2026

OVERVIEW OF THE

RHODE ISLAND

ECONOMY

The Executive Office of Commerce submits its 2026 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."

This Annual Overview of the Economy will be made available at:
https://eoc.ri.gov/about-us/reports.

The Rhode Island 2030 Plan can be found at:
https://rhodeisland2030.ri.gov/ri-2030-priorities/building-rhode-prosperity/driving-economic-development-and-growth

The Building the Ocean State's Economic Future Report can be found at:
https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/rhodeisland/Building_Ocean_State_Economic_Future_V_2026_1_dba29f1d-55f1-49c1-95b2-e25dba6da8dc.pdf

THE 2026 OVERVIEW OF THE RHODE ISLAND ECONOMY

EXECUTIVE OFFICE OF COMMERCE

THE 2026 OVERVIEW OF THE RHODE ISLAND ECONOMY

TO THE GOVERNOR AND THE GENERAL ASSEMBLY:

The following report provides an analysis using the most recent economic data and information available on the economic conditions of the state in 2025 and potential economic conditions into 2026. The report focuses on the state's economic performance in 2025 and discusses projections for 2026 and future years. The goal of this report is to, in conjunction with the Rhode Island 2030 Plan, help inform and guide policy decisions and strategic economic development planning.

The state's economic performance in 2025 extended gains from the post-pandemic recovery despite the structural challenges that are affecting many New England states and national trends that are impacting the U.S. economy. Encouragingly, Rhode Island saw record highs in business registrations, personal income, nonfarm employment, and trade exports. Further, total population increased (including the population between the ages of 20 and 64), Rhode Island's GDP saw noticeable growth, and unemployment decreased modestly. Of course, given regional and national trends, there are indicators of potential vulnerability that we need to watch as well.

Under Governor McKee's leadership, Rhode Island Commerce is proud to be at the forefront of investing in strong and sustainable communities to increase the prosperity of Rhode Islanders. This annual economic report emphasizes the need for continued investment in these policy priorities to maintain the progress made towards an even stronger economy.

We therefore aim to acknowledge Rhode Island's progress while we monitor the future and recognize the unending work of investing in our businesses and citizens; improving the state's economic fundamentals; and leveraging data to strengthen our state, ensuring a prosperous and sustainable future.

STEFAN PRYOR

SECRETARY OF COMMERCE

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INTRODUCTION

Rhode Island's economy saw noticeable growth in 2025, largely building on positive trends from the prior year.

- Real Gross Domestic Product (GDP) increased to an all-time high of $64.6 billion.
- The state hit a record high of 14,924 business registrations.
- The unemployment rate fell by 0.3 percentage points from 4.6% in January 2025 to 4.3% in December 2025. It remains below 5%, a level often associated with an economy operating near full capacity.
- Per capita personal income reached an all-time high of $73,985.
- For the second year in a row, total population increased - in 2025 by 16,300 people.
- Notably, the population between the ages of 20 and 64 increased by over 7,500 people.
- Exports hit a record high of over $4.2 billion, and the trade deficit dropped over the year.
- Rhode Island set a new record for the total nonfarm employment at 515,800 in April 2025.

Despite these encouraging trends, Rhode Island was affected by structural, national, and international challenges that similarly affected the broader New England region.

- The state's labor force participation rate was above the national rate and essentially stable, decreasing just 0.4 percentage points from 64.2% in December 2024 to 63.8% in December 2025.
- The labor force was essentially level over the year, decreasing by 717 people.
- Although total jobs slipped slightly by 1,300 over the year, the state hit a record for total nonfarm employment in April.

To head off these challenges, Rhode Island under Governor McKee aims to make impactful strategic investments. The Rhode Island 2030 Plan aims for investment guided by the principles of:

- "Strengthening K-12 Education"
- "Building a Rhode Island to Prosperity"
- "Creating a Healthier Rhode Island"
- "Advancing Infrastructure and Energy."

Further, Rhode Island has identified the strategic priorities of defense, ocean technology, and life sciences for investment to unlock the state's competitive advantages.

Following encouraging performance in 2025, the state enters 2026 from a position of momentum, while remaining attentive to several external factors. National policy and macroeconomic conditions could introduce uncertainty at the national level, with potential implications for Rhode Island's economy. Geopolitical developments may also contribute to inflationary pressures beyond current forecasts. At the same time, constraints on critical federal revenue streams reinforce the need for thoughtful planning and strategic investment to continue supporting Rhode Islanders and advancing the state's economic progress.

CHAPTER 1

2025 IN REVIEW

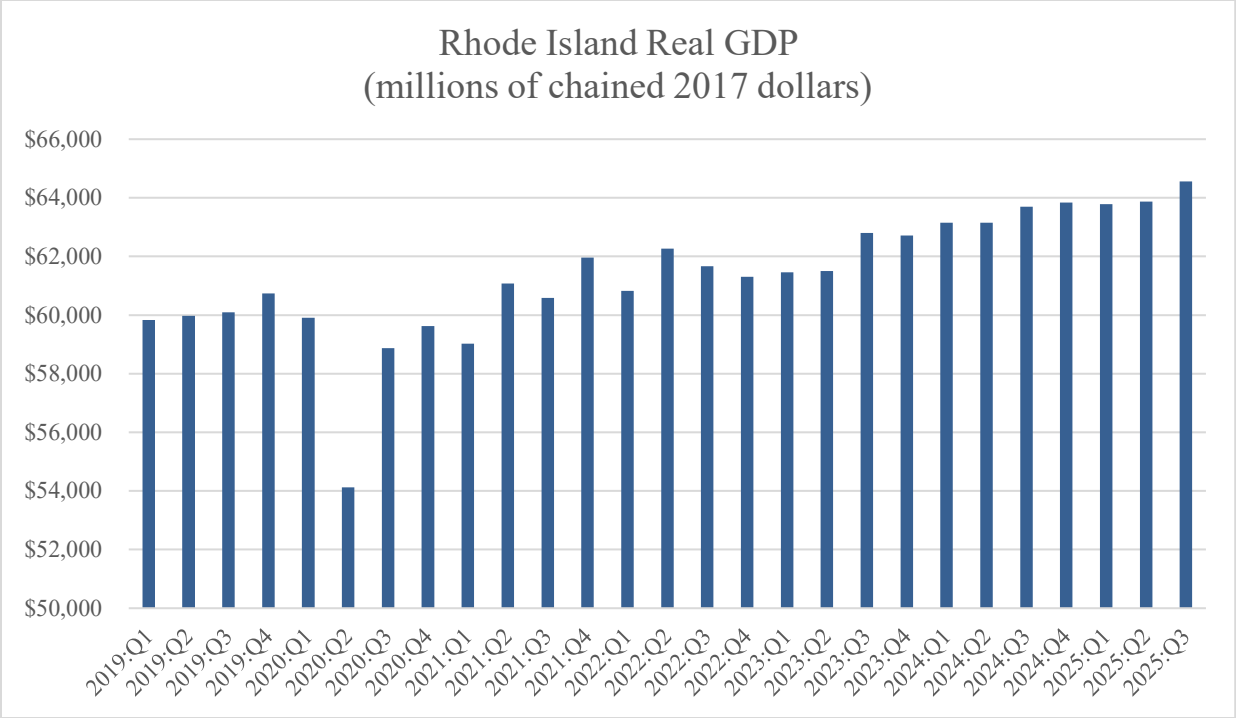
This chapter will review Rhode Island's performance in 2025 on economic growth, businesses, the labor market, international trade, and population growth, within the context of regional and national trends.

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

Nationally, the United States economy grew 2.2% in 2025, as measured by comparing the annual levels of real GDP in 2024 to 2025. This was lower than the growth rate recorded in 2024 (2.8%) but still above the conservative projections for economic growth in 2025. Last year's annual overview of the economy reported that the CBO projected a real GDP increase of just 1.9% (later adjusted down to 1.4%) in 2025. A national growth rate of 2.2% for 2025 confirms that no recession occurred on the national level last year and keeps the national economy on strong footing moving forward. Growth in national GDP was strongest in the third quarter of 2025, reaching 4.4% when seasonally adjusted at annual rates. By the fourth quarter, national real GDP (chained 2017 dollars) was approximately $31.4 trillion, up from $29.5 trillion in 2024.

Regionally, the New England real GDP (chained 2017 dollars) grew from $1.193 trillion in the third quarter of 2024 to $1.2 trillion in the third quarter of 2025, an all-time high. Further, New England real GDP has grown by almost 12% since the first quarter of 2021.

