The Economic Recovery in Rhode Island and the Nation

Rhode Island Cabinet Briefing

October 3, 2011

Yolanda Kodrzycki

Vice President and Director, NEPPC

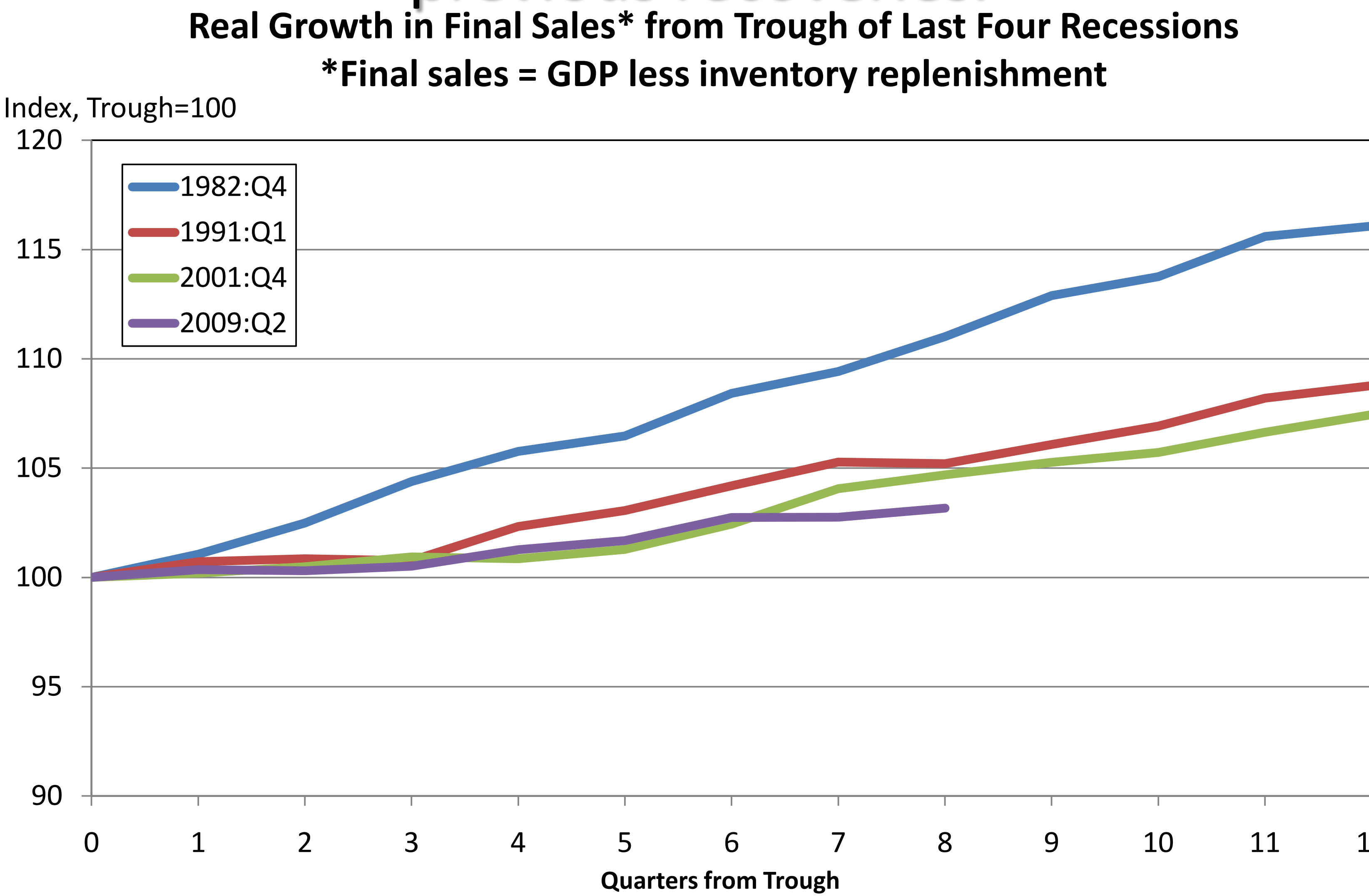
Federal Reserve Bank of Boston

New England Public Policy Center
at the Federal Reserve Bank of Boston

The Federal Reserve Bank of Boston promotes sound growth and financial stability in New England and the nation. The Bank contributes to local communities, the region, and the nation through its high-quality research, regulatory oversight, and financial services, and through its commitment to leadership and innovation.

The New England Public Policy Center promotes better public policy in New England by conducting and disseminating objective, high-quality research and analysis of strategically identified regional economic and policy issues. When appropriate the Policy Center works with regional and Bank partners to advance identified policy options.

