

2024

OVERVIEW OF THE

RHODE ISLAND

ECONOMY



The Executive Office of Commerce submits its 2024 Overview of the Rhode Island Economy in accordance with R.I.G.L. § 42-64.19-6(6) which provides that the Secretary of Commerce shall be authorized to “Prepare and submit to the governor, the chairpersons of the house and senate finance committees, and the caseload estimating conference, by no later than April 15 of each year, a comprehensive overview of the Rhode Island economy. The secretary shall determine the contents of the overview and shall determine the important economic data and information that will inform the governor, and the revenue estimating committee on the economic conditions of the state and future issues and forward-looking projects of the Rhode Island economy.”

THE 2024 OVERVIEW OF THE RHODE ISLAND ECONOMY

EXECUTIVE OFFICE OF COMMERCE

THE 2024 OVERVIEW OF THE RHODE ISLAND ECONOMY

TO THE GOVERNOR AND THE GENERAL ASSEMBLY:

This report provides a comprehensive look at Rhode Island's economic outlook for 2024 and beyond. Additionally, it offers a review of our state's economy in 2023, an in-depth analysis of the current economic landscape and a short analysis of how existing policies will shape our state's economic future. We trust that this report and the analysis within will help inform and guide policy decisions and strategic economic planning.

The state's economy has continued to rebound from the effects of the COVID-19 pandemic, including recovering more than 100% of the jobs lost during the initial months of the pandemic. Last year's report advised on Rhode Island's readiness for a potential projected recession on the national level. That did not materialize in 2023, with both the state and local economies continuing to see growth over the year. However, it is important that we remain vigilant, continuing to be aware of economic indicators and pursuing policies that will help ensure Rhode Islanders are resilient in the face of potential downturns.

Governor McKee's initiatives, such as the Learn365 Initiative and his commitment to increasing per capita incomes, signal a strategic push towards enhancing education and economic prospects. These, coupled with the Rhode Island Commerce Corporation's actions and other governmental efforts, aim to build a stronger, more equitable economic foundation for our state.

Notably, the report underscores critical areas such as the historical shortage of housing production and the pressing need for increased residential development. The proposed investments, which have received approval from both the Governor and the General Assembly in recent years, aim to address these issues.

This annual economic overview for Rhode Island highlights a positive trajectory, celebrating the resilience and strength of the people of Rhode Island. It is through ongoing investment in our citizens, fortifying economic fundamentals, and leveraging data-driven decision-making that we can foster enduring prosperity for both our state and its residents.

ELIZABETH M. TANNER, ESQ.

SECRETARY OF COMMERCE

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INTRODUCTION

Rhode Island's economy faced headwinds in 2023 but closed out the year with strength and outpaced projections from 2022. The labor force was a particular area of strength, growing by 5,664 workers while the labor force participation rate also increased. Rhode Island also saw a record low unemployment rate in the middle of the year.

Last year's Overview of the Rhode Island Economy, published April 2023, cited a number of forecasts for the coming year encompassing the global, national, and state economies.¹ The U.S. economy performed better than the generally modest projections for economic growth in 2023. As cited in last year's report, the U.S. Congressional Budget Office (CBO) projected a real GDP increase of just 0.1% in 2023, restrained by declining home building and inventory investment.² Further, the International Monetary Fund (IMF) projected that growth would fall to 1.4% in 2023, a slightly more optimistic projection than the CBO's.³

According to the second estimate of the Bureau of Economic Analysis (BEA) as of February 28, 2024, real GDP increased 2.5% from the 2022 annual level to the 2023 annual level (calendar year).⁴ The third quarter of calendar year 2023 was especially strong for national economic growth, increasing at an annual rate of 4.9% through the months of July, August, and September. According to the BEA, the "increase in real GDP in 2023 primarily reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, exports, and federal government spending that were partly offset by decreases in residential fixed investment and private inventory investment".⁵ Continued increases in consumer spending driving real GDP growth is a sign that despite high interest rates and inflation, there continues to be high consumer demand for goods and services.

The CBO also projected troubling news for the labor market in 2023, predicting that the unemployment rate would rise to 5.1% by the end of the calendar year.⁶ However, BLS data demonstrate that the national unemployment rate was only 3.7% in December 2023, slightly higher than the national unemployment rate of 3.5% as of December 2022.⁷ Over the course of the year, the unemployment rate never rose above 3.8% (which occurred in August, September, and October).

On an international level, the IMF projected in January 2023 that the growth rate for the world economy in calendar year 2023 would be 2.9%, citing continued global inflation and the associated central bank rates as well as the war in Ukraine.⁸ In January 2024, the IMF published their latest World Economic Outlook Update, which estimated that global growth was 3.1% in 2023, slightly higher than their 2023 projections.⁹

Closer to home, the Revenue Estimating Conference (REC) published the Consensus Economic Forecast in November 2022. From the 2023 Overview of the Rhode Island Economy, "The group projected that total nonfarm employment would decrease slightly over the year, ending 2023 at 494,400. This would represent a decrease of 3,000 jobs (-0.6%) from the December 2022 figure of 497,400. The group also projected that the unemployment rate would reach 4.4% in calendar year 2023, up by 1.2% from the rate of 3.2% in December 2022".¹⁰ However, by December 2023, according to the Rhode Island Department of Labor and Training (DLT), total nonfarm

employment was 509,100, an increase of 7,600 from the revised December 2022 figure of 501,500 and nearly 15,000 jobs above projected. The unemployment rate also exceeded expectations, ending the year at 3.4%, slightly higher than the revised rate of 3.0% in December 2022. The average unemployment rate for 2023 was 2.94%. Many more details about the employment situation in Rhode Island can be found further in this work in Chapter 1: Year in Review.

As was the case in 2022, one of the main economic concerns throughout 2023 was inflation. While the rate of inflation (as measured by the year-over-year increase of the consumer price index (CPI), which is a measure that examines the weighted average of prices of a basket of consumer goods and services) gradually lowered over the course of the calendar year, it remains above the Federal Reserve’s target of 2%. In order to combat the continuing high inflation rate, the Federal Reserve (the “Fed”) raised the federal funds rate four times in 2023, closing out the year a full percent higher than the end of 2022, with a Federal Funds Target Rate of 5.25% to 5.5% by the end of 2023. Comparatively, the Fed raised rates seven times in 2022, going from 0.0% to 0.25% in early 2022 to 4.25% to 4.5% by the December 2022 meeting of the Federal Open Market Committee (FOMC).¹¹

The cost of housing was one of the leading drivers of inflation on the national level. According to the Bureau of Labor Statistics (BLS) and Brookings, in December 2023 the cost of shelter was 6.17% higher than one year ago.¹² All other items in the CPI had in the aggregate risen only 1.82% over the last year. With the cost of housing drastically increasing in 2023 and the Fed consistently increasing interest rates (indirectly driving mortgage rates higher) over the year to drive down inflation, home ownership is becoming increasingly more difficult to attain. According to the St. Louis Federal Reserve, the national average 30-year fixed rate mortgage in 2023 was 6.84%, compared to 5.34% in 2022 and just 2.96% in 2021.¹³ This rate peaked at 7.80% the week of October 25, 2023, rising from a low of 3.22% in the first week of January, 2022.

While these inflation and housing statistics are most commonly calculated on a national level, continued inflation (even if at a slower pace) as well as rising interest rates have contributed to economic challenges for many Rhode Islanders, with the cost of housing being chief among them.

In 2023, the Rhode Island Commerce Corporation (Corporation) developed and finalized the state’s new Comprehensive Economic Development Strategy (CEDS) and Long-Term Economic Development Vision and Policy. This plan, *Ocean State Accelerates*, expands on Governor McKee’s Rhode Island 2030 process and vision for the state. The final version of *Ocean State Accelerates* is available on the Corporation’s website (linked [here](#)).

The RI 2030 process set goals for economic development and growth in the state, based on input from experts, stakeholders, and Rhode Islanders. The goal set for economic growth by 2030 is that “Rhode Island will have a more prosperous, equitable, and resilient economy with more economic opportunity and family-sustaining jobs where businesses – both big and small – can thrive and meet the many challenges of the 21st century, from climate change to technological

innovation”.¹⁴ The RI 2030 plan also provided economic analysis centered around the labor market and employment, pointing out that prior to the COVID-19 pandemic, the economy saw employment at an all-time high and unemployment at a three-decade low. Despite massive shocks to the economic system in early 2020, including an unemployment rate reaching 18% in April 2020, the state’s economy quickly rebounded in 2021 thanks to effective federal and state relief programs. Additionally, RI 2030 identified median household income as an area where, despite Rhode Island exceeding the national median, the state lags behind our neighbors. Increasing household and individual incomes is a major focus of Governor McKee’s administration and will be discussed further later in this report.

Ocean State Accelerates takes the analysis and goals set out in RI 2030 and dives deeper to create actionable tasks and further support the broad goals with data. It is designed to be comprehensive, prosperity- and resilience-focused, data-driven, and equity- and inclusivity-centered. With significant input from stakeholders and community members, it is divided into three thematic areas to drive economic development: (1) strong communities — e.g., improving child care and education quality and availability, investing in affordable housing, and taking a holistic approach to tourism and placemaking; (2) increased prosperity — e.g., supporting entrepreneurs and small businesses, improving government functions, and expanding industry collaboration for workforce development; and (3) sustainable growth — e.g., developing resilient infrastructure, embedding climate resilience into state initiatives, and supporting the state’s goal for 100% renewable energy by 2033.

The data analysis completed for *Ocean State Accelerates* highlighted both risks and opportunities for Rhode Island. Like RI 2030, a large focus was placed on median household income and labor market participation. Per *Ocean State Accelerates*, Rhode Island’s median household income in 2022 was \$76,687, higher than the national median (\$72,414) but lower than that of Connecticut (\$83,781), Massachusetts (\$95,882), and New England (\$84,652). Similarly, the labor force participation rate in Rhode Island in 2022 was higher than the national rate but lower than Massachusetts and Connecticut. *Ocean State Accelerates* also highlights strengths of the state, such as our innovation ecosystem. Among national indicators cited in the plan, Rhode Island ranked first in knowledge creation and technology diffusion, second in average STEM degree creation per 1,000 population, third in broadband infrastructure and adoption, and fourth in patent technology diffusion.¹⁵ Another important point made in the plan regarding Rhode Island’s future economic outlook is that the state “is experiencing slowing population growth due to declining international migration into the state, increasing domestic migration out of the state, and a negative natural change (births minus deaths)”.¹⁶ These economic factors have influenced the plan’s focus on growing the state’s available workforce, increasing the supply of affordable housing, improving childcare and education, and investing in young professionals.