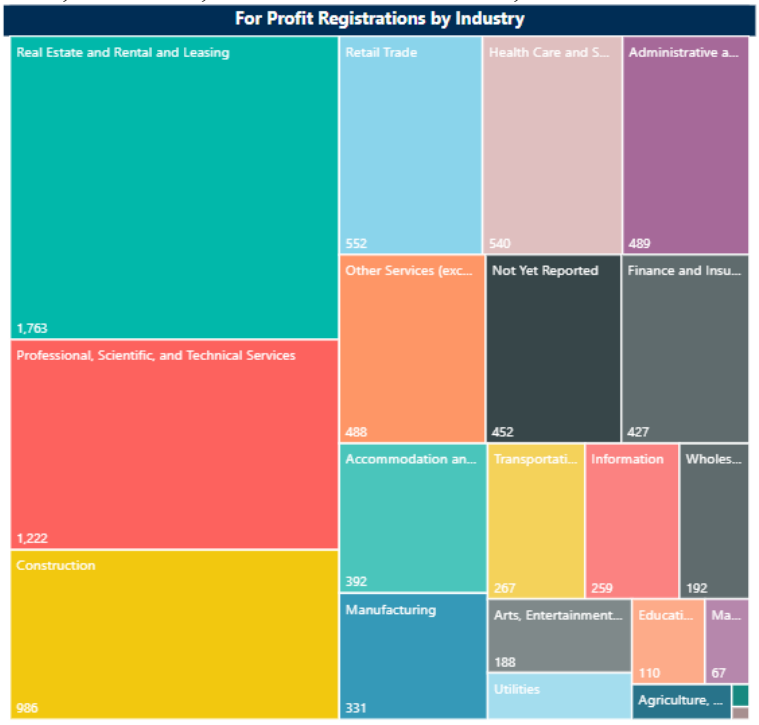
As shown in the chart below, Rhode Island's real GDP has continued the growth trend seen over the past several years, reaching a new all-time high of $64.6 billion in the third quarter of 2025, up from $63.7 billion in the third quarter of 2024. From the third quarter of 2024 to the third quarter of 2025, the state's real GDP (chained 2017 dollars) grew by approximately $861 million, or 1.35%. From the second quarter to the third quarter, Rhode Island's real GDP grew by 4.4% on an annualized basis. State level data on GDP by industry in Rhode Island is not yet available at the time of publication.



Source: U.S. Bureau of Economic Analysis

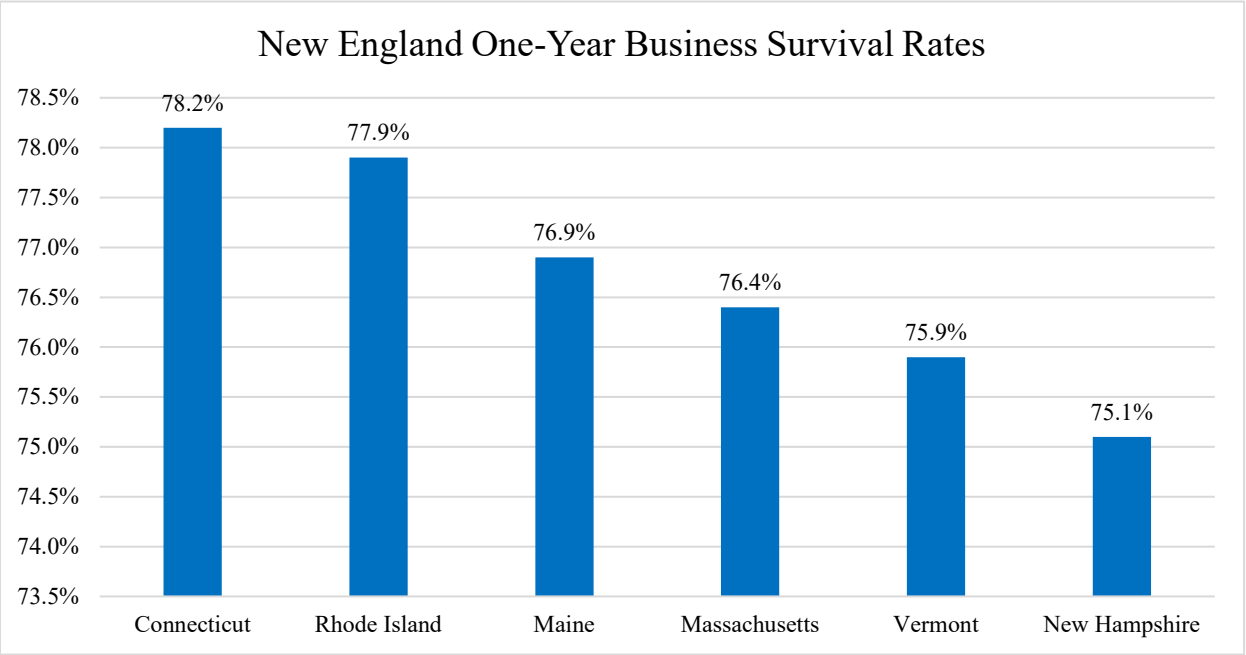
Rhode Island Businesses

Business registrations (a measure of startups) in 2025 hit a record high of 14,924, up 11% from 13,460 in 2024. While 2025 industry data is not yet available at the time of publication, of the 13,460 business registrations in 2024, the largest for-profit industries were Real Estate and Rental and Leasing, Professional, Scientific, and Technical Services, and Construction.



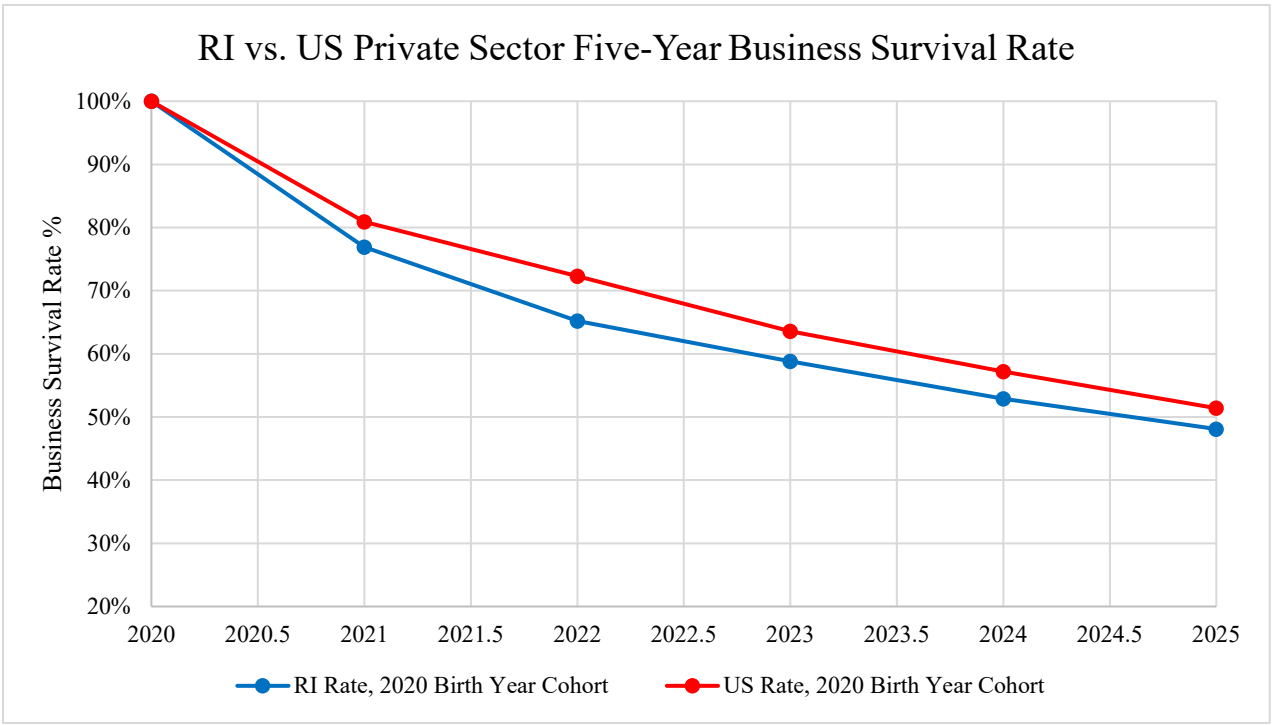
Source: Rhode Island Secretary of State

From March 2024 to March 2025, Rhode Island's one-year business survival rate was the second highest in New England at 77.9%, behind only Connecticut at 78.2% and above Maine at 76.9%, Massachusetts at 76.4%, Vermont at 75.9%, and New Hampshire at 75.1%.



Source: U.S. Bureau of Labor Statistics

Rhode Island's businesses maintained a stable five-year survival rate of 48.1%, resilient through recession and recovery cycles. The national five-year survival rate is 51.4%.