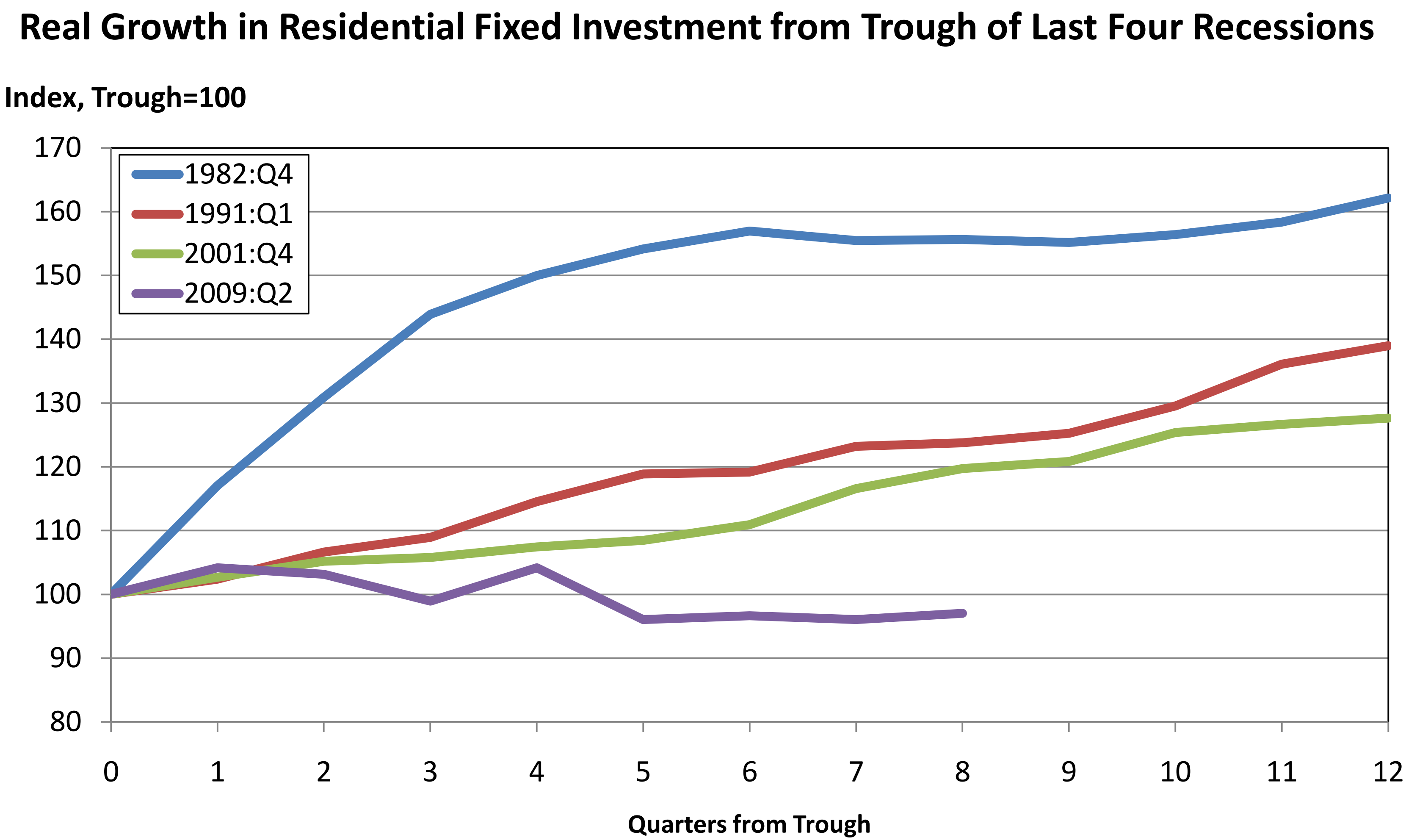
U.S. economic growth has been weaker than in previous recoveries.



Source: BEA and NBER/Haver Analytics

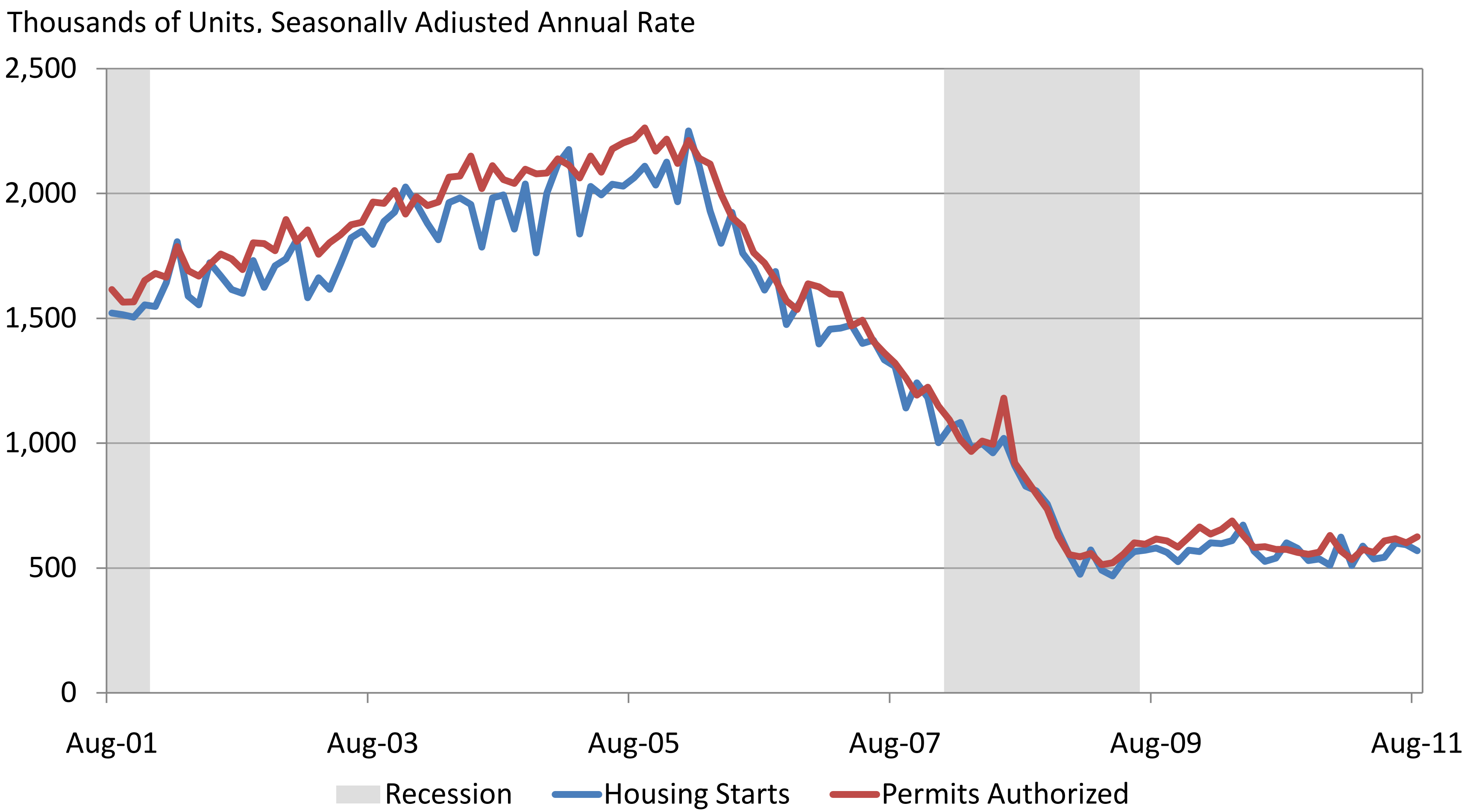
FRBB President Eric S. Rosengren, Remarks at the New England Mortgage Expo, 1/14/2011; Updated.

