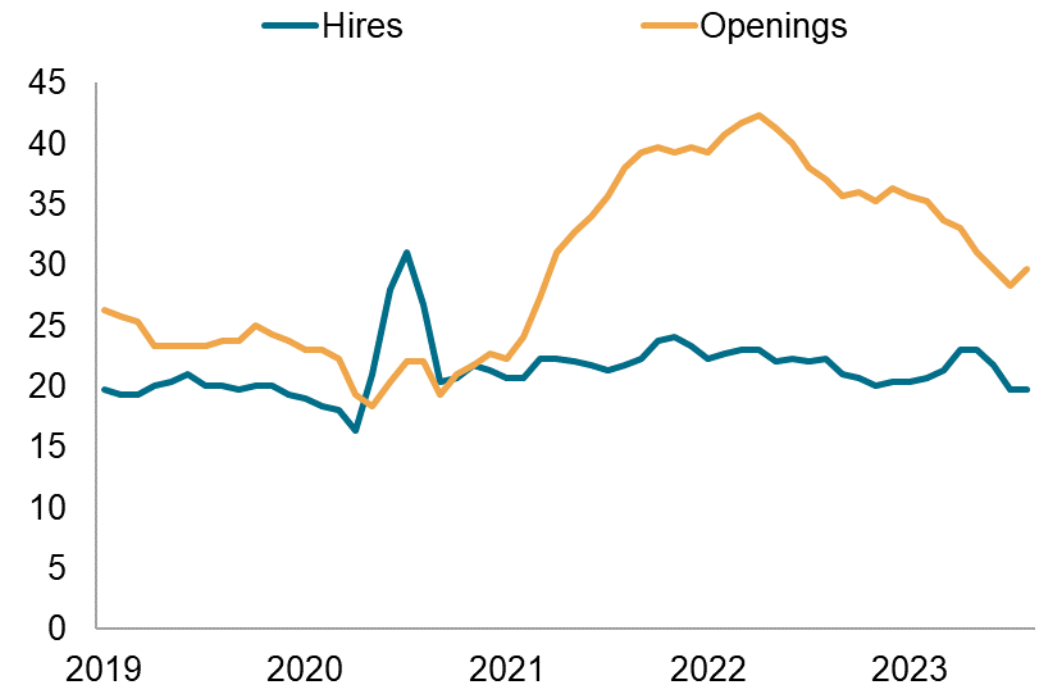
Data compiled October 2023.

Source: S&P Global Market Intelligence, Bureau of Labor Statistics.

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Rhode Island monthly job openings and hires

Thousands, seasonally adjusted (data through Aug-23)



Data compiled October 2023.

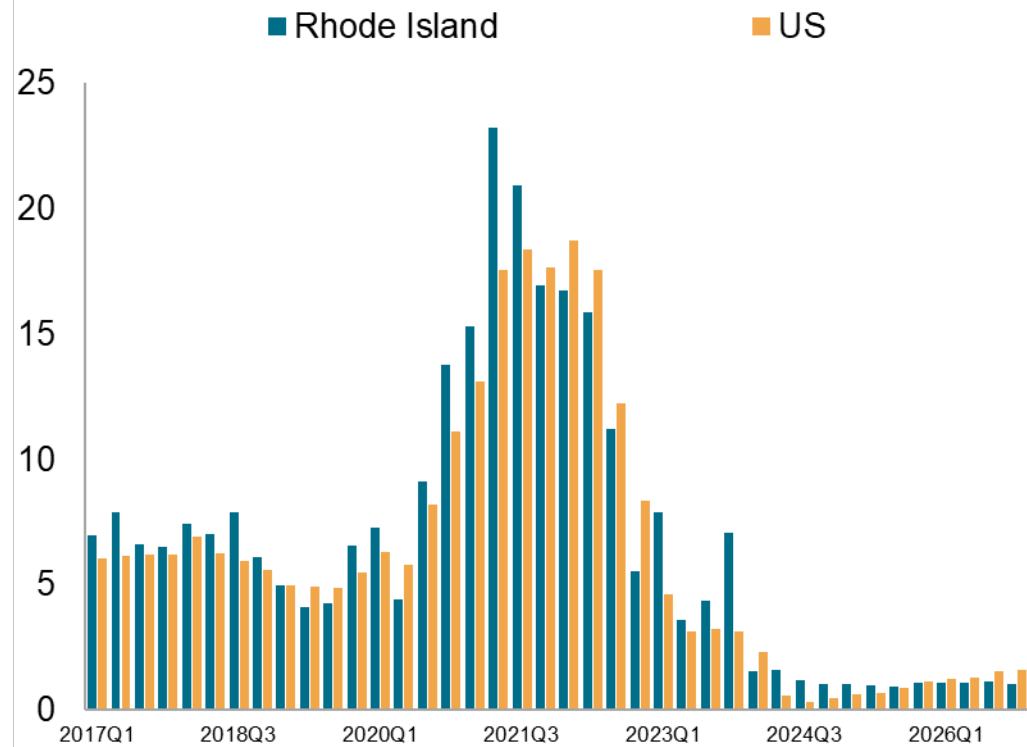
Source: S&P Global Market Intelligence, Bureau of Labor Statistics.