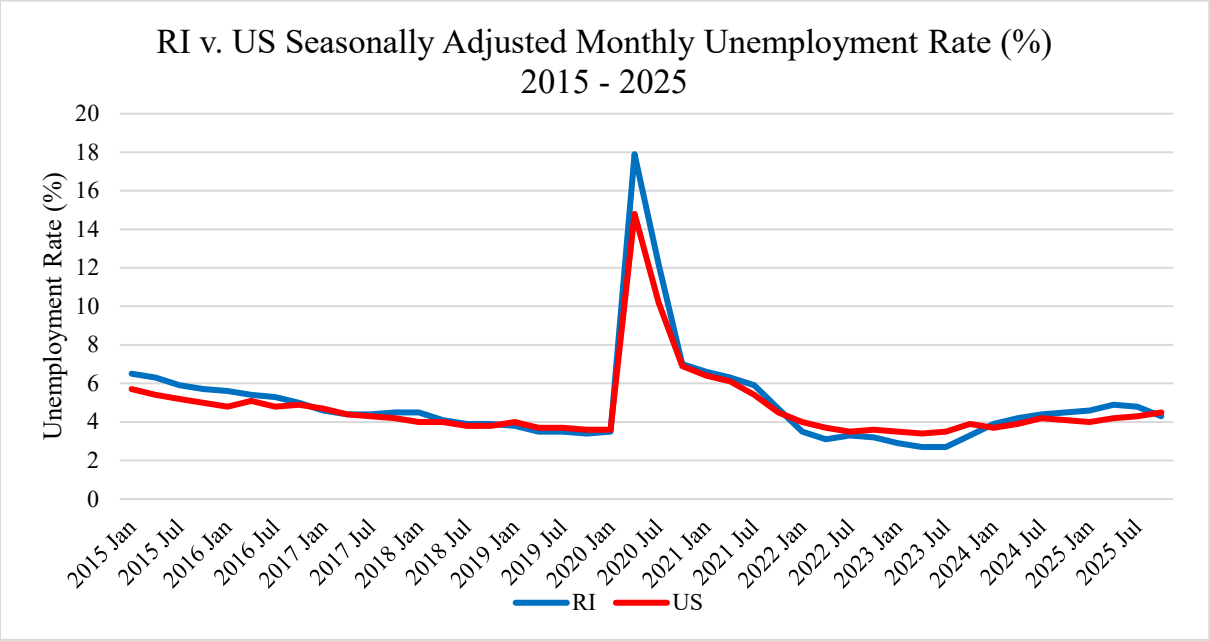


Source: U.S. Bureau of Labor Statistics

Labor Market and Workforce

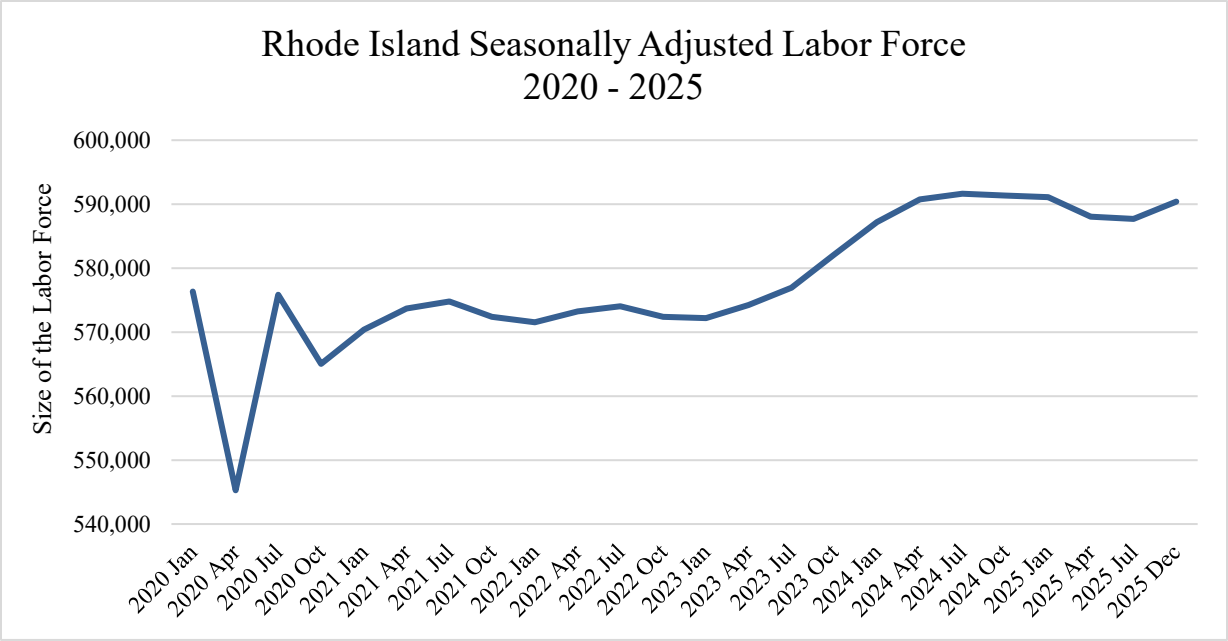
The unemployment rate fell by 0.3 percentage points from 4.6% in January 2025 to 4.3% in December 2025. The chart below shows the state's seasonally adjusted unemployment rate for each month over the last decade.

In December 2025, Rhode Island's unemployment rate of 4.3% was lower than the national unemployment rate of 4.4%. In New England, Rhode Island's unemployment rate was lower than that of Massachusetts at 4.8%. Meanwhile, Connecticut's rate was 4.2%, followed by Maine at 3.2%, New Hampshire at 3.1%, and Vermont at 2.6%. This placed Rhode Island below both the national rate and the unemployment rate in Massachusetts at year end.



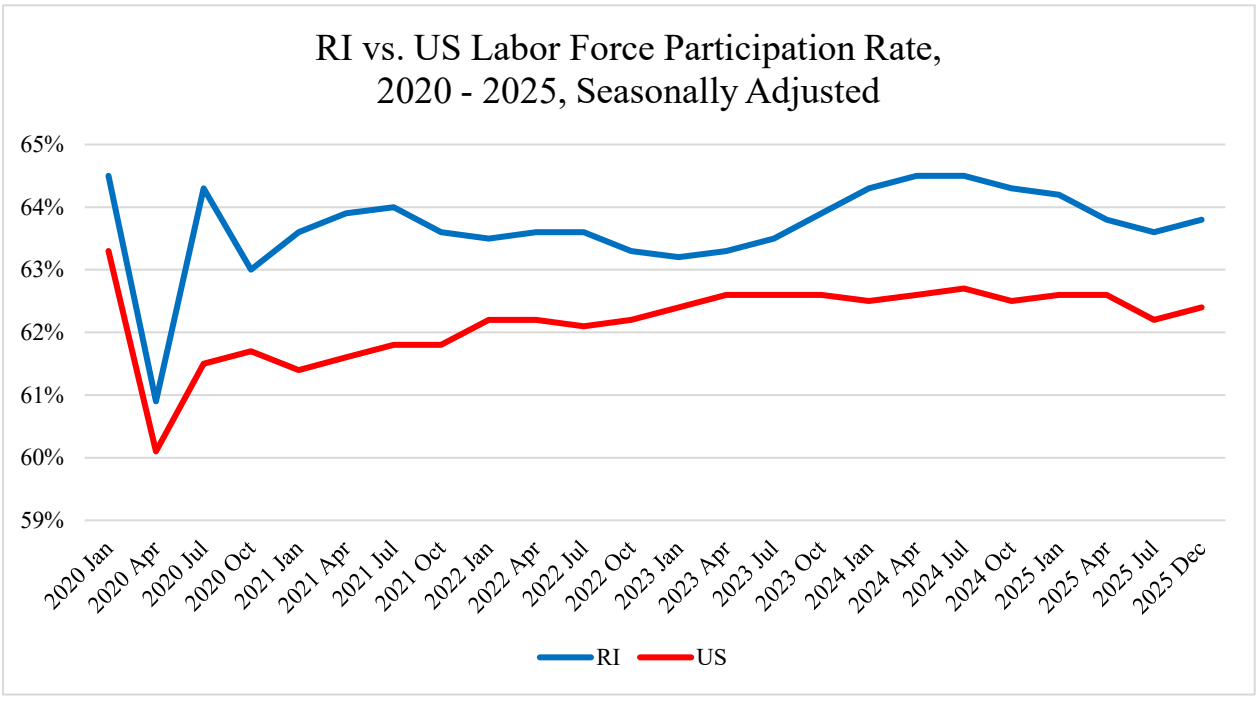
Source: U.S. Bureau of Labor Statistics

The labor force was essentially level over the course of 2025, declining by just 717 people from January to December to reach 590,401. This was only down 1,318 from its record high of 591,719 in June 2024. Further, the labor force in December 2025 was nearly 18,600 people higher than the recent low point of December 2022. The size of the labor force grew from the summer to the winter months contrary to the historical trend of a drop-off toward the end of the year.