Ocean State Accelerates also sets forth metrics to track the implementation of the plan over its five-year term. These will be published and regularly updated via a PowerBI dashboard on the Corporation’s website (linked [here](#)). Regarding the Increased Prosperity theme of the plan, the metrics include establishment births to deaths ratio, share of regional GDP of selected industries, location quotient of selected industries, patent creation rate, registered apprenticeship

participants, and more. Other metrics to be tracked, in coordination with other state agencies, include Brightstar ratings of licensed early learning centers and family childcare programs, the compound annual growth rate of the population ages 25-29, and total net greenhouse gas emissions by year compared to the 1990 baseline.

Though Rhode Island's economic rebound from the downturn caused by the COVID-19 pandemic encountered challenges in 2023, the state finished the year with momentum: the unemployment rate remains low, labor force participation is up, employment increased especially in the second half of the year, and real GDP growth continues. This report on the economy further includes information on how the Learn365 Initiative to improve educational outcomes can increase the potential for economic development in the state as well as current and future potential policy initiatives to increase the per capita income of Rhode Islanders (Chapter 3).

CHAPTER 1

2023 IN REVIEW

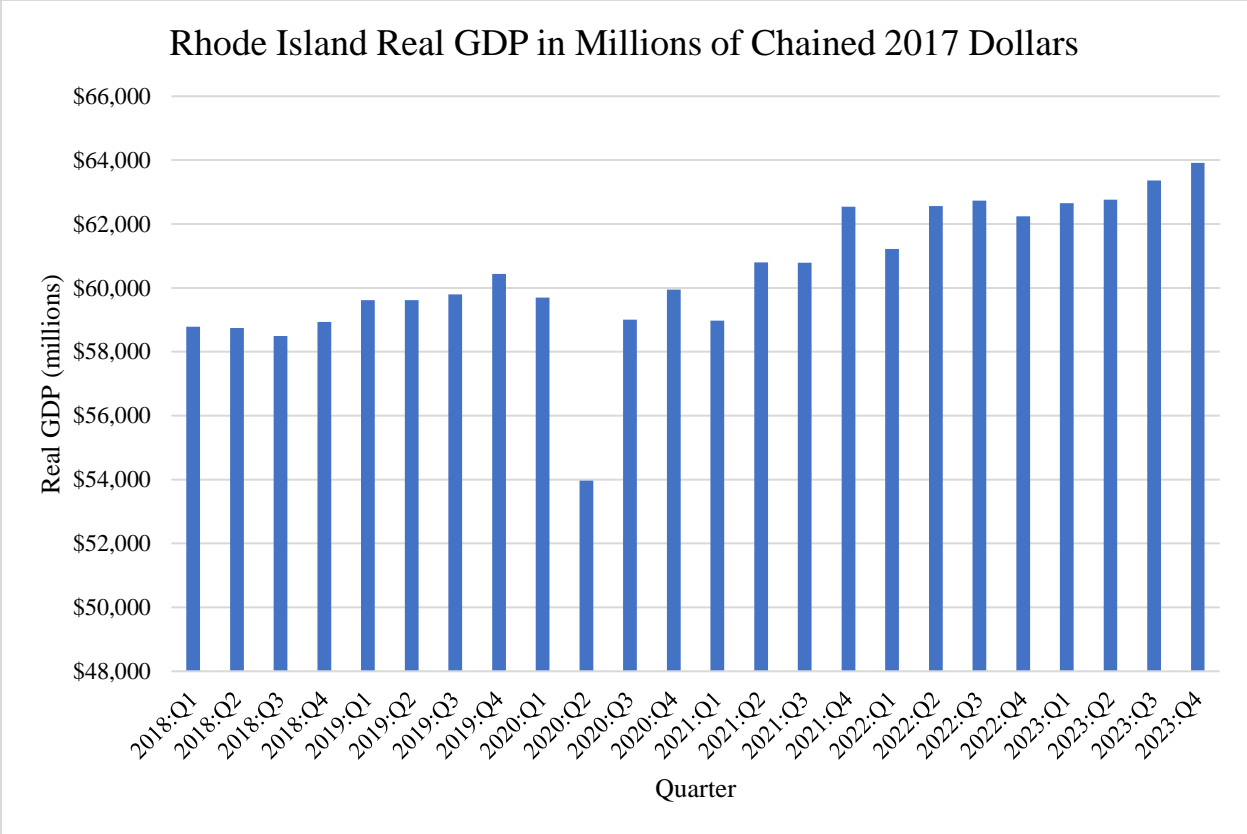
This chapter will review Rhode Island’s performance in 2023 related to economic growth, the labor market, the housing market, international trade, and population growth, placed in the context of regional and national trends.

U.S., Regional, and Rhode Island Economic Growth

Nationally, real GDP increased 2.5% from the 2022 annual level to the 2023 annual level, far outpacing expectations for economic growth, as described in the introduction above. In 2023 Q4, national real GDP was \$22.669 trillion, compared to \$21.99 trillion in 2022 Q4 (chained 2017 dollars). This represents a 3.09% increase over four quarters. Further, it represents an increase of more than \$1.7 trillion, or 8.2%, since Q4 of 2019, the last quarter before the national economy was impacted by the onset of the COVID-19 pandemic. As in 2022, national real GDP increased more in the second half of the year. In 2023, the quarterly growth rate in real GDP (non-annualized) in Q1 was 0.56%, in Q2 was 0.51%, in Q3 was 1.19%, and in Q4 was 0.79%.

The New England real GDP grew by \$23.5 billion from Q4 2022 to Q4 2023, representing an increase of 2.04%. Further, regional real GDP has grown by \$79.96 billion since Q4 of 2019, an increase of 7.3%. In terms of compound annual growth rate of real GDP from 2019 Q4 to 2023 Q4, New England ranked fifth out of BEA’s eight regions, at 1.8%. The Southwest and Rocky Mountain regions ranked first and second, at 3.0% and 2.9%, respectively.

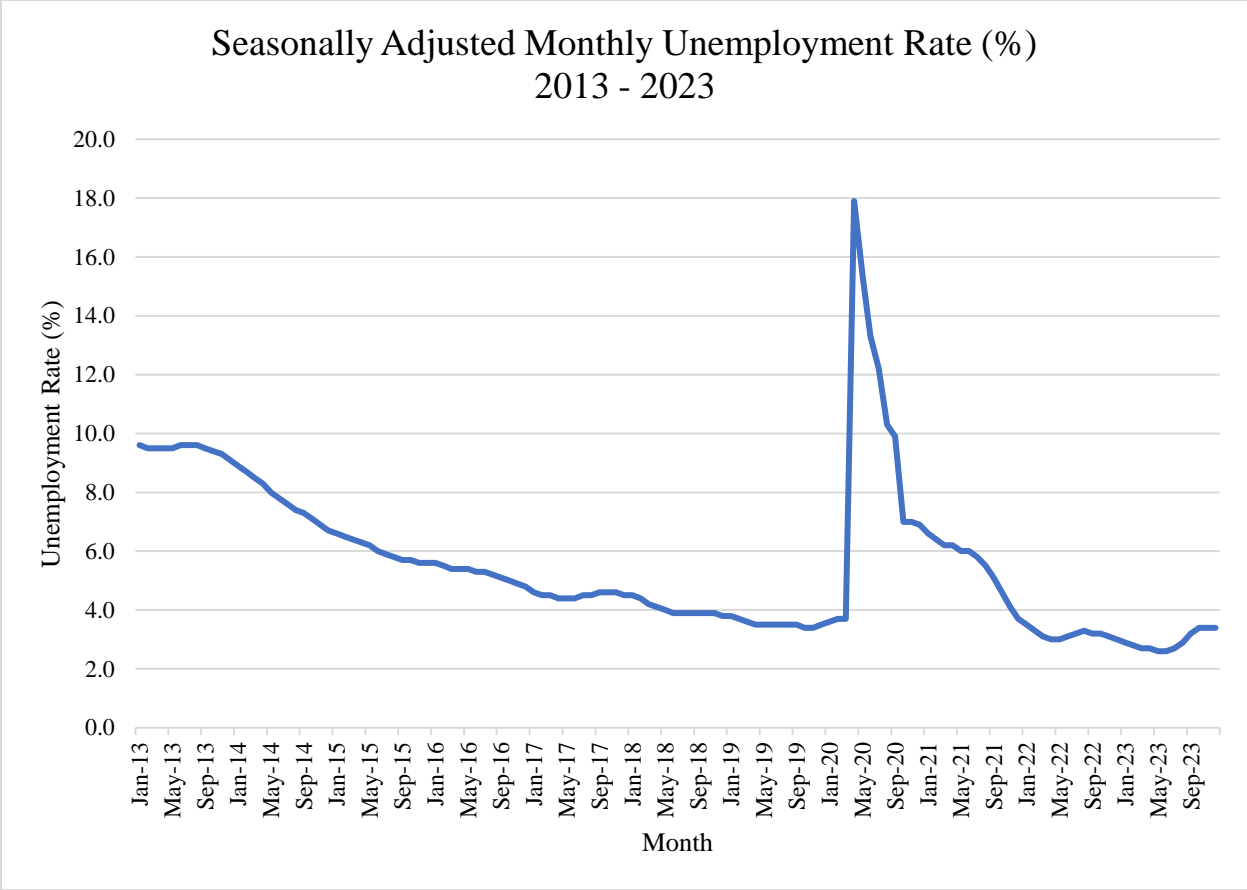
As demonstrated in the chart below, Rhode Island’s real GDP growth has rebounded quickly since the downturn caused by the COVID-19 pandemic. From Q4 2022 to Q4 2023, real GDP grew by \$1.68 billion, an increase of 2.7%. Rhode Island’s compound annual growth rate of real GDP from Q4 2019 to Q4 2023 was 1.4%, ranking 32nd out of the 50 states and the District of Columbia. In comparison, Massachusetts ranked 19th at 2.1% and Connecticut ranked 38th at 0.9%. Rhode Island had the fifth-highest rate in New England (behind Maine, New Hampshire, Massachusetts, and Vermont, in that order). Rhode Island’s fourth quarter real GDP of \$63.914 billion (chained 2017 dollars) is its highest on record.



Source: U.S. Bureau of Economic Analysis

Labor Market and Workforce

2023 was a record-setting year for Rhode Island, breaking the lowest recorded unemployment rate in the state’s history at 2.6% in both May and June of 2023. This rate is lower than the previous record of 2.7%, set in April and May of 1988. According to DLT, through the end of 2023, total nonfarm employment reached 509,100, recovering more than 100% of the 108,700 jobs lost during the initial months of the pandemic. The chart below shows the seasonally adjusted unemployment rate in every month over the last decade.