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*Job Openings and Labor Turnover Survey

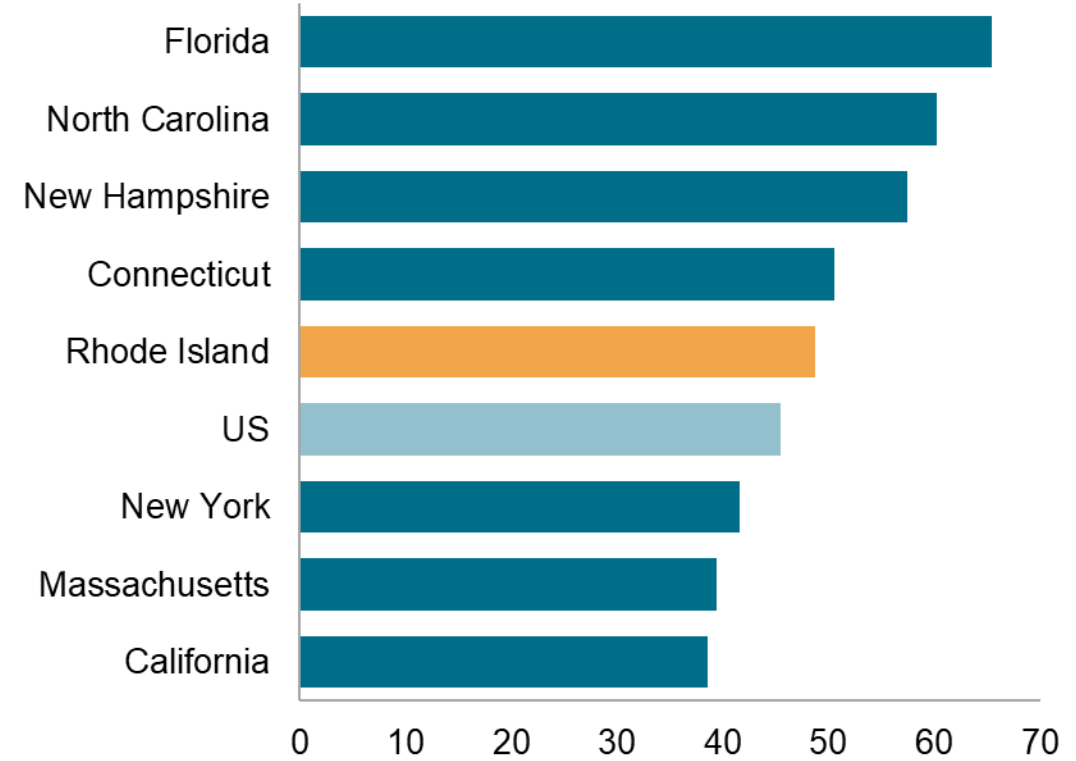
Rhode Island home price growth outpaced the US average since the pandemic

Purchase-only home price index, y/y change (%)