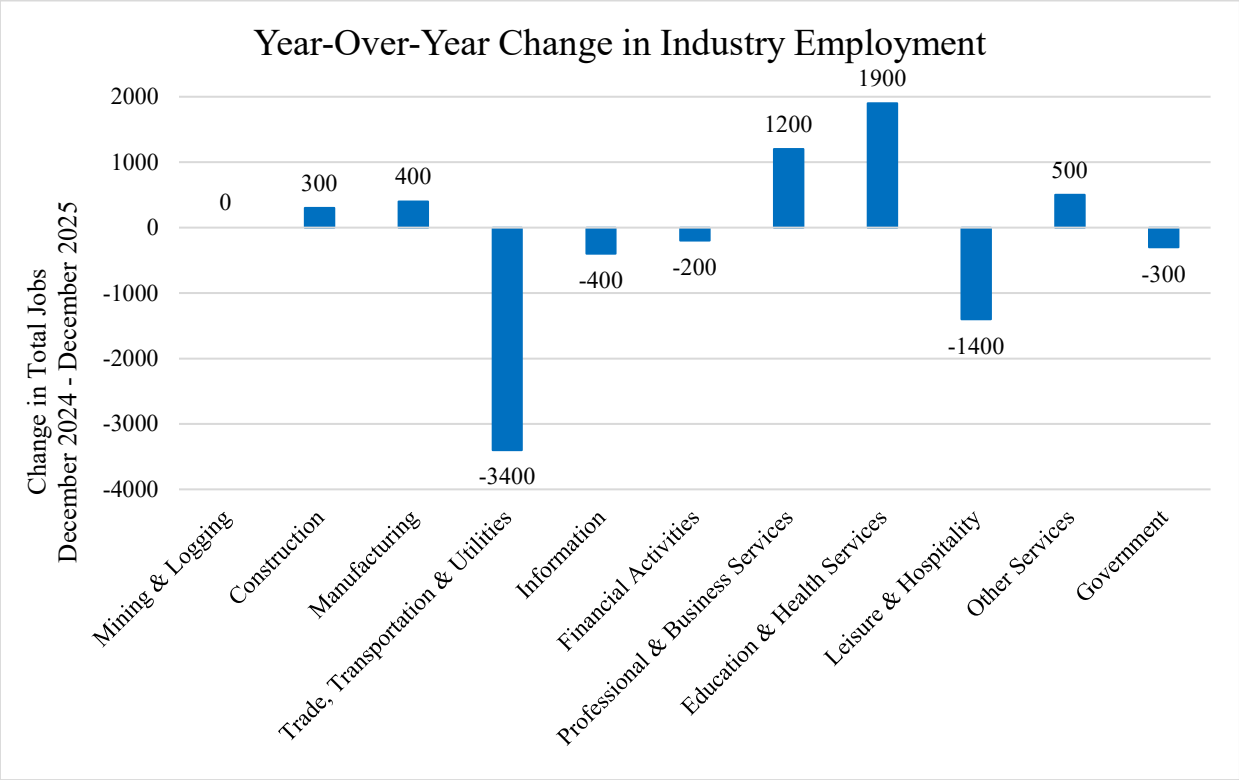
Source: Rhode Island Department of Labor and Training

The state's labor force participation rate edged down from 64.2% in December 2024 to 63.8% in December 2025. It fell from a peak of 64.2% in January to 63.6% in June and then recovered modestly to land at 63.8% in December. This rate ranks fifth in New England, behind Massachusetts (66.5%), New Hampshire (65.3%), Connecticut (64%), and Vermont (64%) and higher than the national value of 62.4% in December. Like the labor force, the participation rate declined midyear and then subsequently increased.



Source: U.S. Bureau of Labor Statistics

During 2025, although Rhode Island's total nonfarm employment reached a record high of 515,800 in April 2025, over the year the total number of jobs decreased by approximately 1,300 or 0.25% from 514,400 to 513,100. The December jobs number of 513,100 represents just approximately 2,700 jobs below the April 2025 record high. From December 2024 to December 2025, the industries that saw the largest job growth were Education & Health Services (+1,900 jobs or 1.7%), and Professional & Business Services (+1,200 jobs or 1.7%). The Education & Health Services sector continues to be the largest employer in the state, representing 114,500 jobs as of December, or 22.3% of the total nonfarm employment in the state. Trade, Transportation & Utilities saw the largest loss of jobs (-3,400 jobs or -4.3%) followed by the Leisure & Hospitality industry (-1,400 jobs or -2.3%).

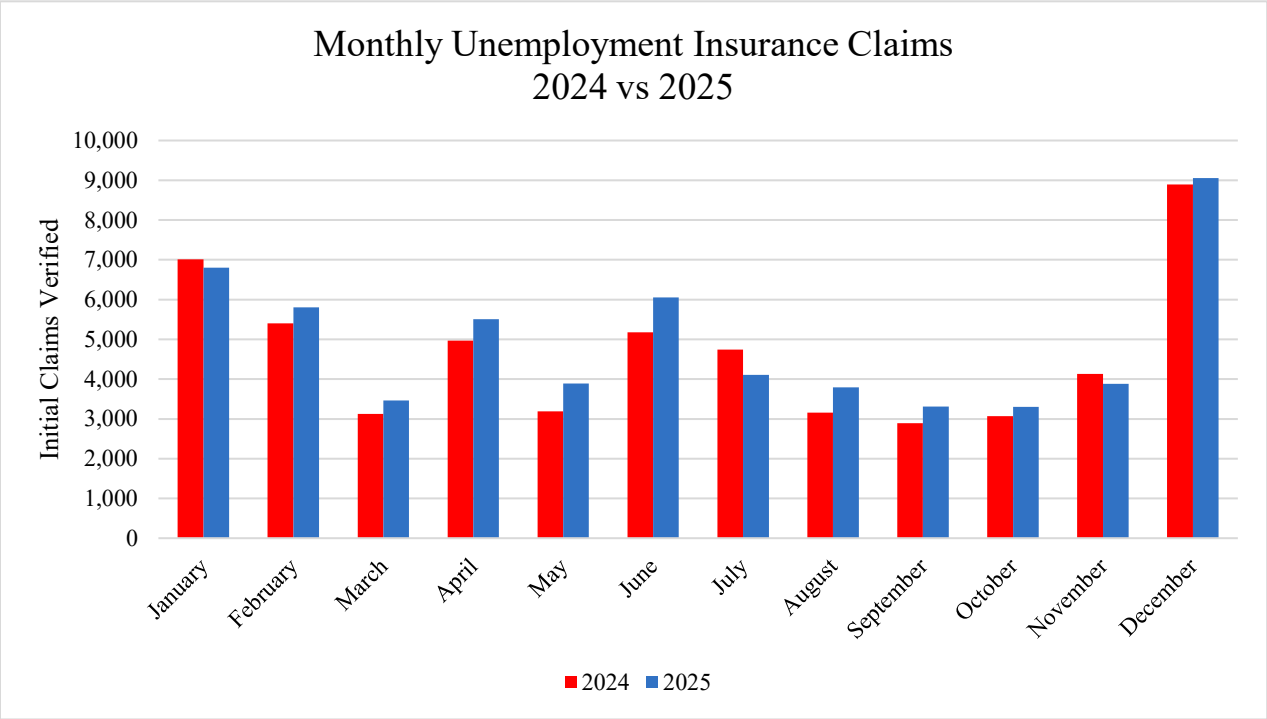


Source: Rhode Island Department of Labor and Training

Based on the Bureau of Labor Statistics (BLS) Job Openings and Labor Turnover Survey, the ratio of job openings to unemployment can provide information about flexibility in the labor market. A value above one signifies more job openings than unemployed people looking for work, an environment in which it can be difficult for employers to hire. Conversely, a value below one signifies more unemployed people than job openings, an environment in which it can be more difficult for people to find work. Using the three-month rolling average of available data, the ratio by the end of 2025 was 1.0, meaning that the number of job openings and unemployed people were relatively even.