Housing is not playing its usual role in the recovery.



Source: BEA and NBER/Haver Analytics
FRBB President Eric S. Rosengren, Remarks at the New England Mortgage Expo, 1/14/2011; Updated.

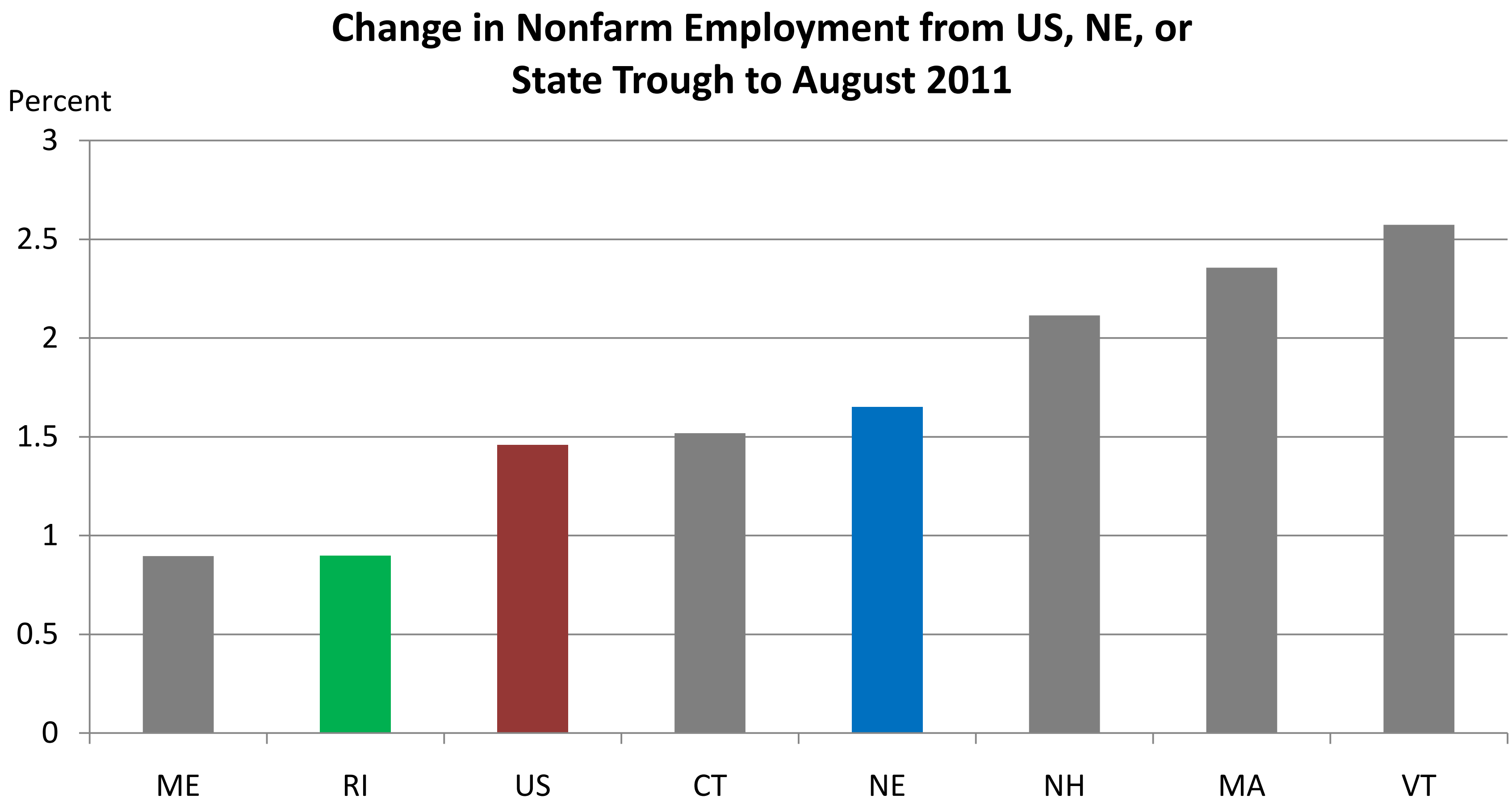
Housing starts and permits remain about one-quarter of their pre-recession peak levels.