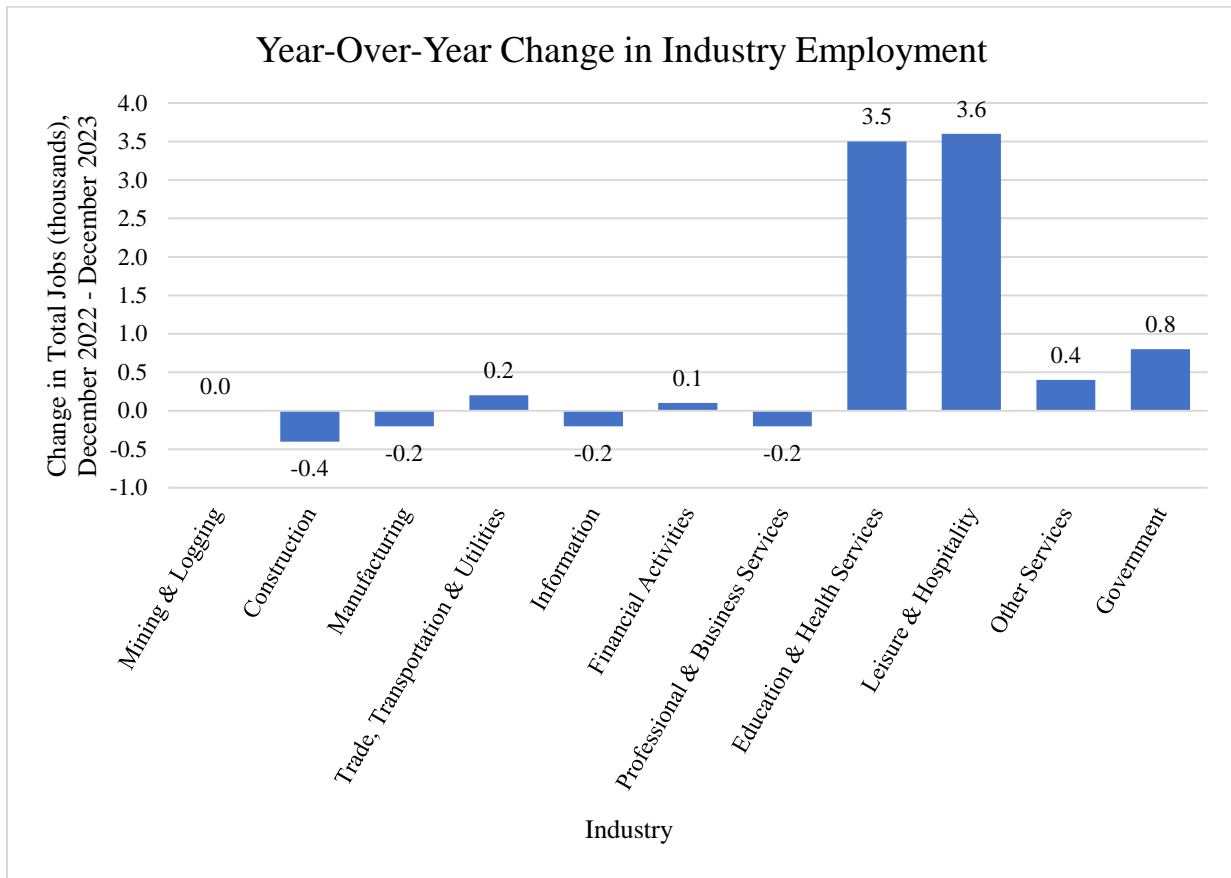


Source: U.S. Bureau of Labor Statistics

Compared to the rest of the region, Rhode Island ranked either third or fourth in New England for the lowest unemployment rate in each month of the year. However, Rhode Island had a lower unemployment rate than Connecticut in every month of the year and a lower unemployment rate than Massachusetts in every month except October, November, and December (the two states were tied at 3.4% in October). By annual average unemployment rate, Rhode Island ranked fourth in New England at 2.94%, ahead of Massachusetts (3.34%) and Connecticut (3.71%). In every month of the year, Rhode Island’s unemployment rate was below the national average, continuing a trend since November 2021, when the national unemployment rate and the state unemployment rate were tied at 4.1%. Before that date, Rhode Island’s unemployment rate had been higher than the national rate in every month since March 2020.

From December 2022 to December 2023, the number of total Rhode Island nonfarm jobs increased by 7,600 (1.52%). The industries that saw the largest growth over that period were Leisure and Hospitality (+3,600 jobs or 6.21%) — inclusive of Arts, Entertainment & Recreation (+1,400 jobs, 18.92%) and Accommodation & Food Services (+2,200 jobs, 4.35%) — and Health Care & Social Assistance (+3,600 jobs, 4.47%). The Construction and Manufacturing sectors both saw small declines in employment, decreasing over the year by 400 (-1.87%) and 200 (-0.49%), respectively. The decline in manufacturing was driven by the Non-Durable Goods

subsector, which lost 500 jobs (-3.33%) while the Durable Goods subsector increased by 300 jobs (1.18%).

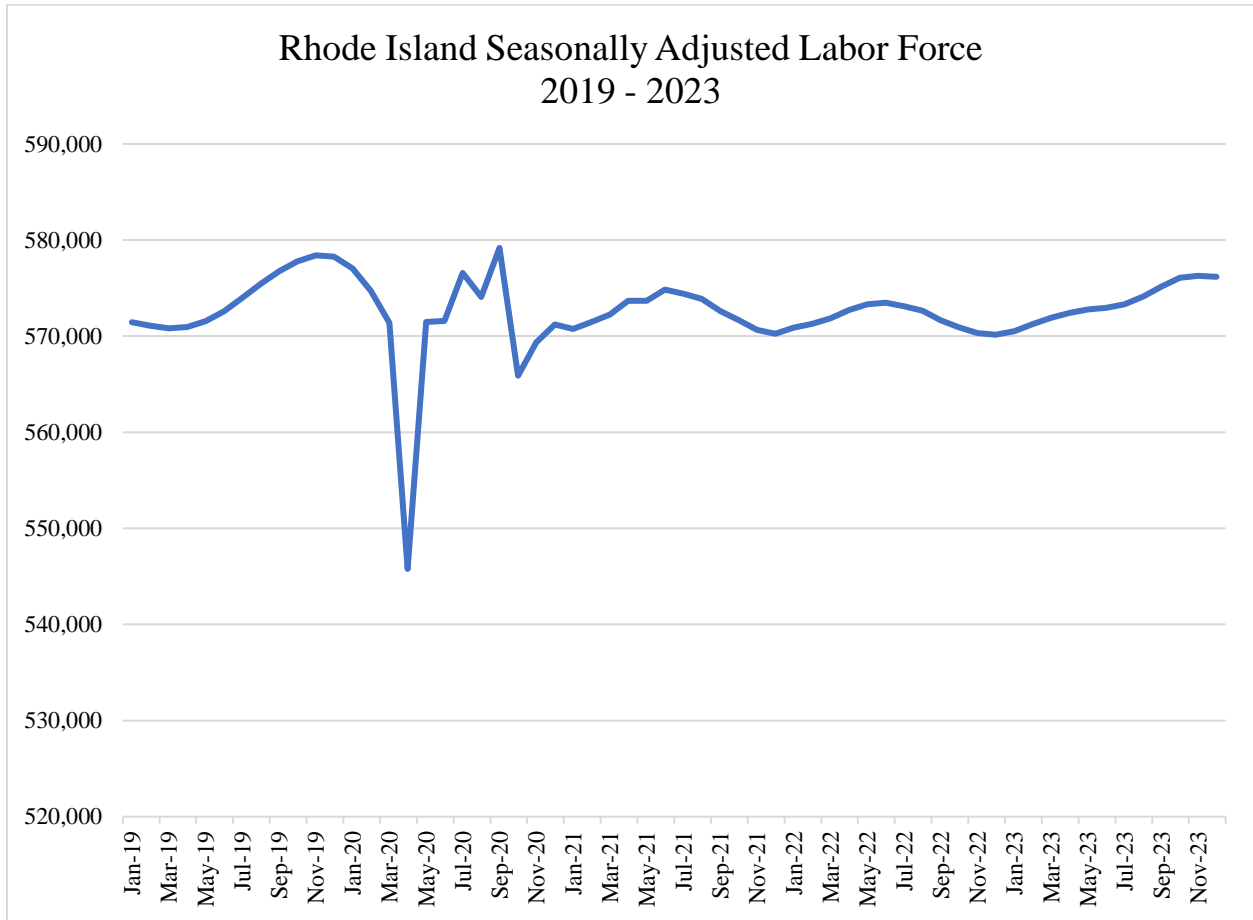


Source: Rhode Island Department of Labor and Training

Compared to December 2019, the number of Rhode Island total nonfarm jobs increased by 3,900 in December 2023, an increase of 0.77%. The biggest industry increase was in Professional, Scientific, & Technical Services, which increased by 4,200 jobs, an increase of 16.15%. The biggest decrease was Management of Companies, which saw a decrease of 2,700 jobs, or -20%. Only two other industries saw a change of more than 5% in total jobs over the period, showing remarkable stability in distribution of jobs across sectors. The two industries that changed by more than 5% were Construction (+1,100 jobs, 5.53%) and Wholesale Trade (+800 jobs, 5.16%). The Manufacturing sector grew by 500 jobs over the three-year period, an increase of 1.26%.