The amount of monthly unemployment insurance claims processed can offer another window into the state of the economy. It can signal shifts in labor market health ahead of broader indicators like

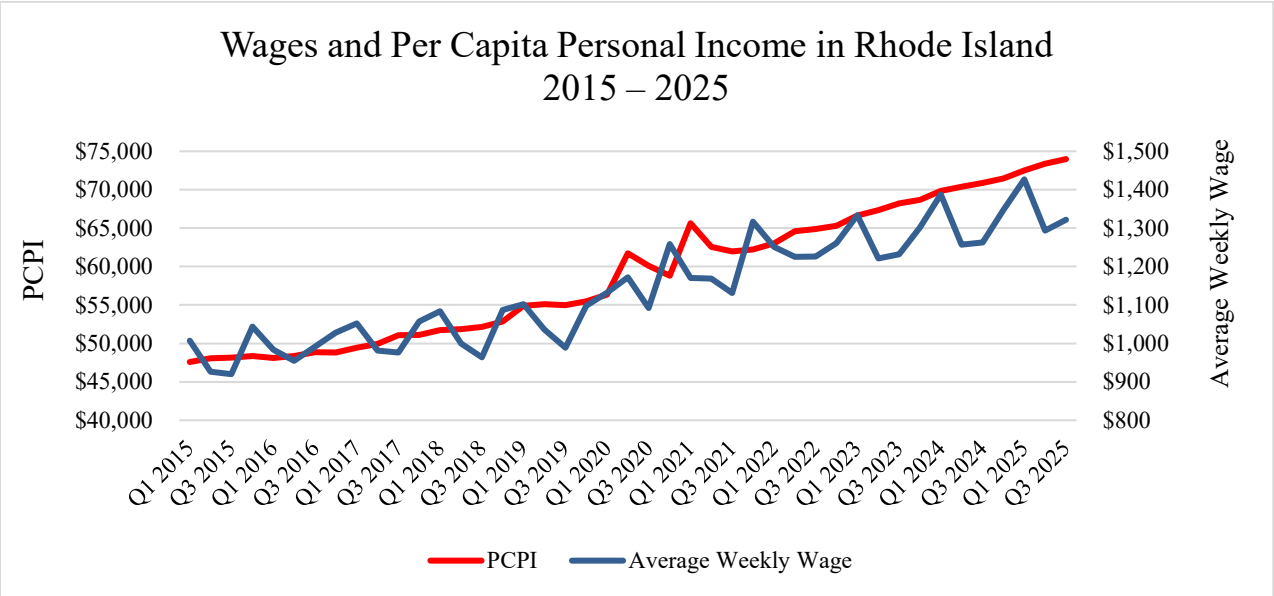
GDP or employment. Rising initial claims illustrate job losses, while declines suggest improvement. Total claims were essentially flat, increasing by only 82 or 0.90%, from 9,118 in 2024 to 9,200 in 2025. Cyclically, for both 2024 and 2025, Rhode Island generally saw claims rise in the winter, decline to its lowest points in late summer/early fall, and then increase slightly in June.



Source: Rhode Island Department of Labor and Training

Preliminary 2025 data from the U.S. Bureau of Labor Statistics shows that nominal average weekly wages hit a new record for Rhode Island of $1,427 in the first quarter, fell to $1,294 in the second quarter, and rebounded to $1,322 in the third quarter. Average weekly wages continue to follow a seasonal pattern, with higher levels in the first and fourth quarters and declines in the second and third quarters. The annual average weekly wage in 2024 was $1,314 (equating to a $68,328 yearly wage), while the first three quarters of 2025 average out to $1,348 (equating to a yearly wage of $70,079), an increase of 2.56%. Over the first three quarters of 2025, Rhode Island's average weekly wage ranked fourth in New England, behind Massachusetts ($1,907), Connecticut ($1,733), and New Hampshire ($1,524) and ahead of Vermont ($1,265) and Maine ($1,244).

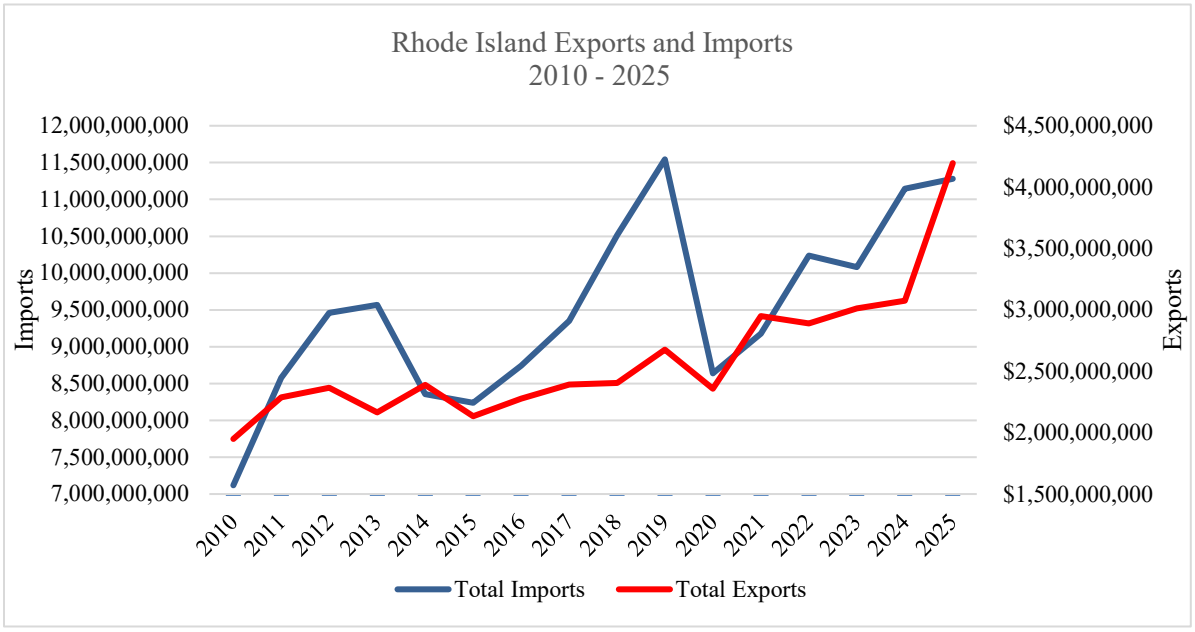
According to the BEA, Rhode Island per capita personal income (PCPI) reached an all-time high of $73,985 in Q3 2025. This follows a similar trend to average weekly wages, rising steadily over the past decade, with notable fluctuations during the pandemic years. The annual average PCPI in Rhode Island in 2025 was $73,304 (based on averaging the first three quarters available), a 3.75% increase compared to an annual average of $70,653 in 2024. Rhode Island's average quarterly PCPI in 2025 (based on averaging the first three quarters of each state) ranked 23rd out of the 50 states and fifth in New England, a rank unchanged from last year, behind Connecticut ($98,376, second in the nation), Massachusetts ($96,518, third in the nation), New Hampshire ($86,520, ninth in the nation), Vermont ($74,215, 21st in the nation), but ahead of Maine ($71,792, 28th in the nation).



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

International Trade

Internationally, Rhode Island's exports increased by over $1.1 billion (36%) to a record high of $4.2 billion while its imports increased modestly by over $100 million (1%) to $11.3 billion, the second-highest level on record, just shy of the record $11.5 billion in 2019. International trade flows have grown over the past decade, with exports nearly doubling since 2015 at 96.7% growth and imports increasing by 37%. The state's trade deficit (total imports minus total exports) has fluctuated significantly over the decade, rising from $6.11 billion in 2015 to a peak of $8.87 billion in 2019, before falling slightly to $7.09 billion in 2025.



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

The largest export categories in 2025 were Chemicals ($1,529,169,572), Waste And Scrap ($979,807,927), and Miscellaneous Manufactured Commodities ($357,667,331). Rhode Island's top trading partners for exports in 2025 were Ireland ($1,089,790,305), Canada ($591,502,048), and Italy ($468,174,782). These top export categories remain largely unchanged from 2024, except that Chemicals overtook Waste And Scrap as the number one export while Ireland overtook Canada as the largest export partner.

The largest increases in exports by category from 2024 to 2025 were Chemicals (+$871,149,054 or +132% - driven by an increase in Pharmaceutical and Medicines), Primary Metal Mfg (+$120,237,285 or +54%), and Miscellaneous Manufactured Commodities (+$96,107,694 or +37%). The largest decreases in exports by category over the year were Used Or Second-hand Merchandise (-$40,887,881 or -49%), Transportation Equipment (-$19,541,588 or -23%), and Food & Kindred Products (-$14,892,863 or -19%). Notably, from 2024 to 2025, exports to Ireland increased by 314% - driven by an increase in Pharmaceuticals & Medicines.

The largest overall import categories in 2025 were Transportation Equipment ($3,915,199,806), Miscellaneous Manufactured Commodities ($2,771,518,352), and Petroleum and Coal Products ($1,757,447,924). Rhode Island's top trading partners for imports in 2025 were Costa Rica ($2,052,656,283), Germany ($1,744,762,943), and Canada ($1,470,057,780). These top import categories are the same as 2024 except that Miscellaneous Manufactured Commodities overtook Petroleum and Coal Products, while Costa Rica overtook Germany as the largest import partner.