Data compiled October 2023.
 Source: S&P Global Market Intelligence, Federal Housing Finance Agency.
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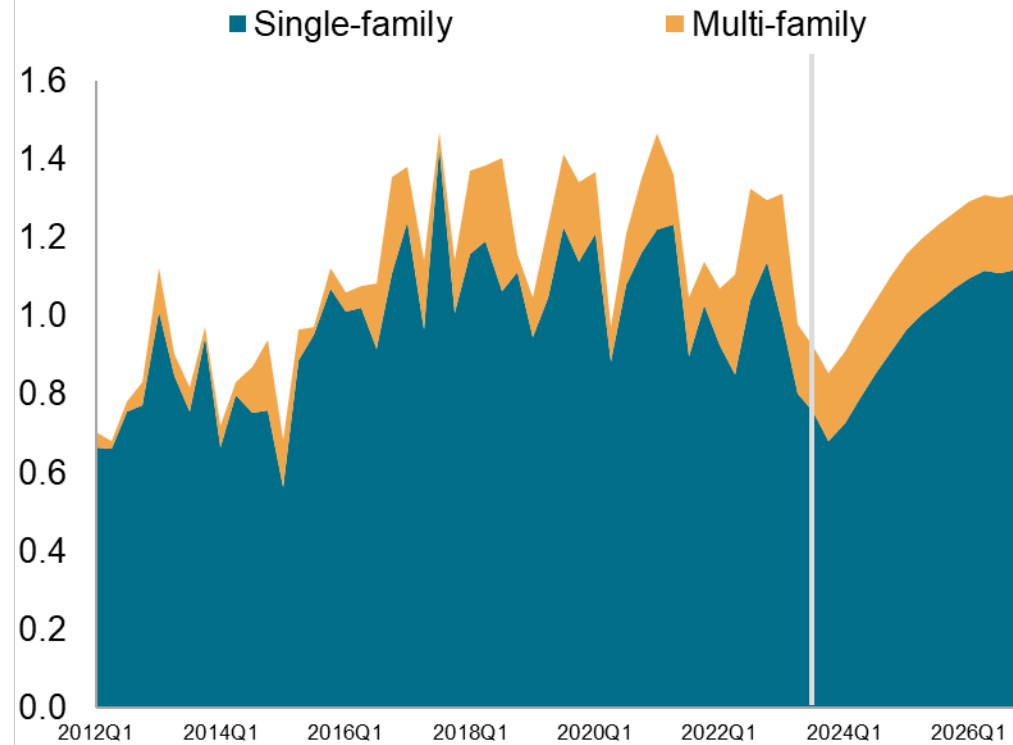
Change in home prices, 2019Q4 to 2023Q2, %



Data compiled October 2023.
 Source: S&P Global Market Intelligence, FHFA.
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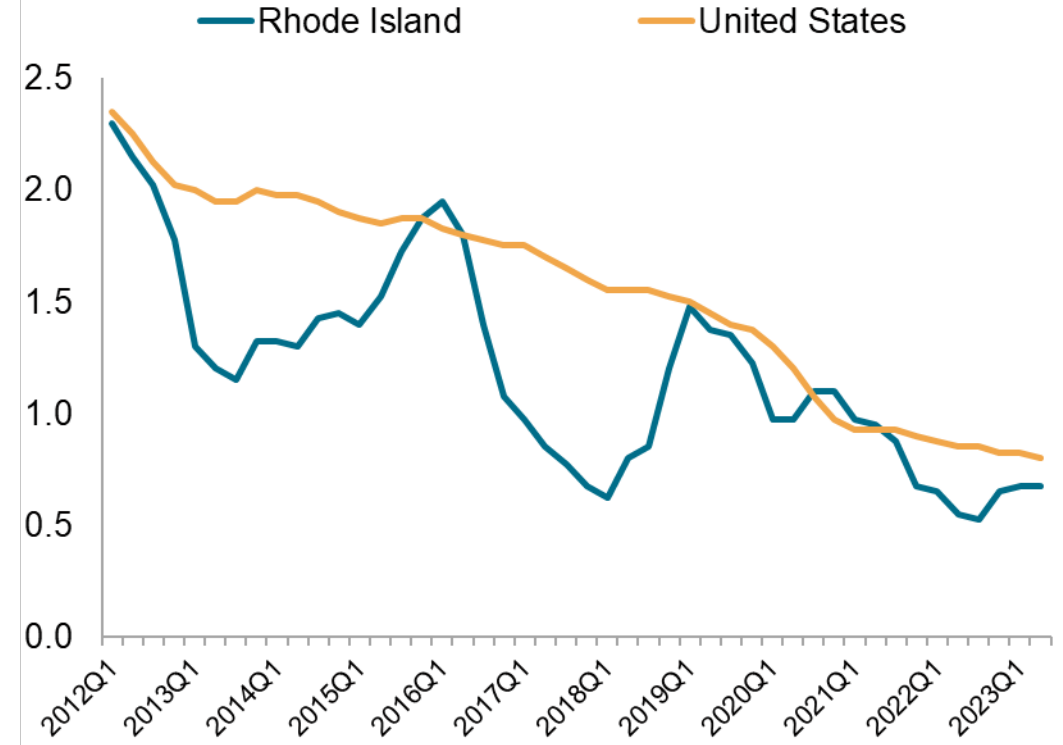
Tight inventories will help spur new construction