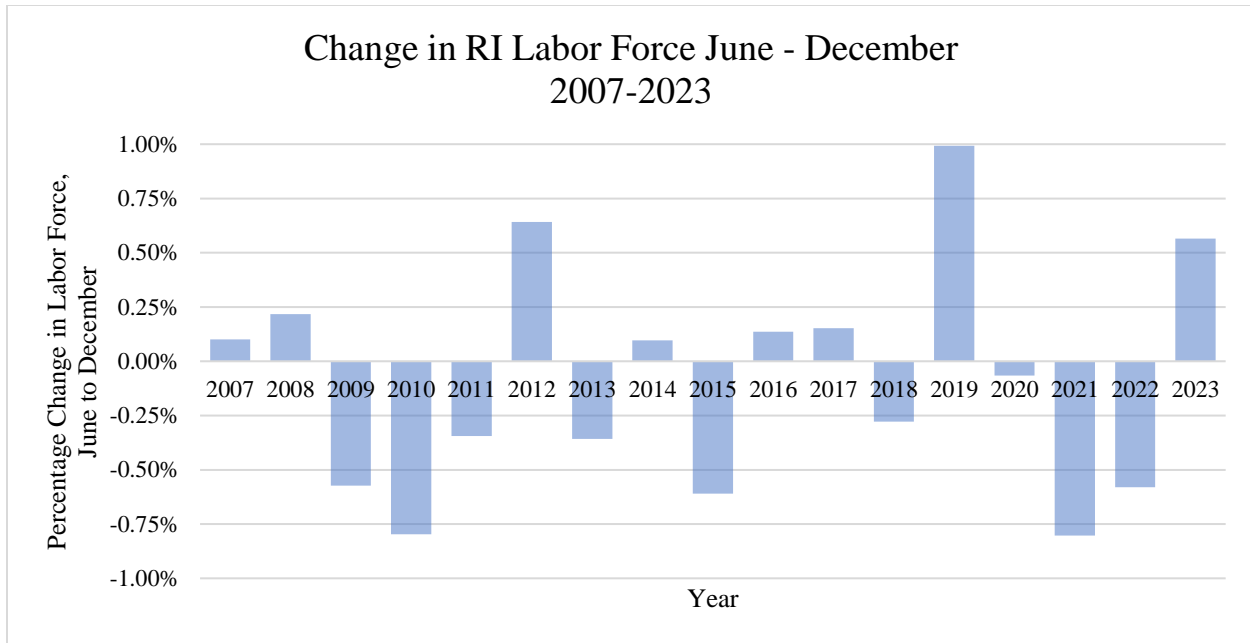
The 2023 Overview of the Rhode Island Economy pointed out a concerning trend in the decreasing size of the labor force in 2022, shrinking by over 3,000 workers from January to December. Data revisions since the publication of that report show that this change was in fact overstated. The latest data available from BLS and DLT show that the labor force decreased by only 709 people (-0.12%) from January to December 2022. Further, 2023 brought growth in the labor force, very good news for Rhode Island's economy. From January to December 2023, the labor force grew by 5,664 workers, an increase of 0.99%. The labor force as of December was

576,169, the ninth highest monthly figure on record and the fourth highest since the beginning of the COVID-19 pandemic.



Source: Rhode Island Department of Labor and Training

Additionally, the state’s labor force participation rate grew from 63.4% in January 2023 to 63.7% in December. This growth demonstrates a larger percentage of the population participating in the economy, either employed or looking for work. Interestingly, there was no reported seasonal decline in the labor force between the summer and winter months. As demonstrated by the chart below, in the 17 years since the beginning of the Great Recession, there has been a decline in the labor force from June to December in nine of those years. 2023 saw the third largest increase in labor force size over that period, growing by 0.56% from June 2023 to December 2023.



Source: Rhode Island Department of Labor and Training

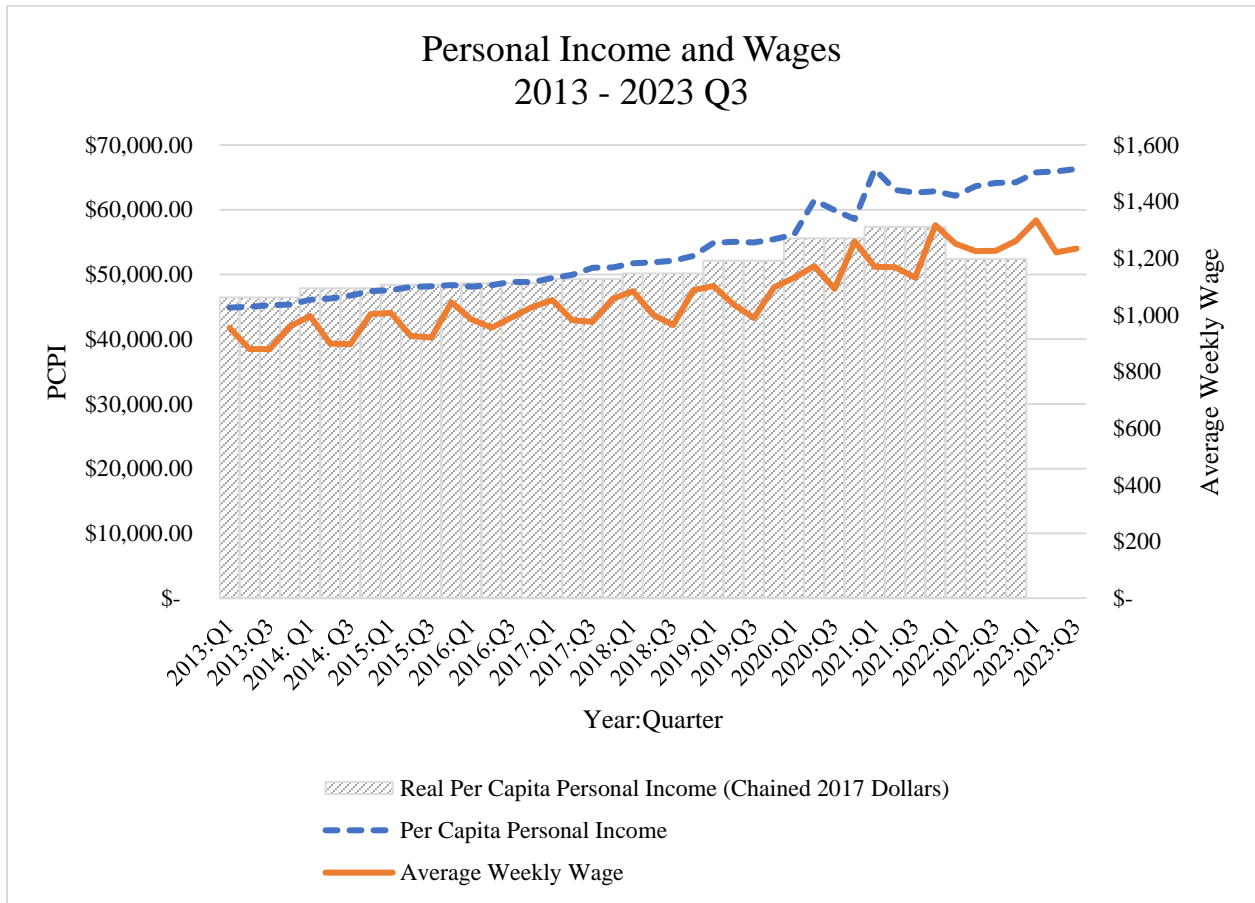
Though Rhode Island consistently outpaced the national labor force participation rate, which averaged 62.6% in 2023, the state ranked fourth in New England in every month of the year. Maine was an outlier in the region, with an average monthly labor force participation rate of 59.2%, more than four percentage points behind the next closest state. Comparatively, the other five states in the region ranged from 63.6% (Rhode Island) to 65.1% (New Hampshire), a gap of only one and a half percentage points. In terms of growth of labor force participation rate over the year, Rhode Island ranked third, growing by 0.3 percentage points from January to December, behind Vermont (+0.8 percentage points) and Maine (+0.5 percentage points). Massachusetts was the only state in the region to end the year with a lower labor force participation rate than that with which it started.

Preliminary data for the first three quarters of 2023 show that average weekly wages are continuing to trend upwards, with the average weekly wage across the three quarters being \$1,263. This is a slight increase from the 2022 annual average weekly wage of \$1,241, an increase of 1.79%, and an increase of almost 20% since 2019 (\$1,102). The first quarter of 2023 demonstrated a particularly large increase, rising to \$1,334, the highest value on record, eclipsing the previous record of \$1,317 set in the fourth quarter of 2021. The average weekly wage of \$1,263, when taken across a full year, equates to annual wages of \$65,676, compared to \$54,925 in 2019. Rhode Island's average weekly wage in the first three quarters of 2023 ranks 20th in the nation and fourth in New England, behind Massachusetts (\$1,744, second in the nation), Connecticut (\$1,605, fifth in the nation), and New Hampshire (\$1,400, 11th in the nation).

Per capita personal income (PCPI) follows a similar trend to average weekly wages, increasing fairly steadily over the last decade, with notable fluctuations during the pandemic years. The average PCPI in Rhode Island over the first three quarters of 2023 was \$65,981, compared to an annual average of \$63,539 in 2022, an increase of 3.8%. Between 2021 and 2022, PCPI fell

slightly from \$63,696 to \$63,539 (-0.25%). Rhode Island’s average quarterly per capita personal income over the first three quarters of 2023 ranked 22nd in the nation and fifth in New England behind Massachusetts (\$87,789, second in the nation), Connecticut (\$86,734, third in the nation), New Hampshire (\$77,021, 10th in the nation), and Vermont (\$66,409, 21st in the nation).

It is important to note, however, that both PCPI and average weekly wage measures are not adjusted for inflation. Data on real per capita personal income, which is chained to account for inflation, are not yet available for 2023. In 2022, real PCPI (chained 2017 dollars) was \$52,380 compared to \$57,342 in 2021, a decrease of 8.65%. The chart below shows PCPI, real PCPI, and average weekly wage since 2013, clearly showing the aforementioned upward trend but also how adjusting for inflation changes the data.