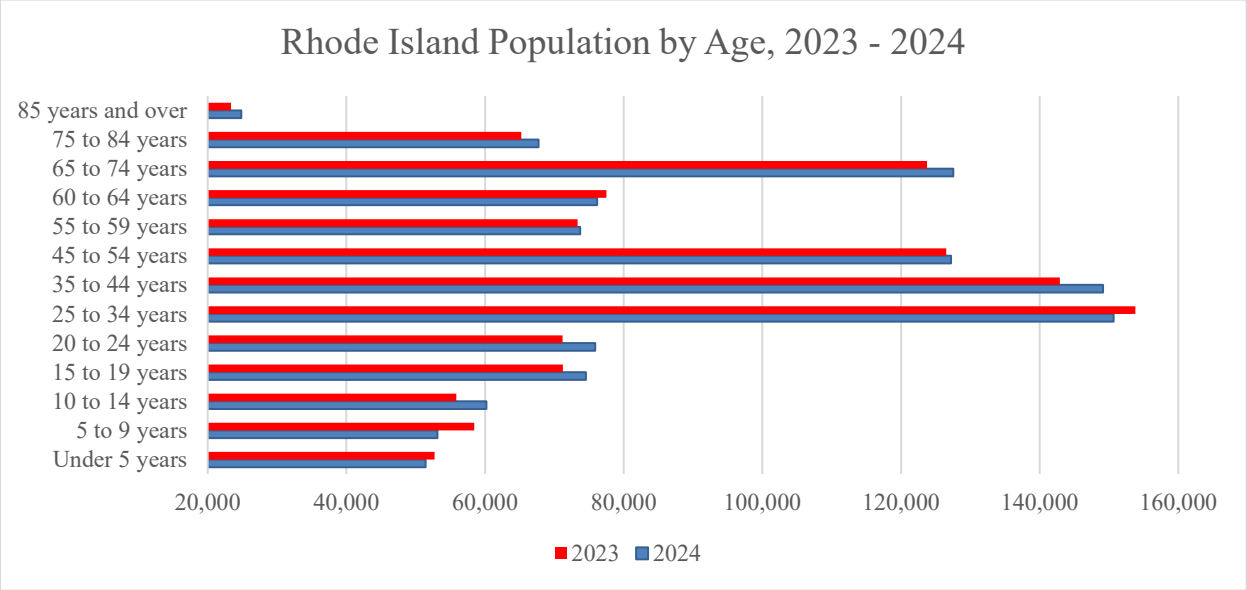
The largest increases in imports by category from 2024 to 2025 were Miscellaneous Manufactured Commodities (+$1,102,875,813 or +66%), Electrical Equipment, Appliances & Components (+$116,954,164 or +91% - driven by an increase in Electrical Equipment specifically), and Machinery, Except Electrical (+$79,344,155 or +26%). The largest decreases in imports by category over the year were Transportation Equipment (-$966,667,541 or -20%), Petroleum and Coal Products (-$328,758,282 or -16%), and Used Or Second-hand Merchandise (-$27,512,583 or -67%). Notably, from 2024 to 2025 imports from Costa Rica increased by 103% - driven by Medical Equipment and Supplies.

Population Trends

For the second year in a row, Rhode Island recorded a total increase in the population. Further, the population between the ages of 20 and 64 increased by over 7,500 people. From 2023 to 2024 the total population increase of 16,300 was driven mostly by relatively large gains among residents ages of 10 to 24, 35 to 44, and those above 64 years. The modal age among Rhode Islanders in 2024 (the latest data available) was the range 25 to 34 years, at 13.50% (150,668 people) of the population. A close second was the range 35 to 44 years, making up 13.40% (149,159 people) of the population. 19.80% (220,168 people) of the Rhode Island population is 65 or older, while 21.50% is under the age of 20 (239,328 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. The 65+ age cohort grew by 3.67% (7,800 people) from 2023 to 2024, while the under 20 cohort decreased slightly by 0.44% (1,037 people).

From 2023 to 2024, there was an increase of 7,517 individuals (1.2%) between the ages of 20 and 64. That increase reversed the 2,092 decrease in the same category from 2022 to 2023. Future

gains in the size of the labor force will likely depend in part on whether the state can retain and attract younger residents. The prevalence of people in Rhode Island who are at or approaching age 65 means that a coming wave of retirement could have significant impacts on the labor force.



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

According to the Census Bureau, Rhode Island had positive total net migration of 4,372 people between July 1, 2024, and July 1, 2025. This is due to the positive net migration of 5,923 people from abroad which offset the 1,551 people who moved out of the state.

The rest of New England saw the same trend of positive international migration and negative domestic migration except for Maine and New Hampshire which saw positive domestic and international migration. 2025 Data is not available at the time of publication on state-to-state migration numbers.

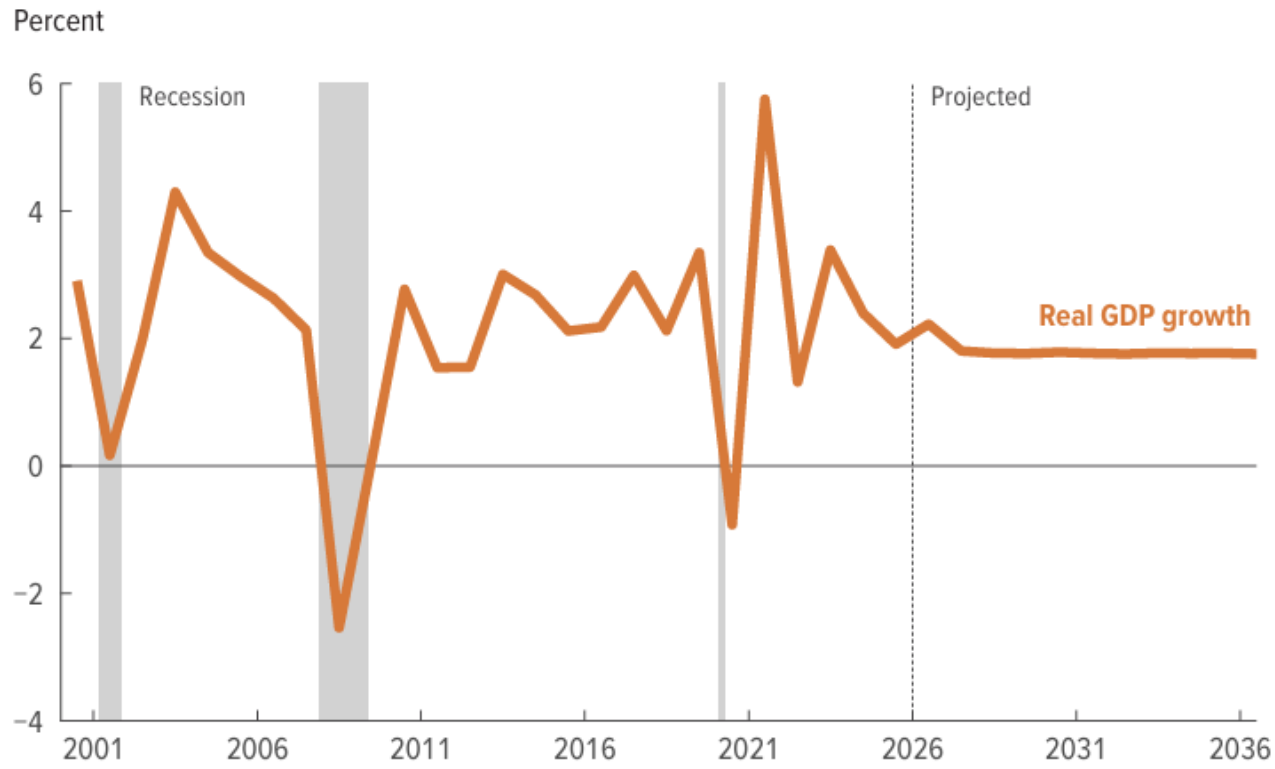
CHAPTER 2

2026 AND BEYOND

U.S. and Global Projections

Uncertainty remains a central theme for the U.S. outlook in 2026, even after solid economic performance in 2025 relative to earlier expectations. Ongoing policy debates in Washington, elevated geopolitical risks, and the potential for renewed financial market volatility have all contributed to a more cautious tone among forecasters. Even so, the national outlook continues to call for growth rather than contraction. For example, Goldman Sachs Research now forecasts U.S. real GDP growth at 2.8% for 2026, while national recession odds remain a minority view at 25% amid weak February jobs data, surging oil prices due to Middle East tensions, and other pressures.[2]

In February 2026, the CBO released its annual economic outlook report.[3] This includes projections on GDP, the labor market, inflation, and other important economic indicators. The CBO estimated that real GDP growth would be 2.2% in 2026 and 1.8% from 2027 – 2036. This is because of provisions in the 2025 reconciliation act and the rebound in economic activity following the lapse in discretionary appropriations last year. The 1.8% projected growth from 2027 – 2036 is the same as what the CBO had predicted in their 2025 economic outlook report. Beyond economic growth, the CBO projects a slightly higher and steadily declining national unemployment rate (4.6% – 4.2%) and a declining labor force participation rate due to lower net immigration and the aging of the population. CBO projects that both inflation and interest rates will continue to decline in 2026. Inflation will steadily decline to the Federal Reserve's long-run goal of 2% while interest rates will stabilize after 2026. Finally, the federal deficit will total $1.9 trillion in fiscal year 2026 and will grow to $3.1 trillion by 2036.