Rhode Island housing starts, thousands SAAR



Data compiled October 2023.
 Source: S&P Global Market Intelligence, US Census Bureau.
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Homeowner vacancy rate, 4-quarter moving avg, %

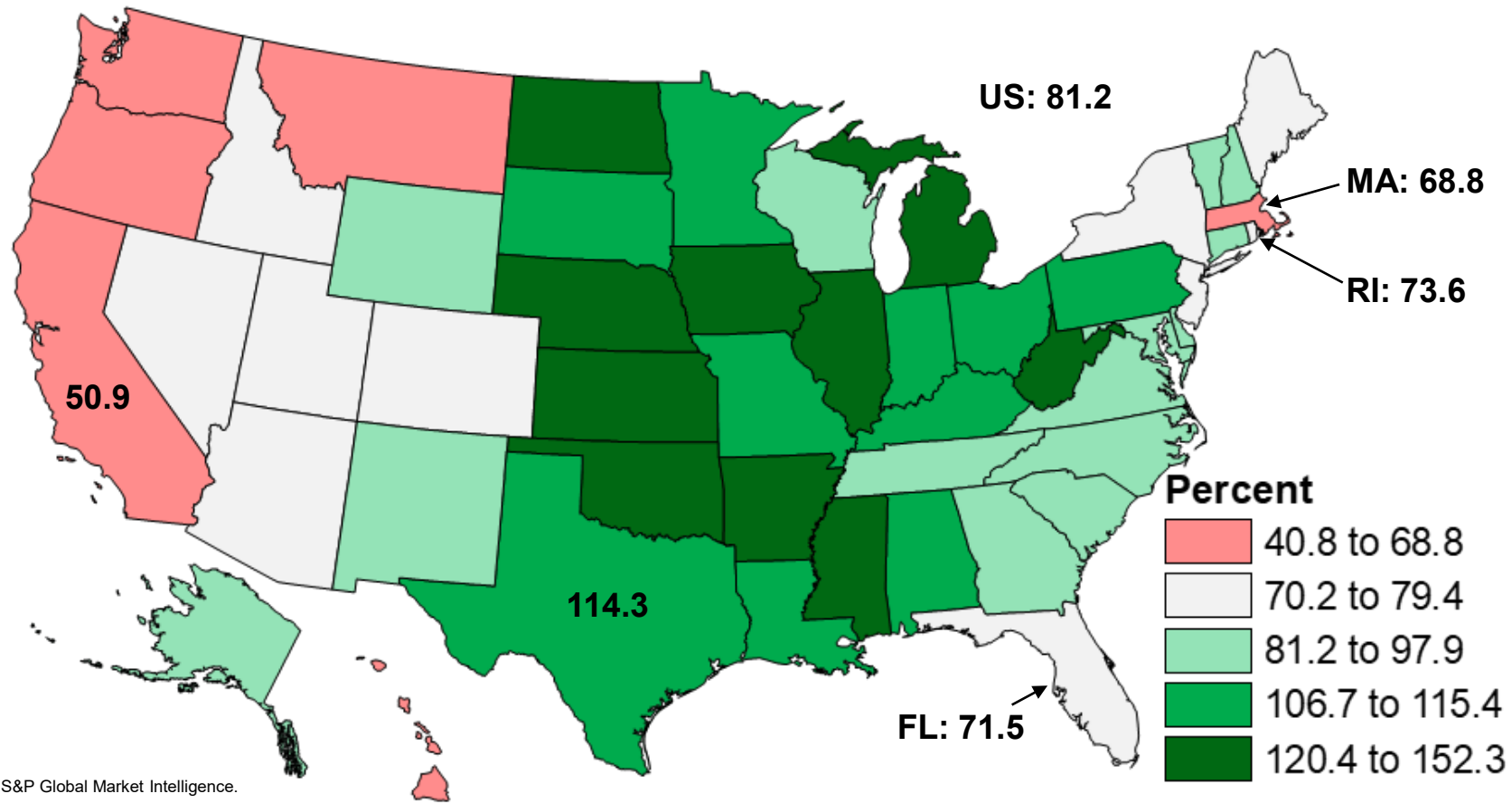


Data compiled October 2023.
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Affordability pressures mount nationwide