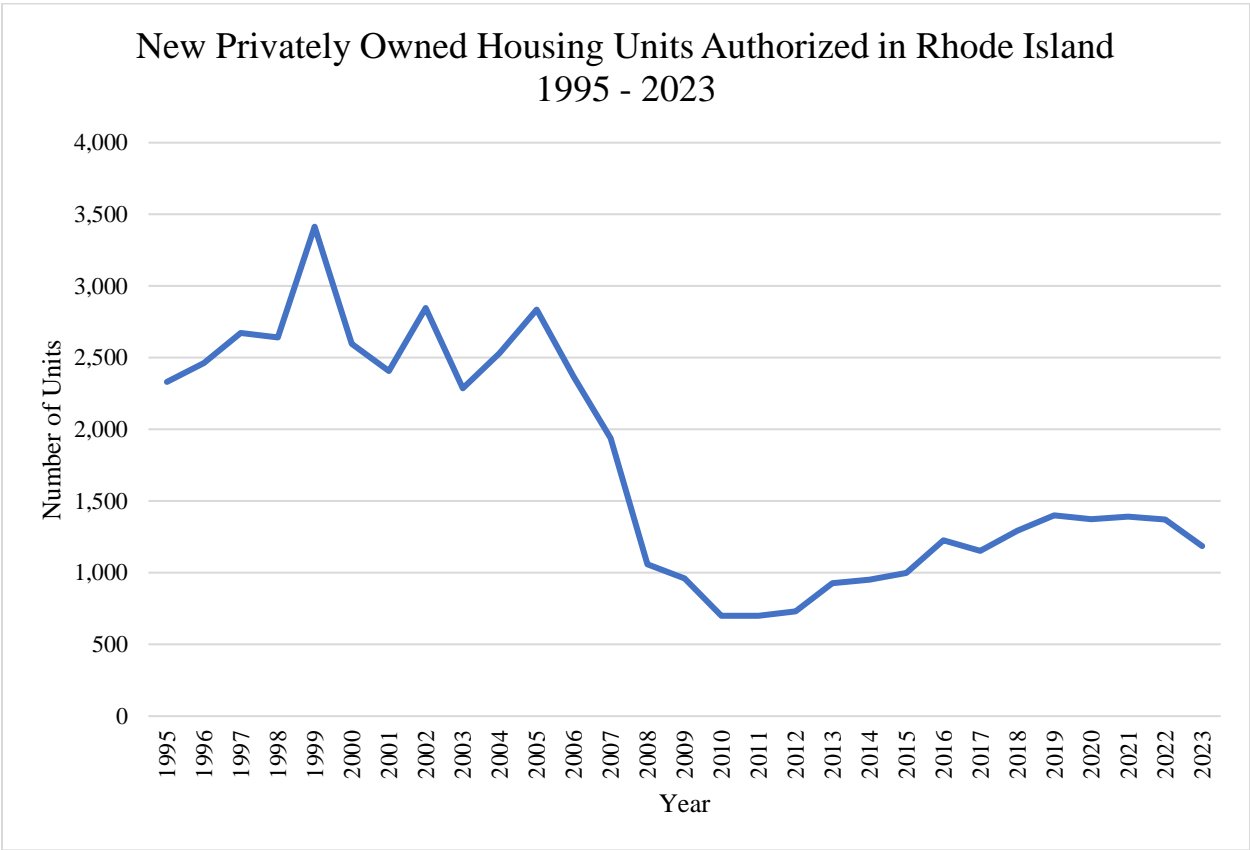
Source: U.S. Bureau of Labor Statistics and U.S. Bureau of Economic Analysis

Housing Market

As prefaced in the introduction, 2023 was another year of rising housing prices and low housing production. The number of new privately owned housing units authorized decreased for the second straight year, with 1,186 being authorized in 2023 compared to 1,371 in 2022 and 1,392

in 2021.ⁱ “Privately owned housing units authorized” is the term utilized by the Census Bureau and refers to local approval through the issuance of building or zoning permits for residential construction in any structure not owned by any federal, state, or local governments.

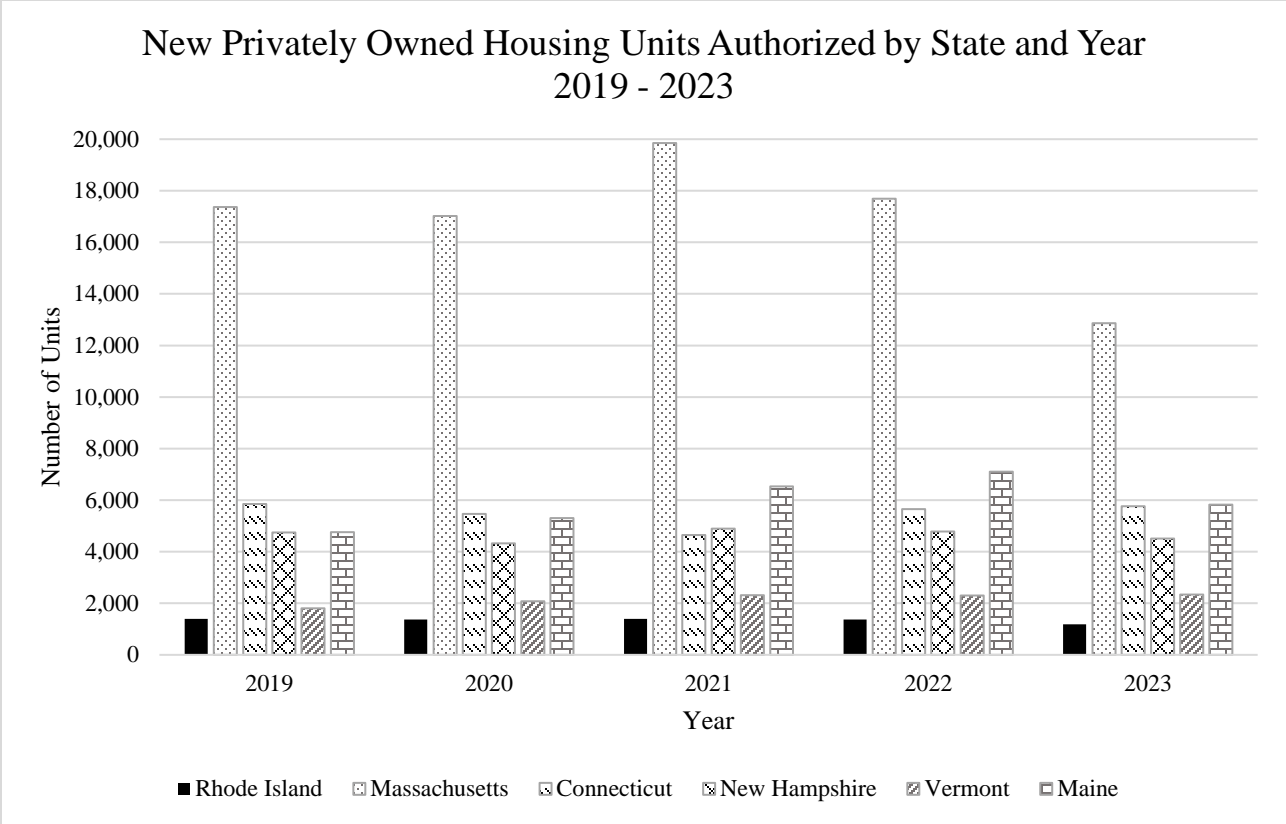
For 2023, Rhode Island ranked last in the nation for housing production per capita, with only 1.08 units authorized per 1,000 residents. By comparison, the top-ranked state, Idaho, authorized more than 9 units per 1,000 residents. Housing production in Rhode Island has been relatively stagnant since the Great Recession, never increasing above 1,400 new units authorized since 2008. Prior to the recession, the highest number of units authorized was 3,414 in 1999, nearly triple the number authorized in 2023. From the Building Permits Survey, density of units authorized is increasing, with 317 out of the 1,186 units being in buildings of five units or more, an increase of 55.4% from 2022 and more than 150% since 2021.



Source: U.S. Census Bureau, Building Permits Survey

Regionally, Rhode Island continues to trail the rest of New England in housing construction. As was the case in 2022, and has been the case in each of the last five years, Rhode Island has ranked last in the region for number of new privately owned housing units authorized, falling below even Vermont, which has a much smaller population.

ⁱ Note that the Census Building Permits Survey does not capture building conversions as new housing. The Department of Business Regulation and Department of Housing are working to improve e-permitting data collection to improve data quality across the state.



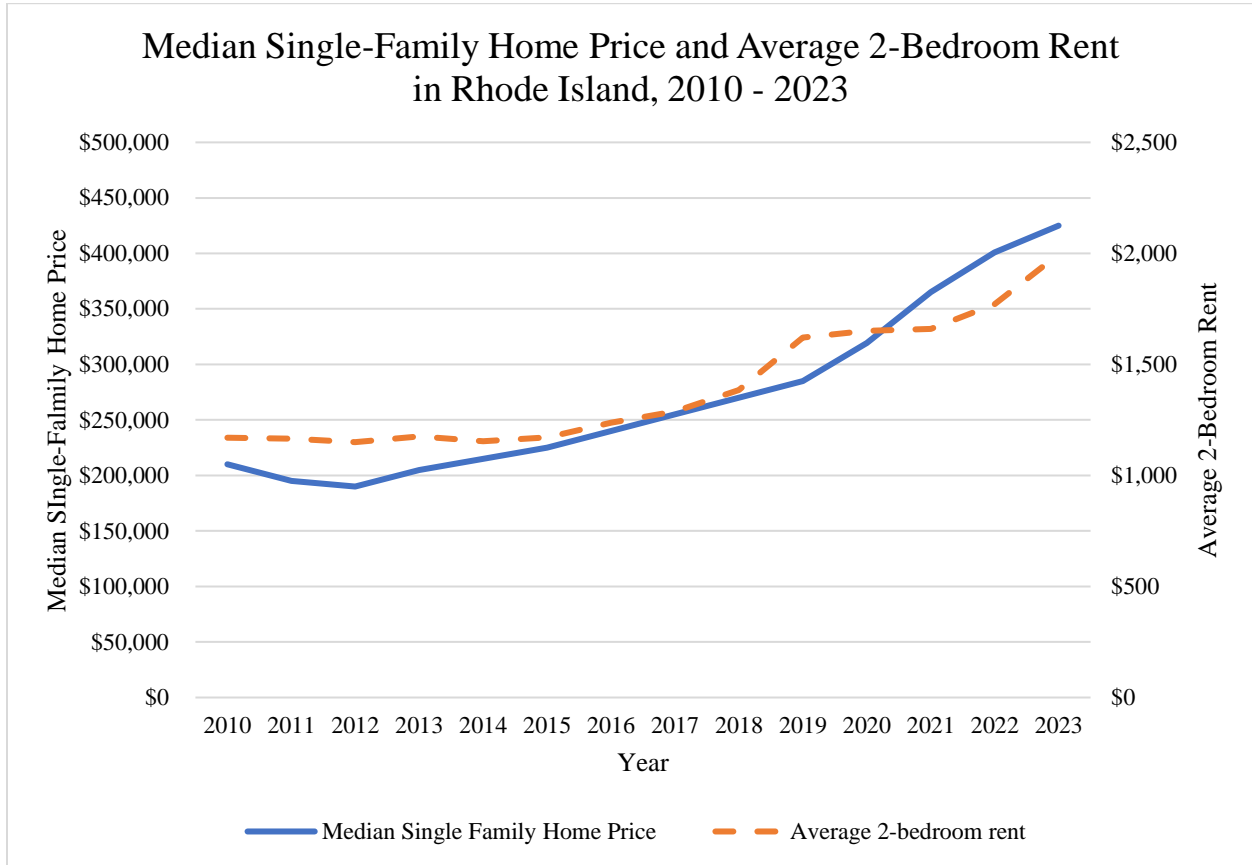
Source: U.S. Census Bureau, Building Permits Survey

For further detail on housing production last year, including disaggregation by municipality, see the 2023 Rhode Island Annual Integrated Housing Report.¹⁷ It should be noted that the state is pursuing meaningful investment and policy changes to ease the burden of the housing crisis, especially through use of the state’s State Fiscal Recovery Fund (SFRF) allocation. Thanks to the \$321.5 million SFRF investment, the Department of Housing and RIHousing have financed new homes, added new shelter beds, and helped Rhode Islanders become new homeowners. Through these investments in Rhode Island’s future, nearly 1,700 new housing units — including more than 1,400 affordable units — are being produced, our state’s shelter capacity has increased by more than 30%, and more than 1,500 families were able to purchase their first home.