Source: Congressional Budget Office

According to the International Monetary Fund (IMF) World Economic Outlook Update published in January 2026, the IMF projects 1.8% U.S. economic growth in 2026 and 1.7% in 2027.[4] Globally, growth is projected at 3.3% in 2026 and 3.2% in 2027, revealing only a slight downward change from the World Economic Outlook forecasts of 3.3% in both 2024 and 2025.

Rhode Island Economic Projections

In Rhode Island, the Revenue Estimating Conference (REC) published an economic forecast in November 2025, meaning it does not incorporate any of the recent policies proposed or implemented by the new federal administration in its CBO Economic Outlook Report released in February 2026.[5] The REC meets twice yearly 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 2025 economic forecast was informed by Moody's Analytics and the Rhode Island Department of Labor and Training (DLT).

According to the November REC, Rhode Island's economy faces several risks in 2026. Moody's reported that restrictive immigration policies are a growing drag on the economy, with net foreign immigration expected to fall from over two million people in 2024 to below 500,000 in 2026. This was predicted to limit labor supply, slow consumer spending, and reduce real GDP growth by about half a percentage point through 2026. Further, tariffs are expected to continue to increase costs for consumers. The November REC projected that total nonfarm employment would end in calendar year 2026 at 513,300, an increase from the December 2025 actuals of 513,100.

November 2025 Consensus Economic Forecast									
	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030	CY 2031
Nominal Level									
Nonfarm Employment (000's)	506.0	512.1	514.3	513.3	512.7	512.9	513.8	515.8	517.5
Personal Income (mil.)	$74,777.8	$78,553.7	$82,018.8	$85,423.4	$88,777.8	$91,729.7	$94,984.9	$ 98,602.7	$102,394.6
Housing Starts (thous.)	1.1	1.5	1.6	1.3	1.3	1.3	1.3	1.3	1.2
Annual Growth %									
Nonfarm Employment Growth	1.6	1.2	0.4	-0.2	-0.1	0.0	0.2	0.4	0.3
Personal Income Growth	5.5	5.0	4.4	4.2	3.9	3.3	3.5	3.8	3.8
Wage and Salaries Income	3.5	4.7	3.9	3.6	3.3	2.7	3.0	3.6	3.7
Dividends, Interest and Rent	13.0	5.2	2.2	1.8	1.8	4.1	5.2	5.0	4.8
Consumer Price Index (US)	4.1	3.0	2.8	3.5	2.7	2.1	1.8	1.8	1.8
Personal Consumption Growth	6.5	5.7	5.3	4.4	3.8	3.5	3.5	3.8	3.7
Corporate Profits Growth (US)	7.6	5.1	7.3	1.8	4.4	6.1	5.4	4.9	6.3
S&P 500 Index Growth (US)	4.5	26.7	13.3	1.8	0.5	5.6	7.3	7.8	5.9
Rates (%)									
Unemployment Rate	3.0	4.3	4.8	5.1	5.2	5.0	4.8	4.6	4.4
Nominal Level	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
Nonfarm Employment (000's)	502.6	509.5	514.0	513.6	512.9	512.8	513.3	514.7	516.8
Personal Income (mil.)	$72,754.8	$76,768.9	$80,306.2	$83,584.2	$87,189.6	$90,254.5	$93,305.7	$ 96,760.0	$100,484.8
Housing Starts (thous.)	1.3	1.1	1.7	1.4	1.3	1.3	1.3	1.3	1.2
Annual Growth %									
Nonfarm Employment Growth	2.5	1.4	0.9	-0.1	-0.1	0.0	0.1	0.3	0.4
Personal Income Growth	5.2	5.5	4.6	4.1	4.3	3.5	3.4	3.7	3.8
Wage and Salaries Income	4.0	4.9	4.2	3.4	3.7	2.9	2.7	3.3	3.7
Consumer Price Index (US)	6.3	3.3	2.6	3.2	3.3	2.3	1.9	1.8	1.8
Personal Consumption Growth	6.3	6.0	5.6	4.9	4.0	3.7	3.4	3.7	3.8
Dividends, Interest and Rent	13.0	9.2	2.9	1.9	1.7	2.7	5.0	5.1	4.9
Corporate Profits Growth (US)	7.6	6.7	4.6	7.3	1.1	5.7	5.9	4.9	5.5
S&P 500 Index Growth (US)	-8.9	19.6	20.4	10.7	-2.4	3.1	7.0	7.7	7.1
Rates (%)									
Unemployment Rate	3.0	3.7	4.6	4.9	5.2	5.1	4.9	4.7	4.5

Source: State of Rhode Island Revenue Estimating Conference

In April 2025, Moody's published economic forecasts for Rhode Island's economy, which predicted slower economic growth and higher risks. [6] Even so, the forecast pointed more to moderation than to contraction. Moody's predicted that consumer spending would continue to be negatively impacted by tariffs, that the state would see its share of declining population growth like the rest of the nation, and that Rhode Island could face the downside risks of lower real GDP growth and larger unemployment.

On January 22, 2026, Providence Business News convened its Economic Trends Summit. Keynote speaker, Thomas Tzitzouris, Managing Director and Head of Fixed Income Research at New York City-based Strategas Research Partners, discussed national and state-level economic issues like inflation, the federal deficit, unemployment, treasury supply, and more. He predicted that high national inflation would remain above 3.0% well into 2026 due to factors like increasing consumer spending, increasing wages, and housing inflation. Interest rates would likely be pulled higher by a combination of factors like strong growth, persistent inflation, rising global bond yields, and trade policy. Tzitzouris also stated that the federal deficit would likely increase in 2026, national unemployment would decline slightly, and home sales would decline as demand outstrips supply.

Regarding Rhode Island, Tzitzouris expressed optimism that labor demand is stable and that America's 250th commemoration activities and the World Cup would disproportionately benefit Rhode Island relative to other states. He also noted that Rhode Island's debt load to revenue is in line with other states, and Rhode Island has lower government employment as a percentage of market than the nation and most of New England. Tzitzouris went on to state that Rhode Island's labor force participation and birth rate are among the lowest in the U.S. and that the state's income growth could weaken relative to the nation's, which could reduce resilience in the face of an economic downturn. He also noted that housing is less affordable relative to income due to the continuing lack of supply, despite significant progress that has been made on this front.

Overall, Tzitzouris noted that certain Rhode Island challenges are consistent across the broader Northeast, including aging populations, high housing costs, and relatively low labor participation rates. Importantly, Rhode Island continues to outperform the national average on labor force participation (ranked 21st in the nation), even while facing many of the same structural challenges affecting the Northeast as a whole.

CHAPTER 3
CURRENT INITIATIVES

Readers of this report may find it useful to learn more about some of the ongoing policy initiatives and proposals from the Governor's Office. While these are not the Council of Economic Advisor's proposals, they are described here for the benefit of readers who wish to understand the state's plans for advancing its economy.

Rhode Island 2030

The RI 2030 Plan is the McKee Administration's comprehensive strategy to strengthen Rhode Island's long-term economic competitiveness by raising incomes, expanding work opportunities, and lowering core household costs while protecting vulnerable residents amid federal policy and budget shifts. It organizes this vision around four cross-cutting priorities: strengthening K–12 education, "Building a Rhode to Prosperity" through workforce, housing, and business investment, creating a healthier Rhode Island, and advancing infrastructure and energy in ways that support growth and affordability.

The plan's central economic aim is to "raise incomes for all Rhode Islanders" by combining higher educational attainment, expanded work-based learning, and sector-based training with aggressive efforts to grow private-sector jobs. This workforce development and postsecondary education effort aims to add 5,000 new state-funded work-based learning opportunities by 2030 and to increase the share of residents with postsecondary degrees and credentials to match southern New England neighbors. On the cost side, the plan's "Affordability for All" agenda proposes eliminating the state income tax on Social Security, creating a fully refundable state Child Tax Credit, and standing up a first-ever state premium assistance program to fully replace expired federal ACA subsidies for residents under 200 percent of the federal poverty level—together aimed at keeping roughly 20,000 people insured and delivering about 30 million per year in targeted family tax relief.

The plan also sets housing and infrastructure benchmarks that tie directly to economic outcomes. Through the Housing 2030 strategy and recent bond authorizations, Rhode Island commits to having 15,000 new homes produced or in the pipeline by 2030 (with 15,000 new units as the headline production goal), including significant affordable and ownership units, while increasing annual residential permitting to levels not seen since before the Great Recession. On infrastructure and higher education, it advances a $215 million higher education bond (URI Integrated Health Building, CCRI Workforce Innovation Center, and RIC Adams Library/student success center), a $50 million Career and Technical Education bond, and a $50 million Green Economy and Clean Energy bond on the November 2026 ballot, alongside approximately $500 million in paving projects over five years and the construction of a new westbound Washington Bridge, all framed as investments to support long-run job growth, productivity, and regional connectivity.