Source: Bureau of the Census and NBER/Haver Analytics

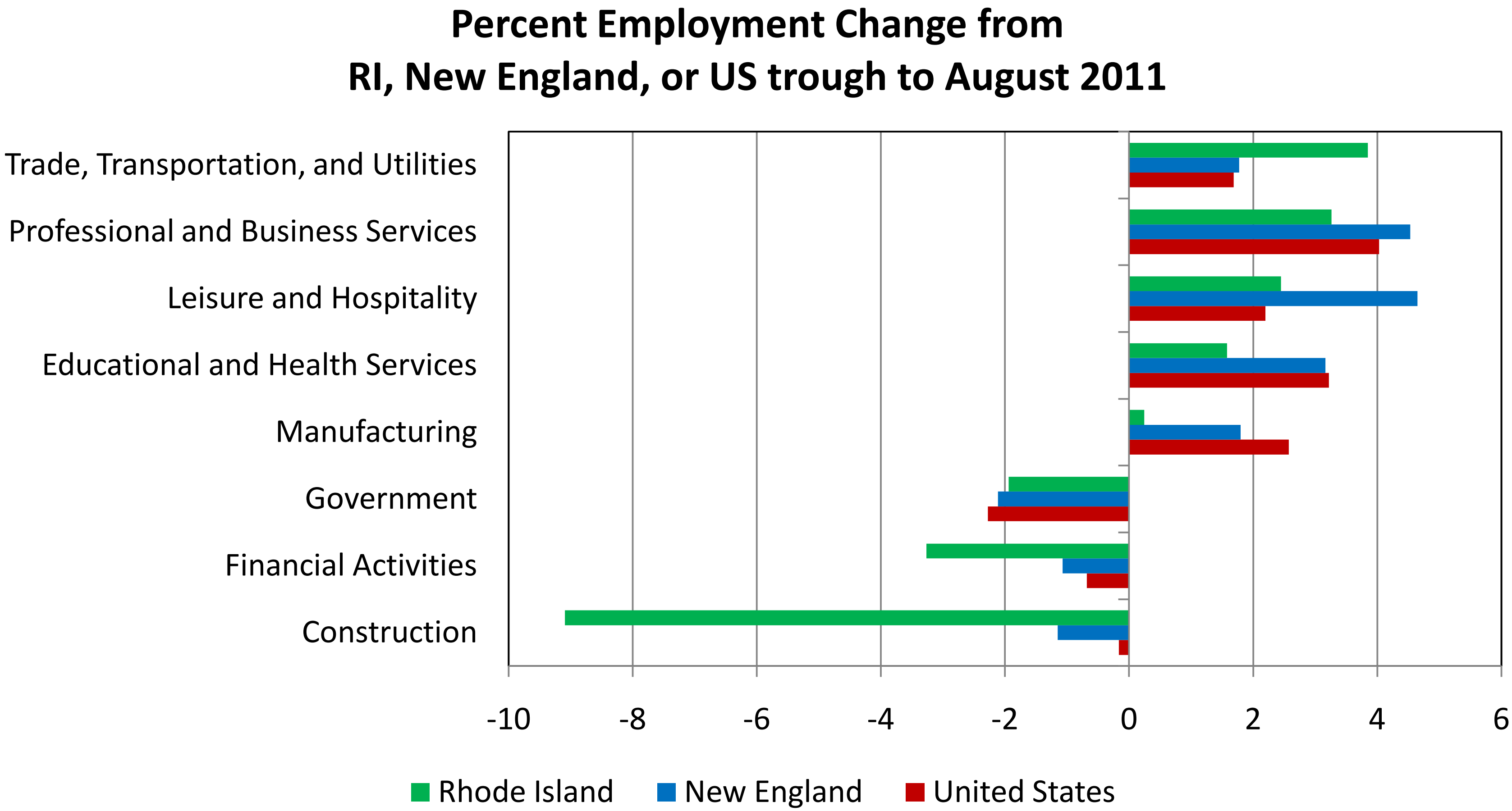
FRBB President Eric S. Rosengren, Remarks at the New England Mortgage Expo, 1/14/2011; Updated

The jobs recovery in RI has been weaker than in most other New England states.