The continued increase of housing prices creates barriers for individuals and families already in Rhode Island and for those looking to move into the state. According to the RI Association of Realtors, the median price for a single-family home was \$425,000, an increase of 5.99% compared to 2022.¹⁸ This was the 12th straight year of increases, rising from \$190,000 in 2012, an increase of 123.7% over that time. Further, since 2019, the median price for a single-family home has increased by 49.1%. As mentioned in the introduction, rising interest rates over the past two years have further increased the barriers to homeownership.

Along with rising costs to own a home, costs to rent are also increasing. According to the HousingWorksRI Factbook for 2023, the average 2-bedroom rent in Rhode Island was \$1,996.¹⁹ This represents an increase of 12.7% from 2022 and a 73.6% increase from 2012. In order to

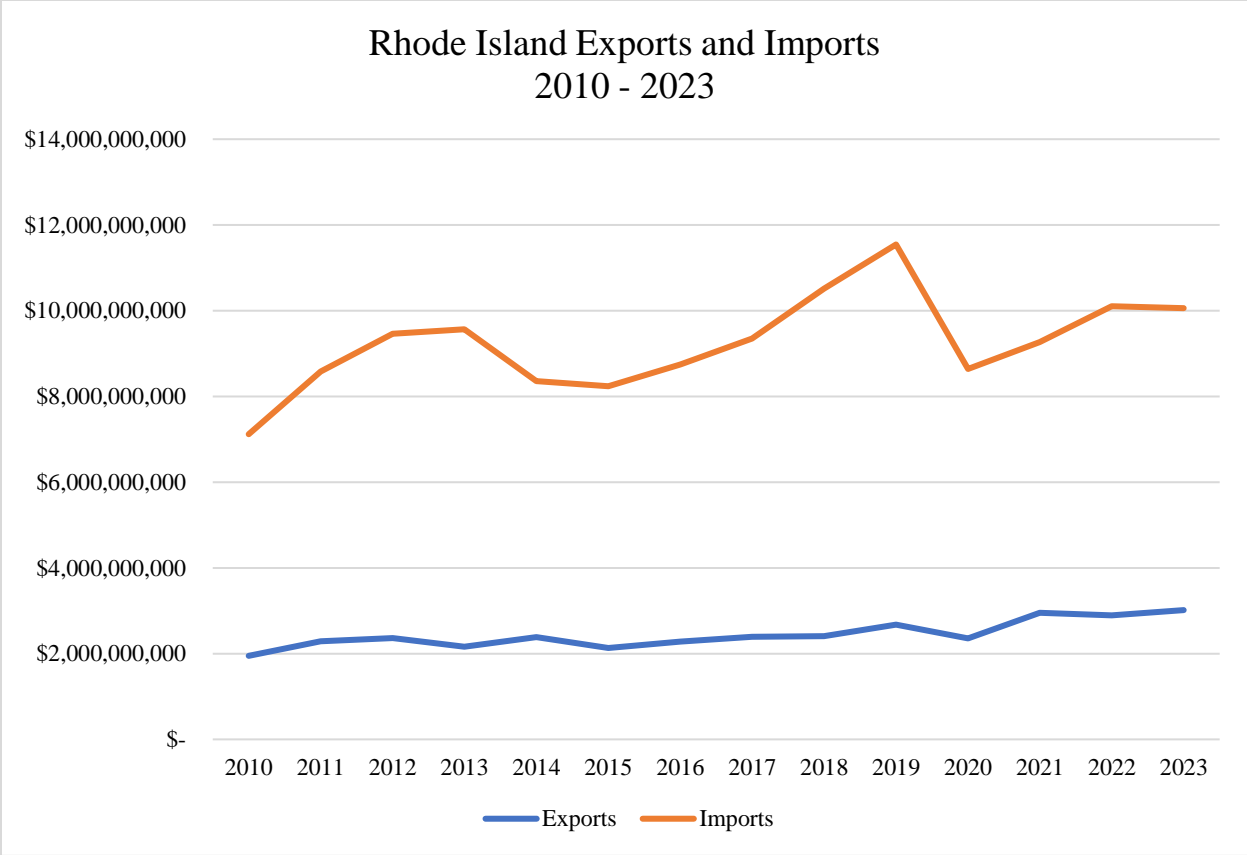
afford a monthly rent of \$1,996, a household must earn \$79,840, 107% of the state’s median household income of \$74,489. 47% of renter households are cost burdened, meaning they spend 30% or more of their income on housing costs. Comparatively, only 27% of owner households are cost burdened.



Source: RI Realtors Association and HousingWorksRI FactBook

International Trade

In the international market, exports increased slightly to an all-time high, while imports were nearly flat over the year. Imports remain below pre-pandemic levels, which were at a record high of \$11.54 billion in 2019. It is important to note that these figures are not adjusted for inflation, so values can fluctuate significantly from year to year depending on the price of goods. Total imports in 2023 were \$10.06 billion, just 0.45% below 2022 levels. Exports increased by 4.35% over the year, reaching an all-time high of \$3.02 billion. The previous record high was set in 2021 at \$2.95 billion. Both imports and exports have grown over the past decade, with exports growing 39.3% and imports growing just 5.15% over that period. Since 2013, the state’s trade deficit (total imports minus total exports) has shrunk from \$7.40 billion to \$7.05 billion, but has fluctuated significantly over the years, reaching a low of \$5.97 billion in 2014 and a high of \$8.87 billion in 2019.



Source: U.S. Census Bureau, Foreign Trade Division

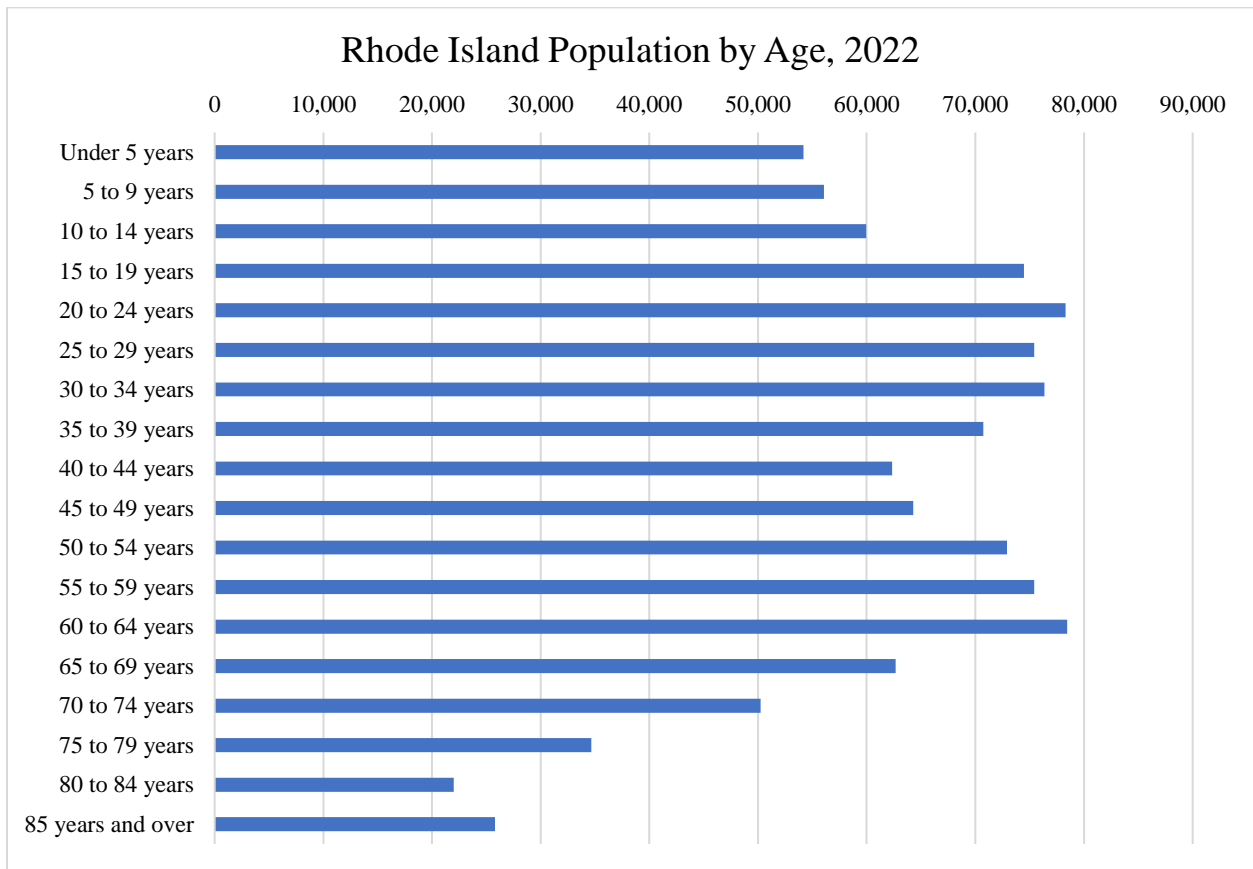
The largest overall export categories in 2023 were Waste and Scrap (\$777,427,371), Chemicals (\$635,708,911), and Miscellaneous Manufactured Commodities (\$421,758,563). Rhode Island’s top trading partners in terms of total exports in 2023 were Canada (\$486,822,070), Italy (\$388,258,343), and the Dominican Republic (\$331,331,269). These top export categories and top trading partners are unchanged from 2022. The largest increases in exports by category from 2022 to 2023 were Chemicals (+\$90,722,325); Electrical Equipment, Appliances and Components (+\$30,459,619); and Transportation Equipment (+\$14,309,974). The largest decreases in exports by category over the year were Fabricated Metal Products, Not Elsewhere Specified or Included (NESOI) (-\$18,423,310); Fish, Fresh/Chilled/Frozen and Other Marine Products (-\$11,725,357); and Textiles & Fabrics (-\$8,226,037).