Building the Ocean State's Economic Future

Rhode Island is at a pivotal moment. National shifts in defense spending, reshoring, and technological innovation have revalued the state's core strengths in the defense, ocean technology, and life sciences industries. Yet realizing their full potential requires deliberate

investment and coordination across public and private sectors.

In late 2025, under Governor Dan McKee's leadership, with the 2030 Plan as context, Rhode Island launched a strategic process—led by New Localism Associates and supported by the Partnership for Rhode Island—to evaluate the state's competitive position in a rapidly evolving U.S. economy and to identify where future investments can have the greatest impact within a complex market and political landscape.

The assessment of our state's current economic position identified strategic priorities to unlock the state's competitive advantages. These include addressing crosscutting constraints to growth—limited industrial land, inadequate supportive infrastructure, fragmented technology transfer, misalignment of the workforce with the needs of industry, and the lack of a more coordinated maritime defense and ocean technology strategy.

This process focused upon key industries where Rhode Island has significant advantages and the potential to excel. These are: defense, ocean technology, and life sciences.

Maritime Defense and Ocean Technology

Rhode Island integrates both production and innovation within its maritime defense cluster. Electric Boat, located in part at the Quonset Business Park, serves as the Navy's primary contractor and shipyard for Virginia- and Columbia-class nuclear submarines. NUWC drives next-generation research and testing in undersea vehicles, sensors, and advanced materials. Together, these two anchors have created a large supply chain and attracted new dual-use tech firms across electronics/robotics and advanced materials.

Nearly 400 defense companies are registered and active in Rhode Island—205 of which are headquartered in the state. These companies contribute dual-use technologies for defense applications, ranging from submarine components to autonomous underwater vehicles (AUVs). The University of Rhode Island and Brown University, along with proximity to Massachusetts Institute of Technology (MIT) Lincoln Laboratory, MITRE, and Woods Hole Oceanographic Institution, further strengthen the state's research and development capacity. URI in particular has a campus in Narragansett dedicated to ocean sciences and is widely considered a top institution for ocean-related disciplines because of its world-renowned Graduate School of Oceanography, strong academic programs, cutting-edge research initiatives, significant research funding and outputs, advanced research vessels and facilities, and real-world impact through its graduates and partners.

Life Sciences and Biomanufacturing

Rhode Island has made significant progress toward building a competitive life sciences sector, including the medical device subsector. Importantly, Brown University's Carney Institute advances foundational brain science, while its RNA Center leads innovation in RNA-based therapeutics. The Providence Innovation District provides wet-lab space and incubator support for start-ups, while the Rhode Island Life Sciences Hub aligns universities, non-profits, and private partners around shared growth strategies. Amgen's West Greenwich facility manufactures biologics at scale for global markets, and Rhode Island's proximity to Boston, the world's premier

biotech cluster, offers unique collaboration and spillover potential. Rhode Island's two major hospital systems, Brown University Health and Care New England, contribute significantly to our state's innovation ecosystem and economic activity.

Constraints on Targeted-Industry Expansion and Innovation

- Opportunity for a More Coordinated Maritime Defense and Ocean Technology Strategy - Rhode Island Commerce is fortunate to have strong personnel in its separately positioned Ocean Tech Hub and business development teams. Establishing a coordinating Maritime Defense and Ocean Technology Unit would build on this talent by providing a central point to unify efforts, track sector activities, and advance shared priorities. This Unit would monitor federal and private-sector project pipelines and would work directly with existing and incoming defense-ocean related businesses.

- Limited Industrial Land - Industrial development is limited by a shortage of buildable sites. Less than 5% of Rhode Island's land is zoned for industrial use. Approximately 43% is restricted by conservation or environmental regulations, while 30% is vacant but lacks infrastructure. The statewide Rhode Island Ready program, coordinated by the Quonset Development Corporation and established in 2022, has enrolled 21 sites covering 820 acres, but only three can accommodate buildings larger than 200,000 square feet. Without intervention, Rhode Island will be limited in its ability to recruit or expand manufacturing and logistics firms.

- Insufficient Access to On-and Under-Water Resources and On-Shore Infrastructure - Entities across the public and private sector have identified the need for greater on-and-under-water testing, validation, and demonstration infrastructure, as well as easier access to docks and vessels for deployment and retrieval. While the state is home to world-class institutions and industry leaders, there are limited quayside access points and very little designated water areas equipped as commercial test beds. Commercial enterprises in particular need access to test facilities for research and validation to accelerate new technology commercialization as well as land additional customers through capabilities demonstrations, including for undersea vehicles, sensors, and advanced materials.

- Employer Needs and Talent Development - Rhode Island's workforce is one of its greatest assets. The state benefits from a dense network of higher-education institutions that support talent development, and initiatives such as Real Jobs RI, the Governor's Workforce Board, and university-industry partnerships are beginning to better align training with employer needs.

However, persistent skills gaps, demographic shifts, and declining labor-force participation limit Rhode Island's ability to attract and retain employers. Companies across manufacturing, biotech, and defense report difficulty finding workers skilled in precision manufacturing, robotics, and data analytics. Rhode Island must strengthen the coordination of its talent pipeline, particularly across the postsecondary sector.

Innovation to Commercialization

Despite world-class research occurring at Rhode Island's universities and institutions, and

emerging enhancements to technology transfer efforts, there remains room for further improvement. Though some Rhode Island institutions have taken significant steps in recent years, the process of moving discoveries made in the lab to commercial products in the marketplace is slowed by fragmentation and lack of coordination, limited commercialization funding, and insufficient infrastructure to support early-stage ventures. As a result, promising research often fails to reach the development stage where it can attract private investment or create jobs. Strengthening the state's technology transfer capacity, through shared resources, stronger university-industry partnerships, and targeted investment in commercialization, will be essential to unlocking the full value of Rhode Island's innovation ecosystem.

Possible investments that, if made, would boost these industries and Rhode Island's economy as a whole:

- Industrial Land Expansion ("Quonset 2.0"): Preparing large, development-ready sites to support advanced manufacturing and biomanufacturing.
- Ocean Tech Infrastructure:
    - Developing a world-class ocean technology innovation hub with linked on-and-under-water and shoreside infrastructure that integrates research, testing, and commercialization—accelerating technology deployment in undersea systems, robotics, and advanced materials.
    - Building out a maritime defense and ocean technology unit to coordinate, track, and advance activity in this sector.
- Talent Alignment and Retention/Attraction: Building a data-driven talent alignment connecting employer demand to education and training pipelines. Enable and encourage talent to stay, return, and relocate to Rhode Island through targeted support packages.

As a way to enhance national and international recognition of Rhode Island's strengths in the above areas, it is also proposed that the Ocean State host a summit, or other such large-scale convening centered on these or related themes.

These investments have the potential to create a significant number of high-wage jobs, help catalyze private and federal investment and reinforce Rhode Island's identity as the Ocean State - a national leader in maritime defense and ocean technology as well as the life sciences industry.

By doubling down on the sectors where Rhode Island leads and cultivating the next generation of talent, the state can grow a more resilient, innovation-driven economy.

To address these challenges Governor McKee is proposing an Economic Development Bond of $115 million. The funds would be used to create pad-ready locations and facilities, for land acquisition, preparation, and investment, and to invest in infrastructure that supports Rhode Island's ocean, defense, life sciences, data analytics, and related industries.

CONCLUSION

Rhode Island saw noteworthy economic growth in 2025 despite broader structural pressures and an increasingly complex national and global economic environment. How the state's economy performs in the coming year will be influenced in part by federal policies, geopolitics, and macroeconomic trends. With concerns about a national recession are increasing, Rhode Island must be vigilant in protecting against local vulnerabilities and impacts. At the same time, the trends of increasing GDP and decreasing unemployment are promising signs. National trends, such as inflation, trade headwinds, and cuts to universities and medical centers, reveal factors to watch. Policies like the state's continued investment in its strengths of defense, ocean technology, and life sciences as well as in housing and affordability initiatives, could help address these challenges and their effects.

While Rhode Island, like the rest of New England, faces demographic challenges and broader economic forces outside its control, the state is nonetheless demonstrating stability and measurable signs of progress. There is still more work to do to expand economic opportunity for Rhode Islanders, and the state remains committed to making the investments needed to build on this momentum and support a more prosperous future.

NOTES AND REFERENCES

The figures and estimates provided in the 2026 Overview of the Rhode Island Economy are principally based on data accessed in February and March 2026, and Executive Office of Commerce staff calculations from these data. This report utilizes data through March 25, 2026, incorporating input from a Council of Economic Advisors meeting held on March 30, 2026. Generally, labor market data and statistics are from the Rhode Island Department of Labor and Training and U.S. Bureau of Labor Statistics. CPI data is from the Federal Reserve Bank of St. Louis. GDP and personal income data are from the U.S. Bureau of Economic Analysis. Population data are from the U.S. Census Bureau. International trade data are from the U.S. Census Bureau's Foreign Trade Division. 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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