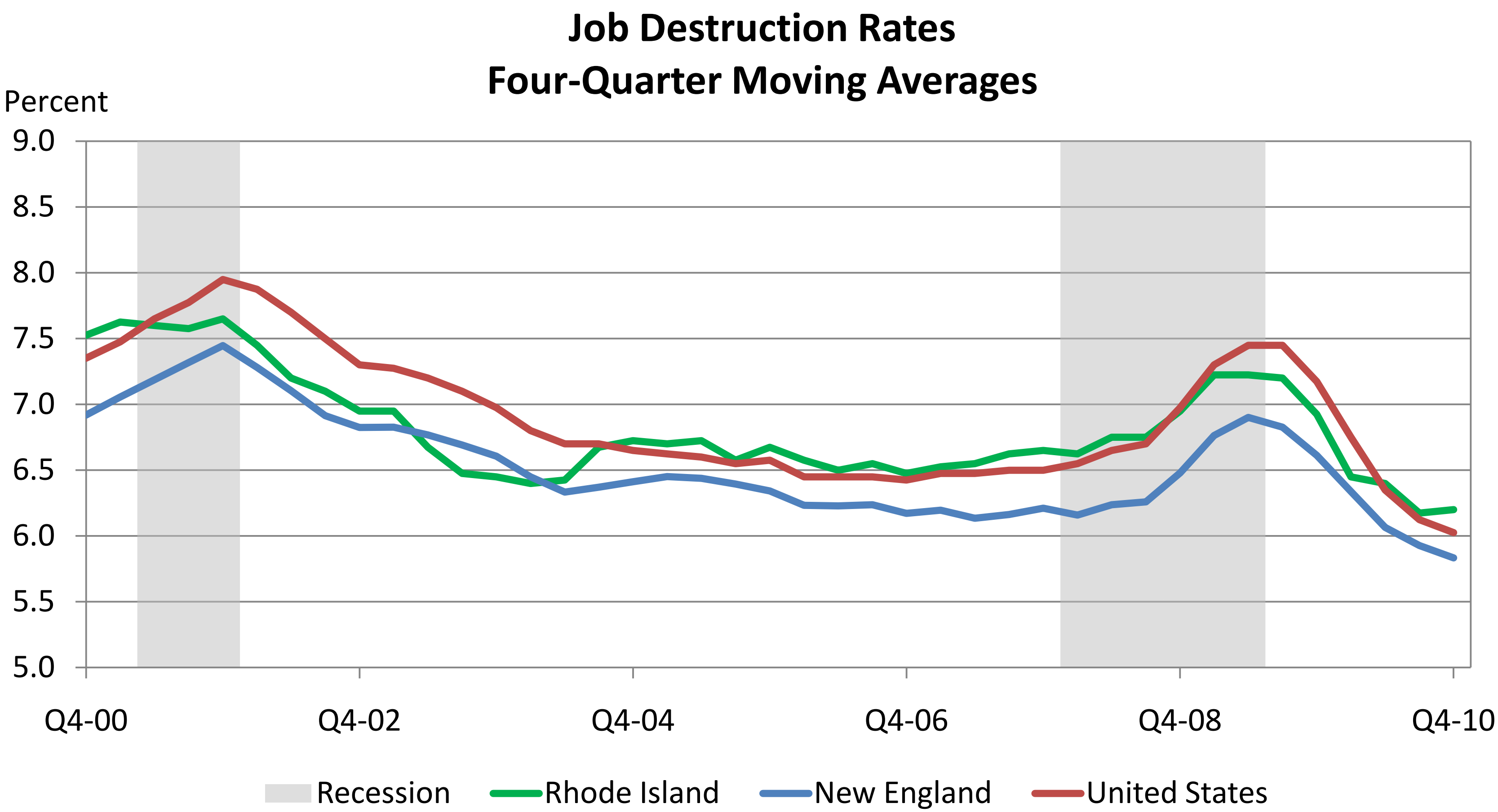
Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

Trade-transportation-utilities is the only RI sector that has recovered faster than the regional average.



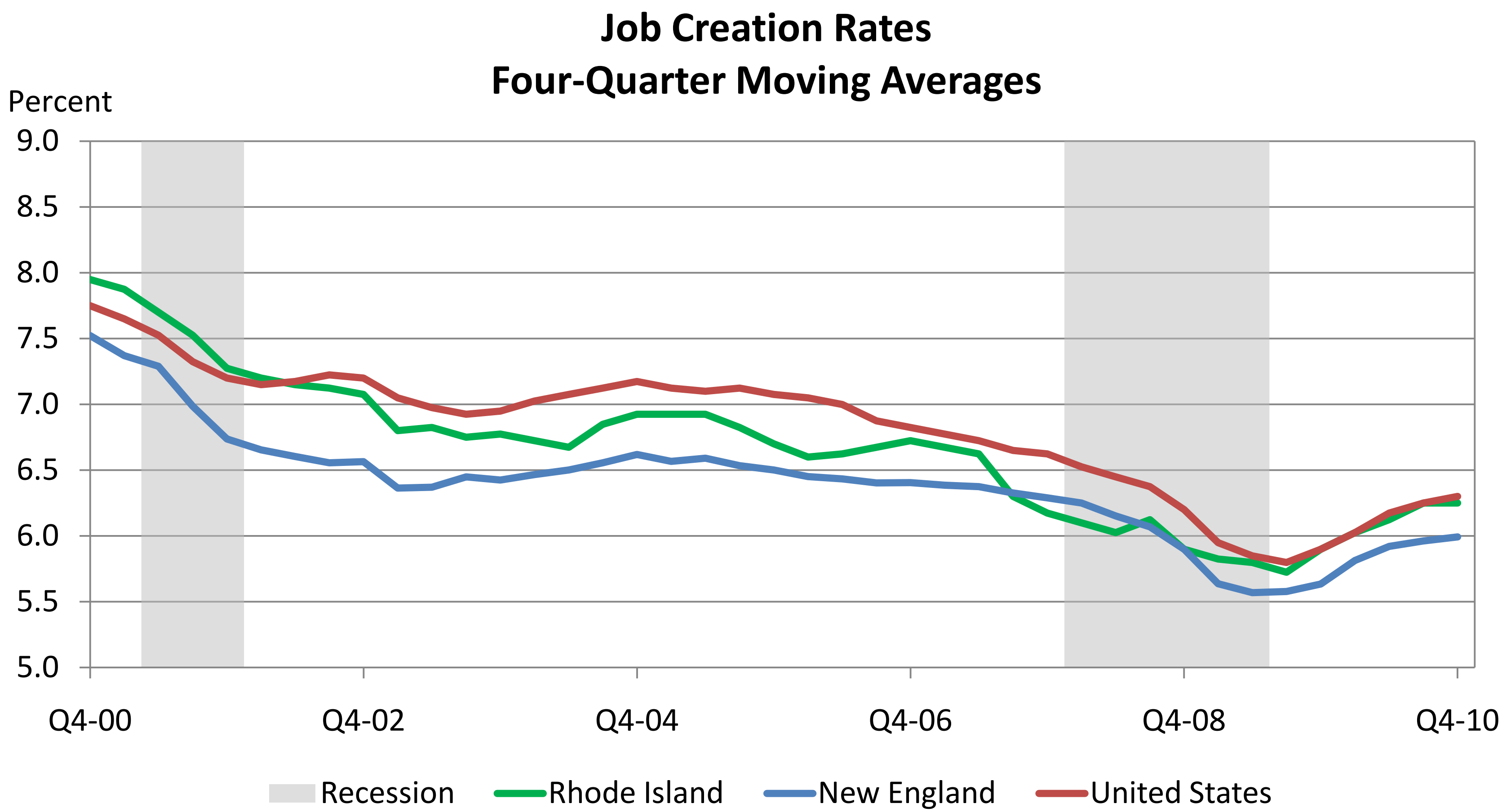
Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