High prices and mortgage rates have sharply reduced affordability in West, Northeast, and Florida

Home price affordability index, Q2 2023, higher index = more affordable

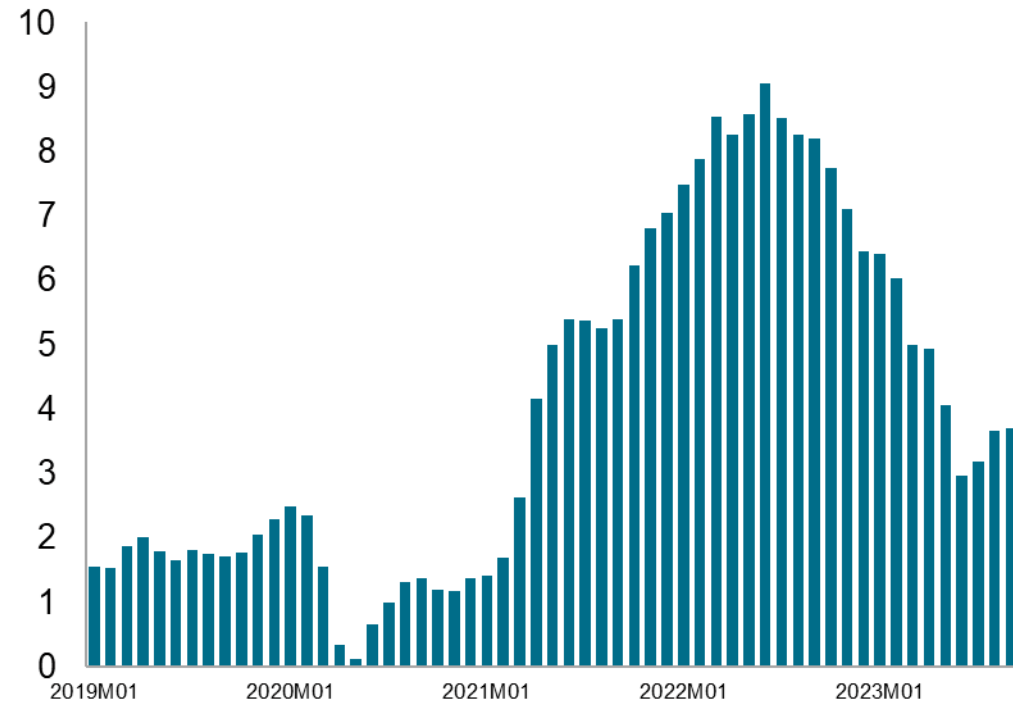


Data compiled October 2023.
 Source: Federal Housing Finance Agency, S&P Global Market Intelligence.
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Consumer Price Index (CPI) inflation varies dramatically across regions