The largest overall import categories in 2023 were Transportation Equipment (\$4,805,346,672), Petroleum and Coal Products (\$1,713,044,299), and Miscellaneous Manufactured Commodities (\$1,239,760,896). Rhode Island’s top trading partners in terms of total imports in 2023 were Germany (\$1,880,308,083), Canada (\$1,448,676,798), and Mexico (\$1,425,031,286). These top import categories and top trading partners are the same as 2022, though in 2022 Mexico ranked first, Germany second, and Canada third. The largest increases in imports by category from 2022 to 2023 were Transportation Equipment (+\$716,054,157); Primary Metal Manufacturing (+\$111,388,306); and Fabricated Metal Products, NESOI (+\$33,193,100). The largest decreases

in imports by category over the year were Petroleum and Coal Products (-\$649,596,786), Miscellaneous Manufactured Commodities (-\$96,216,503), and Chemicals (-\$62,240,362).

Population Trends

The modal age among Rhode Islanders in 2022 — the latest data available — was 60 to 64 years, making up 7.17% of all Rhode Islanders. Just barely in second place was the age range 20 to 24 years, making up 7.16% of the population. The disparity between the percentage of these two groups has shrunk since 2021, when there was a difference of 0.53%. 17.85% of the Rhode Island population is 65 or older (195,378 individuals), while 22.36% of the population is under the age of 20 (244,667 individuals). Combined, these two cohorts, which are outside of the traditional age of the workforce, make up more than 40% of the state’s population. From 2021 to 2022, there was an increase of 3,796 individuals between the ages of 20 and 64, driven by an increase of individuals in the 20 to 29 age bracket, which saw an increase of 6,545 over the year. As mentioned above, Rhode Island had good news in the labor force this year, with an increase of 5,664 individuals from January to December 2023. A population that skews younger would help maintain these gains and continue growing the labor force by countering the coming wave of retirement by people nearing the age of 65.



Source: U.S. Census Bureau, American Community Survey

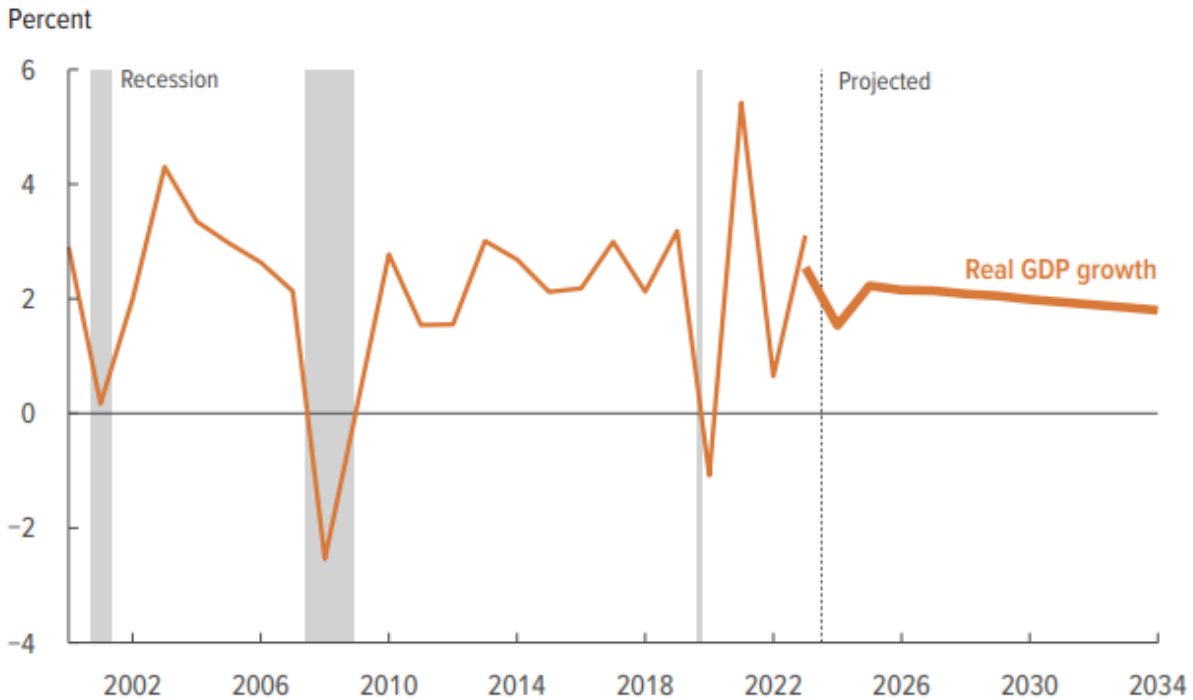
CHAPTER 2

2024 AND BEYOND

Through February 2024, economic trends set in 2023 have continued. The unemployment rate has continued to increase, largely driven by an increase in the size of the labor force and the labor force participation rate. Total nonfarm employment in the state has also continued its upward trend.

U.S. and Global Projections

The Congressional Budget Office (CBO) projection regarding the U.S. economy in 2024 forecasts lower growth combined with lower rates of inflation and slightly higher unemployment, but all-in-all, a stable economy.²⁰ The forecast projects a real GDP increase of 1.5% for 2024, with higher rates just over 2% for 2025 through 2028. This rate is lower than what was seen in 2023. The CBO cites tight monetary policy as a partial reason for the slowing rate — even as they predict that the Federal Reserve will lower interest rates in 2024. Further, the CBO projects that the CPI will average a 2.5% year-over-year increase in 2024, which would be just over the Federal Reserve’s target of 2%, an encouraging sign that inflation is easing. They project the annual average unemployment rate to be 4.2% in 2024, higher than the annual average of 3.6% in 2023. The CBO expects unemployment to be relatively stable over the next decade, ranging from 4.3% to 4.5% from 2025 through 2034. The International Monetary Fund (IMF) World Economic Outlook Update projects 2.1% economic growth in 2024, declining to 1.7% in 2024, citing tightened monetary policy, gradual fiscal tightening, and a softening in labor markets.²¹ Globally, the IMF projects growth to remain steady at 3.1%, increasing slightly to 3.2% in 2024. According to the IMF, some factors responsible for this growth being slightly below the historical average of 3.7% are “restrictive monetary policies and withdrawal of fiscal support, as well as low underlying productivity growth”.²²



Source: Congressional Budget Office

Rhode Island Economic Projections

In Rhode Island, the Revenue Estimating Conference (REC) published the Consensus Economic Forecast in November 2023.²³ The REC meets twice a year to adopt economic forecasts and revise estimates of revenues which form the basis for the composition of the state budget by the Governor and General Assembly. The 2023 economic forecast was informed by S&P Global Market Intelligence (S&P) and the R.I. Department of Labor and Training (DLT).

The group projected that total nonfarm employment would end calendar year 2024 at 498,400. This would represent a decrease of 10,700 jobs (-2.1%) from the revised December 2023 figure of 509,100 and a decrease of 13,700 (-2.7%) from the preliminary February 2024 figure of 512,100. Specifically, the analysts from S&P expected to see solid gains in employment in the education and health sectors and in state and local government alongside declines in retail trade and manufacturing employment. The group also projected an annual unemployment rate of 3.0%, just above the 2023 annual average of 2.94%, but lower than the preliminary figures of 3.6% for January 2024 and 3.9% for February 2024. Finally, the group revised their projection for FY24 total general revenues to \$5.318 billion and estimated that FY25 total general revenues would grow to \$5.454 billion.

November 2023 Consensus Economic Forecast

	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Nonfarm Employment (Thous. \$)	479.6	496.1	496.6	498.4	498.2	498.8	500.9	503.1	504.9
Personal Income (Millions \$)	69,837	69,514	72,710	75,841	79,270	82,583	86,169	89,849	93,542
Housing Starts (Thous. \$)	1.3	1.2	1.0	1.0	1.2	1.3	1.3	1.3	1.3
Nonfarm Employment Growth	4.0	3.4	0.1	0.4	0.0	0.1	0.4	0.4	0.4
Personal Income Growth	7.8	-0.5	4.6	4.3	4.5	4.2	4.3	4.3	4.1
Wage and Salaries Income Growth	7.4	7.7	4.7	4.4	3.9	3.8	4.2	4.2	4.0
Dividends, Interest, and Rent Growth	10.1	3.5	5.7	7.5	8.3	4.8	3.9	3.4	3.2
Personal Consumption Expenditures Growth	12.8	8.1	5.2	3.3	3.3	3.8	4.1	4.0	3.9
Consumer Price Index (US)	4.7	8.0	4.1	2.4	2.2	2.2	2.2	2.2	2.2
Corporate Profits Growth (US)	22.6	9.8	0.4	-2.8	-2.3	1.6	2.6	3.1	3.8
S&P 500 Index Growth (US)	32.6	-3.9	2.7	-7.4	0.9	4.5	2.7	3.1	2.8
Unemployment Rate	5.5	3.2	2.8	3.0	3.8	4.3	4.3	4.2	4.1
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Nonfarm Employment (Thous. \$)	468.0	489.5	498.0	496.9	498.4	498.3	499.8	502.0	504.1
Personal Income (Millions \$)	67,936	68,803	71,224	74,072	77,596	80,913	84,335	88,009	91,696
Housing Starts (Thous. \$)	1.3	1.1	1.2	0.9	1.1	1.3	1.3	1.3	1.3
Nonfarm Employment Growth	-3.0	4.6	1.8	-0.2	0.3	0.0	0.3	0.5	0.4
Personal Income Growth	8.7	1.3	3.5	4.0	4.8	4.3	4.2	4.4	4.2
Wage and Salaries Income Growth	4.2	9.0	5.4	4.5	4.2	3.8	4.0	4.3	4.1
Dividends, Interest, and Rent Growth	4.8	6.4	5.5	5.3	9.3	6.3	4.1	3.7	3.2
Personal Consumption Expenditures Growth	6.9	11.2	6.4	3.8	3.2	3.5	4.0	4.0	4.0
Consumer Price Index (US)	2.3	7.2	6.3	2.9	2.4	2.2	2.1	2.2	2.2
Corporate Profits Growth (US)	17.2	11.7	5.3	0.1	-4.4	-0.1	2.4	2.8	3.5
S&P 500 Index Growth (US)	23.9	17.9	-8.9	2.9	-6.0	3.9	3.4	2.8	3.0
Unemployment Rate	7.5	4.0	3.2	2.7	3.4	4.1	4.3	4.3	4.2

Source: State of Rhode Island Revenue Estimating Conference

On January 24, 2024, Providence Business News convened their Economic Trends Summit to discuss the status of the national and local economies. Thomas Tzitzouris, Managing Director and Head of Fixed Income Research at Strategas Research Partners, was the keynote speaker and shared that he did not expect a recession to materialize for at least 12 to 18 months, even though a recession was previously thought to be inevitable in 2023 or 2024. Tzitzouris’ prediction was that “a so-called ‘soft-landing’ will include a slowdown in growth in the first half of the year, followed by an interest rate cut by the Federal Reserve in June and other cuts in the following two quarters”.²⁴ However, Tzitzouris also cautioned that the economy is fragile underneath due to persistent inflation. He further predicted that labor demand in Rhode Island should remain strong, but that the economy will continue to face challenges from “a lack of housing, an aging workforce, lower birth rates than the national average, and stagnating wages when adjusted for inflation”.²⁵ Other members of the panel pointed out that the tight labor market could restrain economic growth, indicating a need for education and career training initiatives. Additionally, rising real estate prices — while beneficial for property owners — negatively impact affordability, and while recent legislative reforms and state actions on housing may help ease this burden, the effects will likely not be seen immediately.