Job destruction rates have fallen below pre-recession levels.



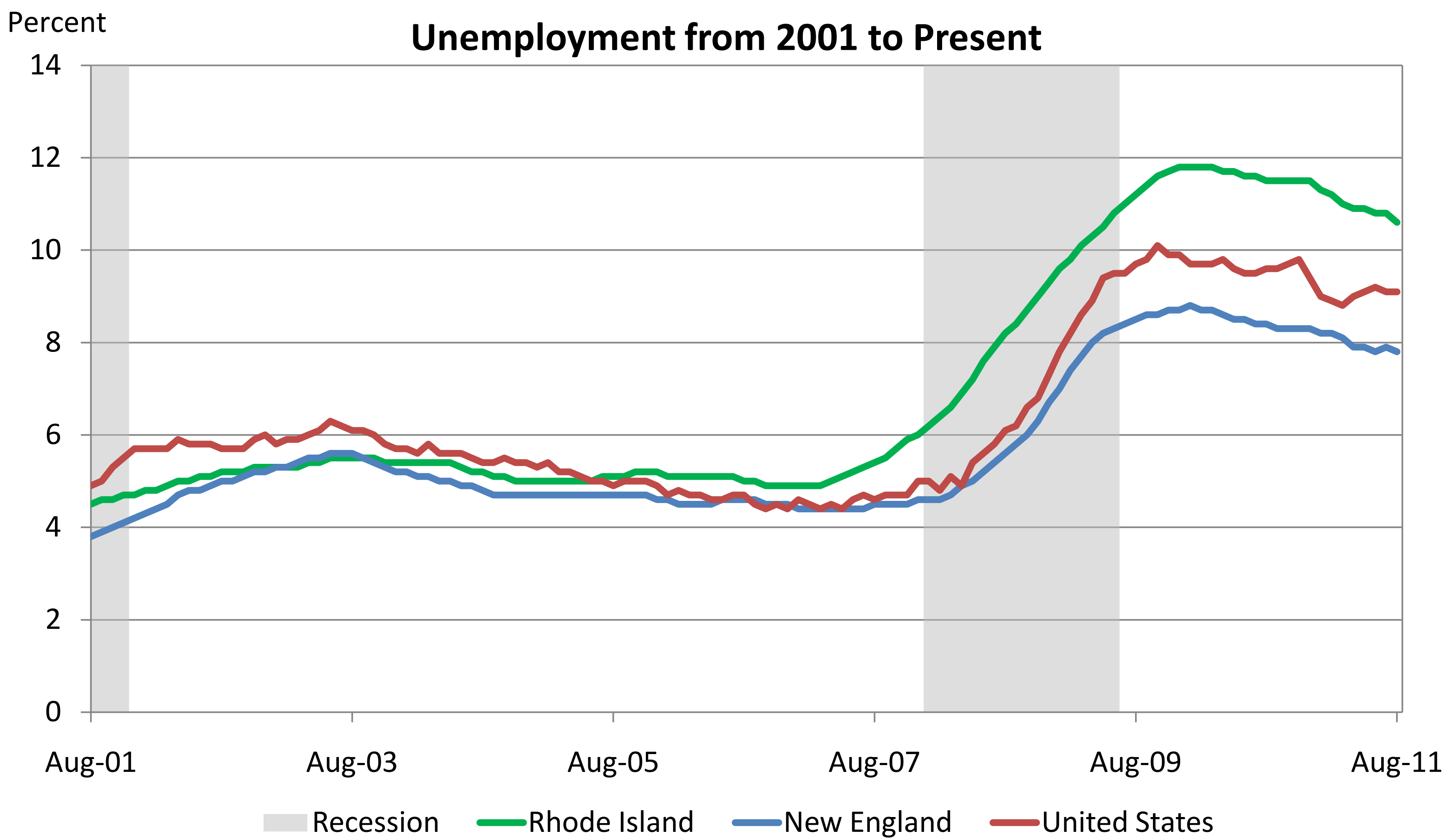
Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

Job creation remains sluggish in RI, but in line with the U.S. average and faster than the NE average.