US Consumer Price Index - all items

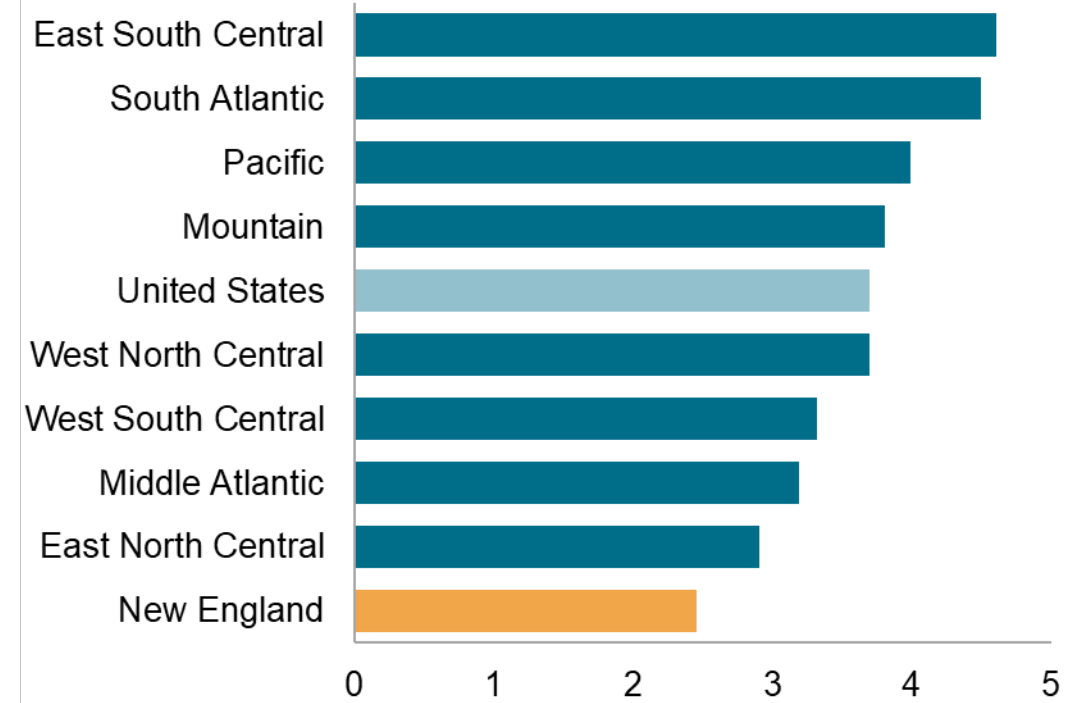
Percent change, year-over-year



Data compiled October 2023.
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Consumer Price Index by region - all items

Percent change, year-over-year - September 2023

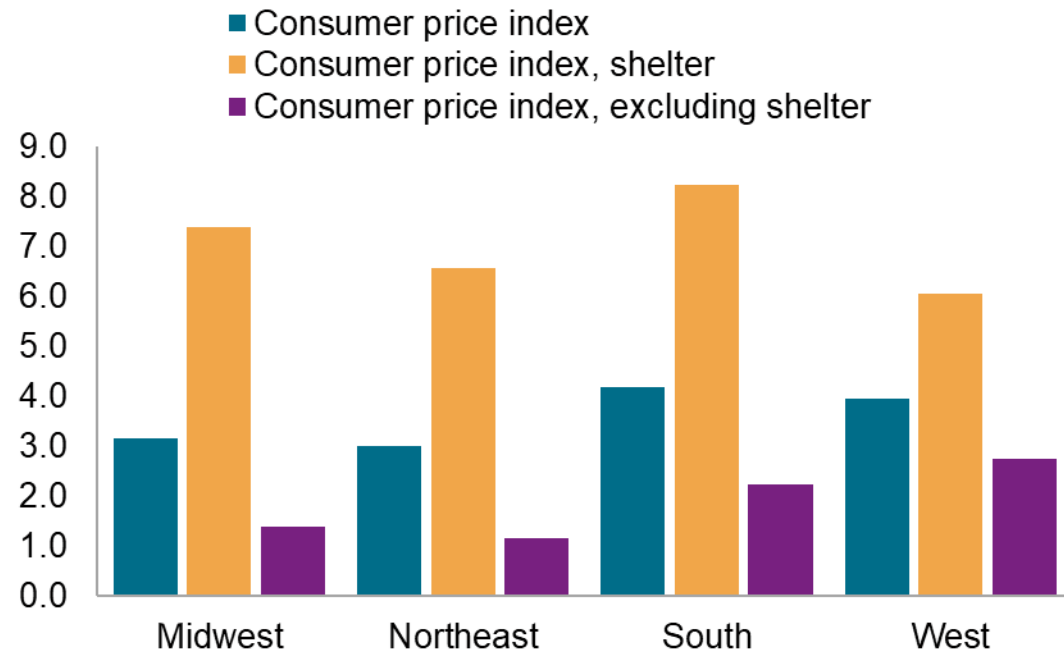


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South and West experience highest CPI inflation