Rhode Island Performance to Date in 2024

According to DLT, in February the unemployment rate was 3.9%, up by 0.5 percentage points from December 2023 and up by 1.1 percentage points from February 2023. This rate was tied with the national unemployment rate of 3.9% marking the first time since November 2021 that the state's unemployment rate has not been lower than the national rate. The number of employed Rhode Islanders and the number of unemployed Rhode Islanders have both been increasing, with employment up 1,397 from December 2023 to February 2024 and unemployment up 3,056 over the same period. These two simultaneous increases represent a growing labor force increasing by 4,453 over the first two months of the year. The labor force participation rate also continues to increase, reaching 64.1% in February, 0.4 percentage points higher than December 2023. This is the highest that the labor force participation rate has been since September 2020.

Job growth in the state also continued in the early months of the year; total nonfarm jobs reached 512,100 in February 2024, a gain of 3,000 from December 2023. This growth was driven by increases of 1,800 (2.58%) in the Professional and Business Services sector and 1,600 (1.45%) in the Education and Health Services sector. Manufacturing jobs also increased, growing by 600 over the period, an increase of 1.49%. The Leisure and Hospitality sector, however, lost 1,000 jobs from December 2023 to February 2024, a decline of 1.62%.

CHAPTER 3

POLICIES TO IMPROVE OUTCOMES FOR RHODE ISLANDERS

Governor McKee has made it a priority to focus on improving outcomes for Rhode Islanders and Rhode Island families by increasing educational attainment and raising per capita incomes. In his 2023 State of the State address, he committed to reaching Massachusetts education levels by 2030. In his 2024 State of the State, Governor McKee announced the goal of raising per capita income by a minimum of \$20,000 by the year 2030. This chapter will address both of these policy initiatives and how they will shape economic development and help improve the state of our economy for years to come.

Learn365

In April 2023, Governor McKee announced his new education initiative, Learn365.²⁶ The core idea of Learn365 is to move toward 365 days of learning, supported by partnerships between the Department of Education, municipalities, local education agencies, and community-based organizations. The Learn365 model has four main goals, supported by performance metrics: providing students foundational reading and writing skills, providing the same for mathematical skills, ensuring students are in-school learning 180 days a year, and removing critical financial barriers for students to go to college. For the reading, writing, and math skills goals, the metric is based on Rhode Island Comprehensive Assessment System (RICAS) test results by 2030, with an aim to ensure 49% of students are meeting or exceeding expectations in English language arts and 47% of students are meeting or exceeding expectations in math. Further, there are goals to decrease chronic absenteeism levels to only 15% of students by 2030 and have 75% of students in the senior class completing the Free Application for Federal Student Aid (FAFSA) form by the end of the school year.

In an opinion column published in the *Providence Journal* in January 2024, Secretary of Commerce Elizabeth M. Tanner, Esq. communicated the importance of school attendance to the business community and to future economic development in Rhode Island.²⁷ For instance, she said, “The discipline of regular school attendance translates into a strong workforce, which is essential for the growth and success of our businesses and our economy.” She further encouraged members of the business community to support initiatives in their communities to help promote school attendance, saying, “By supporting education, you are investing in our future leaders, innovators and workforce. As leaders in the business community, you can help reinforce the message that education must be a priority. You can help ensure that our future workforce is not only skilled and educated but also understands the value of commitment and responsibility; values you seek when hiring new talent.”

As mentioned earlier in this report, one of the challenges facing Rhode Island in the future is an aging population and a potentially shrinking workforce. Improving our education system and therefore our educational outcomes will encourage young Rhode Islanders looking to put down roots and start a family to stay in the state as well as make the state an attractive destination for young people from around the country. A growing, highly skilled workforce will therefore help

stimulate economic development, creating jobs and increasing the quality of life for Rhode Islanders.

Raising Per Capita Income

Governor McKee announced in his 2024 State of the State address that his administration was creating a goal to “raise per capita income by a minimum of \$20,000 by the year 2030”.²⁸ The benefit of raising per capita income for Rhode Islanders is clear; per a boston.com interview with Justin Svec, associate professor of economics at College of the Holy Cross, “high incomes typically correlate with high rankings on other measures of quality of life, such as economic opportunity and health outcomes”.²⁹ There are many different methods of raising per capita incomes; this chapter focuses on a few.

The Learn365 Initiative, as discussed above, focuses on investing in education. By making this investment, states can help improve the fundamentals for higher quality-of-life for residents and support local employers that are looking for skilled employees. This will enable further growth in per capita income. A 2013 study by the Economic Policy Institute found a “clear and strong correlation between the educational attainment of a state’s workforce and median wages in the state”.³⁰ Broadly, this study stated that “A more educated individual is more likely to participate in the job market, to have a job, to work more hours, and to be paid more, and less likely to be unemployed”.³¹ More specifically, “In the 22 states with the least-educated workforces (30 percent or less with a bachelor’s degree or more education), median wages hover around \$15 an hour, the only exceptions being Alaska and Wyoming. In the three states where more than 40 percent of the population has a bachelor’s or more education, median wages are \$19 to \$20 an hour, nearly a third higher”.³²

Rhode Island has additionally continued to invest in supporting working families through policies such as boosting the state-level Earned Income Tax Credit (EITC) and increasing the minimum wage. Rhode Island’s EITC was recently increased in the Fiscal Year 2024 budget from 15% of the federal EITC to 16% of the federal EITC.³³ Further, the state’s minimum wage is currently \$14 per hour, increasing to \$15 per hour commencing January 1, 2025. This schedule is based on changes made in the 2021 legislative session to Rhode Island Gen. Laws § 28-12-3.³⁴ Beyond tax credits or mandatory wage increases, research shows that states can “invest in economic opportunity, ease hardships for struggling families, reduce barriers faced by people of color and other marginalized groups, and put children on a better path in life”.³⁵ More specifically, these investments could look like providing supports for childcare, transportation, and medical leave; reducing incarceration rates; and adopting more inclusive approaches to allow immigrants to participate in the economy.

Finally, the Pew Charitable Trusts released a report in 2021 entitled *How States Can Direct Economic Development to Places and People in Need* which focused on the role of state governments in place-based development efforts, arguing that states should, among other things, tailor economic development strategies to local needs and create job opportunities for low-income residents.³⁶ Pew recommends that per capita income be one of the quantitative measures used by states to decide where to direct investment.

The Pew report cautions that “place-based programs must do more than improve the economy or physical structures in the places they target; to be truly successful, they must benefit the residents of those areas”.³⁷ In order to improve opportunities for low-income residents, the report suggests that governments may have success “embracing strategies to ensure that prospective employees have in-demand skills”.³⁸ This means establishing and funding workforce training initiatives as well as helping connect graduates of these initiatives to employers looking to build their workforce. Workforce development is a crucial component of Rhode Island’s economic development strategy, especially through the Real Jobs RI program as well as investments in career and technical education.

Further, the Pew report recommends targeting incentives for “industries that are most likely to offer good jobs to the residents of distressed areas”,³⁹ aligning to efforts in Rhode Island to focus on offshore wind, ocean-based technologies, life sciences, and other targeted industries. The authors cite a 2018 Brookings study which showed that people without bachelor’s degrees may be more likely to get a job offer with stable wages and benefits from industries that require specialized skills: “Beyond traditional sources of working-class jobs such as manufacturing and construction, the report found that industries such as engineering and information technology also offer good jobs for people without bachelor’s degrees”.⁴⁰ This targeted industry strategy has been a part of Rhode Island’s economic development long-term planning for the past several years, working with the workforce development investments mentioned above to ensure that all Rhode Islanders have access to the future job opportunities provided by the businesses in these industries.

CONCLUSION

Rhode Island saw mixed results in its economy for much of 2023, though closed out the year with strength. Real GDP continues its steady climb from the pandemic low. While the unemployment rate is on the rise, it is accompanied by an increase in total employment, the size of the labor force, and the labor force participation rate. Further, in-state job growth continues, reaching record numbers of total nonfarm jobs. The state and the nation seem to have avoided the most immediate recession concerns, despite many projections that a downturn was coming in 2023.

The growth of the labor force is an especially encouraging sign, as it reverses a trend previously seen due to changes in state demographics and the nature of work (e.g., hybrid and remote work). However, recent positive trends do not fully assuage the concern about an aging population and lack of a sufficient workforce to staff the jobs of the future. This is a metric to continue monitoring to evaluate the health of the Rhode Island economy.

Despite a strong economy as measured by the many factors mentioned in this report, there is always more to be done to improve the quality of life for Rhode Islanders. By investing in education, workforce development, and targeted industries, more progress can be made to make Rhode Island a more equitable and desirable state in which to live, work, and raise a family.

NOTES AND REFERENCES

The figures and estimates provided in the 2024 Overview of the Rhode Island Economy are principally based on data accessed in March and April 2024 and Executive Office of Commerce staff calculations from these data. Generally, labor market data and statistics are from the Rhode Island Department of Labor and Training and U.S. Bureau of Labor Statistics. GDP and personal income data are from the U.S. Bureau of Economic Analysis. Housing market data are from the U.S. Census Bureau surveys, HousingWorks RI, and the Rhode Island Association of Realtors. Population data are from the U.S. Census Bureau. International trade data are from the U.S. Census Bureau's Foreign Trade Division. Data on inflation and interest rates are from the Bureau of Labor Statistics and the Federal Reserve. Unless otherwise noted, all dollar figures are in current dollars and all employment data and statistics are based on seasonally adjusted data.

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- ²² <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>, page 3
- ²³ <https://omb.ri.gov/sites/g/files/xkgbur751/files/2023-11/November%202023%20Revenue%20Estimating%20Conference%20Report.pdf>
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