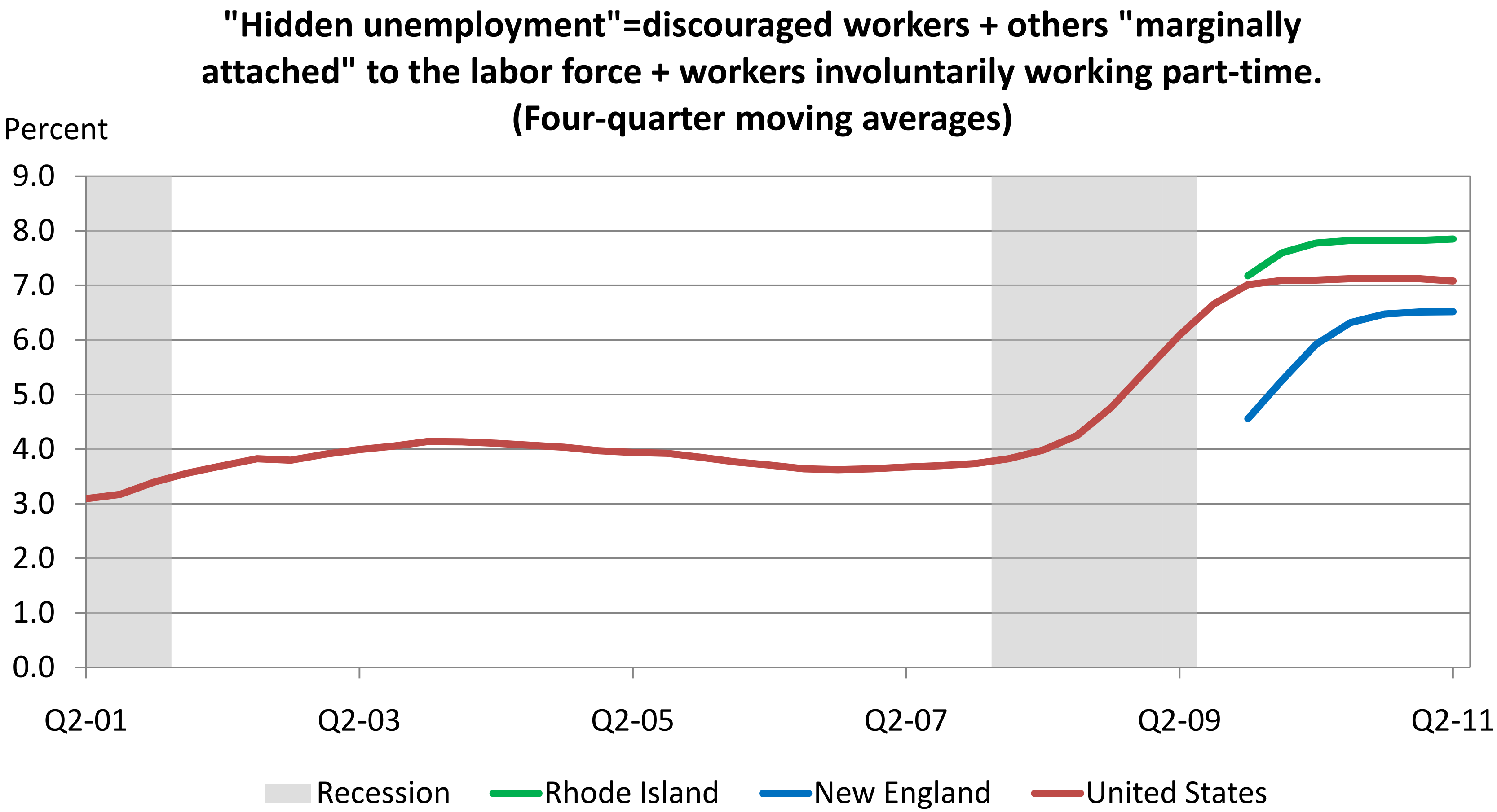
Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

The official unemployment rate in Rhode Island is well above the New England and U.S. averages.