Regional Consumer Price Index inflation by component, September 2023

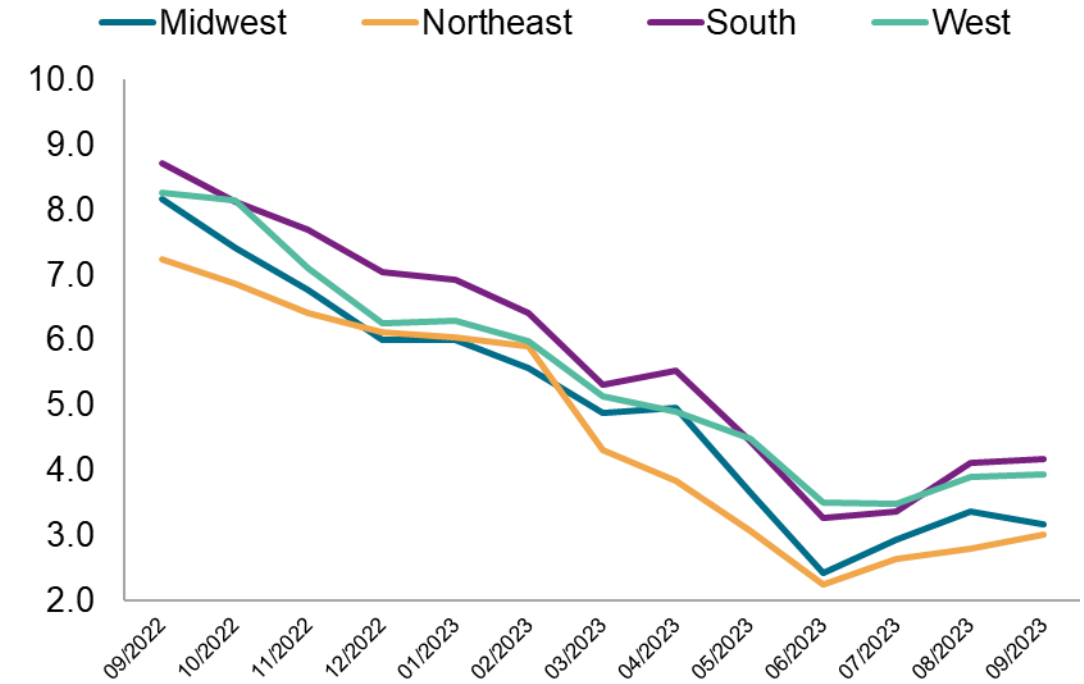
Percent change, year-over-year



Data compiled October 2023.
 Source: Bureau of Labor Statistics.
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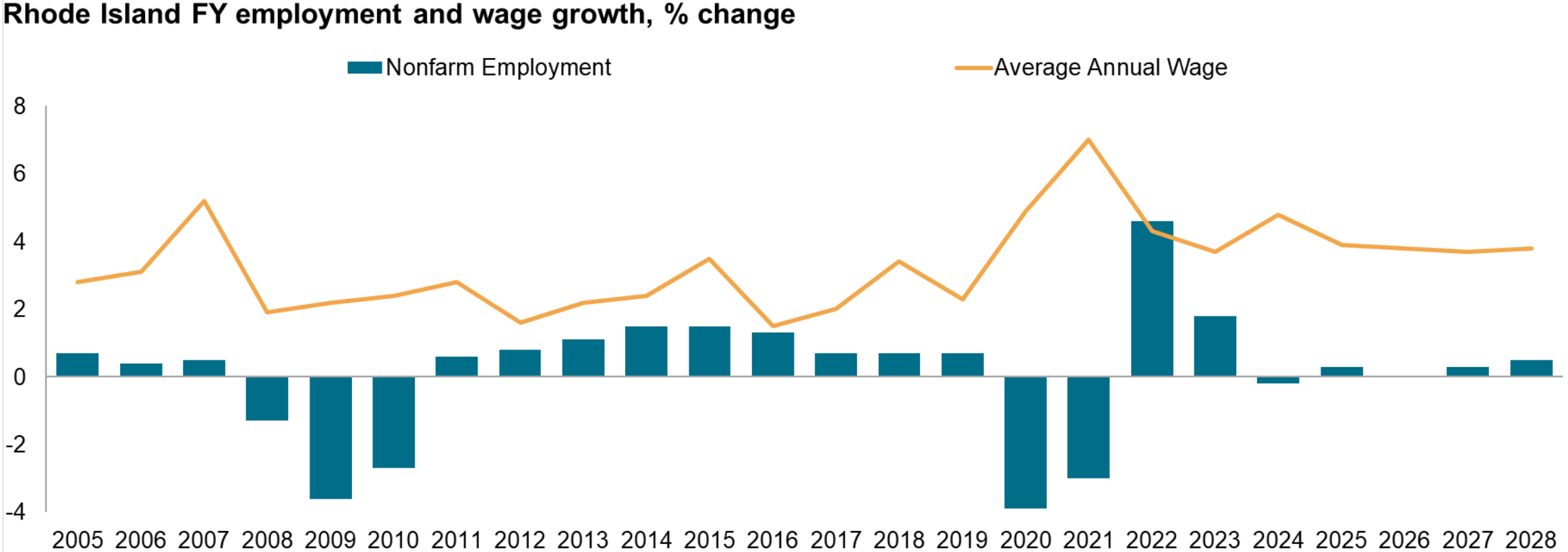
Regional Consumer Price Index inflation