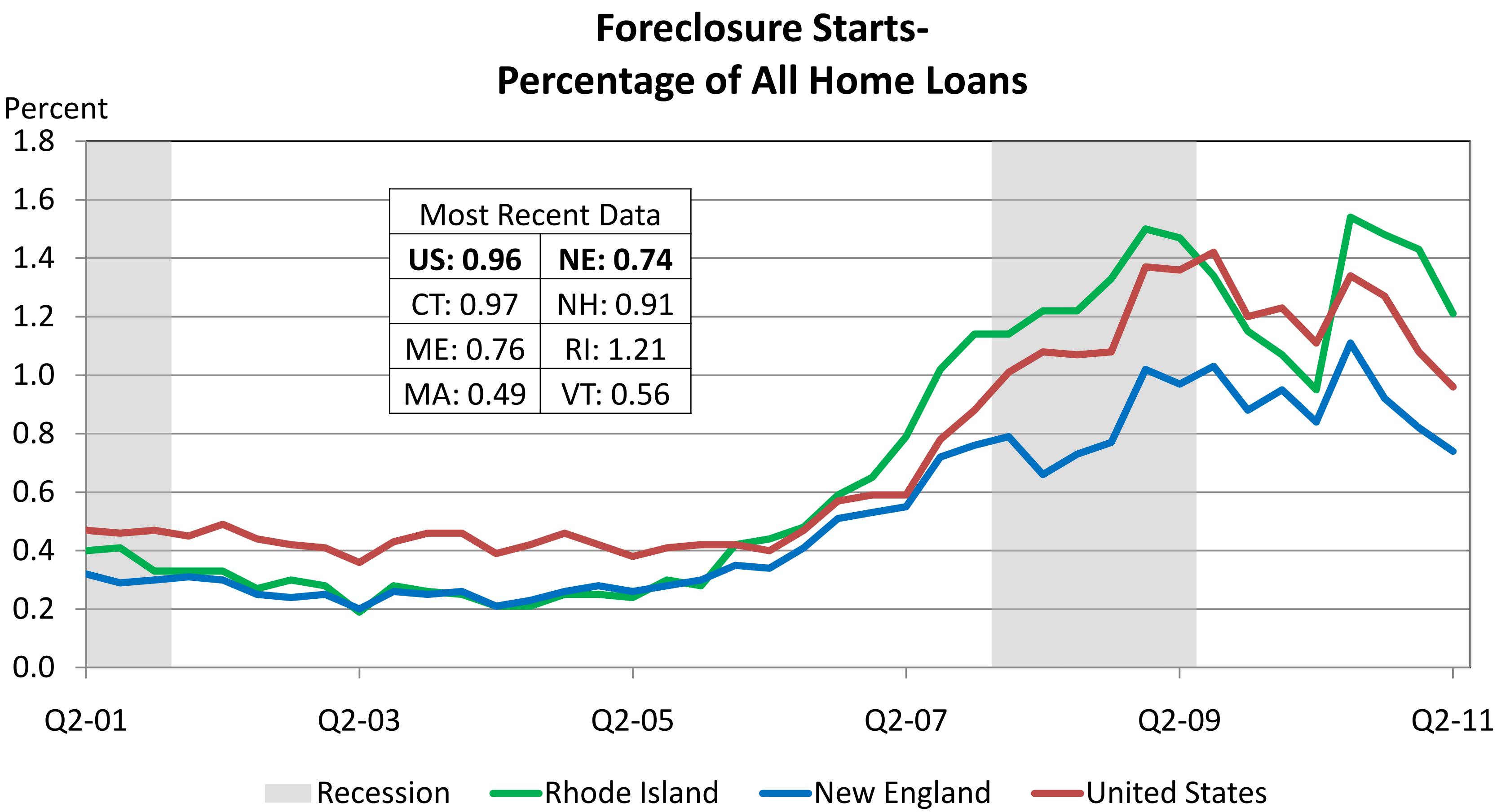
Source: Bureau of Labor Statistics/Haver Analytics

Rhode Island's "hidden" unemployment is above national and regional rates as well.



Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

Foreclosures remain elevated in Rhode Island and are above the national average.



Source: Mortgage Bankers Association/Haver Analytics

In June Federal Reserve officials expected solid U.S. GDP growth, elevated unemployment, and low inflation in 2011-2013.

	Actual	June 2011 Forecast			
	CY 2011 Q2	**CY 2011 Q4**	**CY 2012 Q4**	**CY 2013 Q4**	**Longer Run**
Real GDP growth (%)	**1.3**	2.7 to 2.9	3.3 to 3.7	3.5 to 4.2	2.5 to 2.8
Unemployment rate (%)	**9.1**	8.6 to 8.9	7.8 to 8.2	7.0 to 7.5	5.2 to 5.6
PCE inflation (%)	**1.3**	2.3 to 2.5	1.5 to 2.0	1.5 to 2.0	1.7 to 2.0

Source: Federal Open Market Committee, Summary of Economic Projections for the Meeting of June 21-22, 2011. Bureau of Labor Statistics and Bureau of Economic Analysis/Haver Analytics. Table shows central tendencies among the Federal Reserve Board governors and Federal Reserve Bank presidents.

Note: Table entries are fourth-quarter–to- fourth-quarter growth rates except for the unemployment rate, which is the fourth quarter level. PCE = personal consumption expenditures.

The outlook has deteriorated since mid-year.

- The Boston Fed is now projecting lower GDP growth and higher unemployment in 2011 and 2012 than the June consensus.

- Federal Reserve Open Market Committee press release of 9/21:
  - Cited continued slow economic growth and weak labor market conditions
  - Committed to federal funds rate target near zero through mid-2013
  - Bringing down long-term interest rates through "Operation Twist."

Summary & Recommendations

- To date, the economic recovery has been weaker in RI than nationally.

- National outlook has weakened since mid-year, prompting new monetary policy actions.

- State government policies should focus on improving the long-run economic climate in RI
  - Focus on job creation and improved education & and job training while remaining fiscally responsible.

Five questions every state should ask; Important to track progress.

1. Productivity	How productive is the workforce?
2. Innovation as Economic Engine	How well is research leading to development of marketable goods and services?
3. Business Dynamism	How many new businesses are being formed?
4. Education Level of the Workforce	What percentage of the population has attained post-secondary education?
5. Talent Flow and Attraction	What is the balance of educated adults migrating into and out of the state?

Sources of further information

- Visit www.bos.frb.org for updates on the New England and U.S. economies
  - *New England Economic Indicators* (statistical information updated continually)
  - *New England Economic Snapshot* (two pages of charts and commentary updated every six week)
  - Beige Book (anecdotal information updated every six weeks)
  - "News and Events" tab (speeches by Boston Fed president)
  - New England Public Policy Center "Assistance Provided" (economic update speeches by Boston Fed economists)

- Visit www.neepecon.org for New England state forecasts prepared by the New England Economic Partnership (May and November); proprietary forecasts are available to NEEP members.