Percent change, year-over-year



Data compiled October 2023.
 Source: Bureau of Labor Statistics.
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Wage growth will decelerate with employment, but remain elevated



Data compiled October 2023.
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Rhode Island key economic indicators, 2023-2026

October 2023 Forecast – Annual Percent Change						
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Employment, Total Nonfarm	-3.0	4.6	1.8	-0.2	0.3	0.0
Real GSP, (2012\$)	2.5	3.9	0.3	0.9	1.3	1.4
Total Personal Income (\$)	8.7	1.3	3.5	4.0	4.8	4.3
Wages and Salaries (\$)	4.2	9.0	5.4	4.5	4.2	3.8
Transfer Payments (\$)	21.0	-15.7	0.1	2.9	3.5	4.6
Personal Consumption Exp.	6.9	11.2	6.4	3.8	3.2	3.5
Real PCE, (2012\$)	5.0	4.8	0.8	1.0	0.9	1.4
Unemployment Rate (% , Level)	7.5	4.0	3.2	2.7	3.4	4.1

Data compiled October 2023

Source: S&P Global Market Intelligence

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Forecast changes in selected concepts: 1123 vs. 0423

Nonfarm Employment (Level)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SPG April 2023	482.6	468.0	489.5	499.7	500.9	500.9	501.9	503.5	505.0
SPG November 2023	482.6	468.0	489.5	498.0	496.9	498.4	498.3	499.8	502.0
Change – April to Nov	0.0	0.0	0.0	-1.7	-4.0	-2.5	-3.6	-3.7	-3.0

Nonfarm Employment Growth	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SPG April 2023	-3.9	-3.0	4.6	2.1	0.2	0.0	0.2	0.3	0.3
SPG November 2023	-3.9	-3.0	4.6	1.8	-0.2	0.3	0.0	0.3	0.5
Change – April to Nov	0.0	0.0	0.0	-0.3	-0.4	0.3	-0.2	0.0	0.2

Unemployment Rate (Level)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SPG April 2023	6.6	7.5	4.0	3.2	3.8	4.4	4.5	4.4	4.3
SPG November 2023	6.6	7.5	4.0	3.2	2.7	3.4	4.1	4.3	4.3
Change – April to Nov	0.0	0.0	0.0	0.0	-1.1	-1.0	-0.4	-0.1	0.0

Forecast changes in selected concepts: 1123 vs. 0423 (Continued)

Total Personal Income Growth	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SPG April 2023	6.9	7.9	2.2	4.6	4.1	4.1	4.2	4.3	4.4
SPG November 2023	6.4	8.7	1.3	3.5	4.0	4.8	4.3	4.2	4.4
Change – April to Nov	-0.5	0.8	-0.9	-1.1	-0.1	0.7	0.1	-0.1	0.0

Wage/Salary Disbursement Growth	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SPG April 2023	0.4	4.1	9.2	7.9	4.1	3.8	4.0	4.2	4.2
SPG November 2023	0.4	4.2	9.0	5.4	4.5	4.2	3.8	4.0	4.3
Change – April to Nov	0.0	0.1	-0.2	-2.5	0.4	0.4	-0.2	-0.2	0.1

Personal Consumption Expenditure Growth	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SPG April 2023	-1.5	5.5	11.6	7.3	3.6	3.2	3.6	4.0	4.1
SPG November 2023	0.0	6.9	11.2	6.4	3.8	3.2	3.5	4.0	4.0
Change – April to Nov	1.5	1.4	-0.4	-0.9	0.2	0.0	-0.1	0.0	-0.1

Thank you

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