

# CURRENT CONDITIONS INDEX

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Just when it looked like Rhode Island's economy was only faltering a little comes new data showing that it is actually performing quite a bit worse than we had thought.

The data have not been kind to Rhode Island over the past few years. Revisions to the labor market data for 2015 effectively cut the highs from our state's perceived momentum last year. This year, it appeared that we were settling in at a pace comparable to the revised levels from last year - at least we were moving sideways, as the Current Conditions Index was range bound between 58 and 67.

Enter the April data. Based on this newly released information, the March CCI was revised lower from 58 (barely expanding), what I had previously referred to as an "ugly" 58, to 50, its neutral value. What could be worse? The April CCI fell to 42 - a

one year ago. Finally, **US Consumer Sentiment** fell by a sizable 7.4 percent, its fifth consecutive decline.

Along with these new concerns, issues remain with the problematic indicators from the past few months. **Retail Sales**, the CCI's star performer for a few years, declined by 3.3 percent, its worst performance in over a year. It has now declined for three of the past four months. Our state's **Labor Force** continued to decrease. April's decline of 0.6 percent was its *twenty-third* year-over-year decline. The result: Rhode Island's **Unemployment Rate** continues to fall primarily for all the wrong reasons. Some here seem to be celebrating the fact that this rate reached 5.3 percent in April, far below its recent peak, to a level they view as comparable to those from 2007. However, *any comparison between 2016 rates and those of 2007 is purely spurious*, since the labor force participation rate at present remains far below where it was in 2007. Despite the preoccupation of persons here with this indicator, *the Unemployment Rate is a lagging indicator* - an inappropriate reflection of both where we are now or how well our state's economy can be expected to perform in the future.

One pleasant April surprise was another increase in the **Manufacturing Wage**, which grew by 3 percent versus last April, only its second increase in a very long time. **Private Service-Producing Employment**, an indicator whose growth rate had been accelerating of late, increased at a slower rate (0.8%) in April. **Government Employment** fell yet again, by 0.5 percent in April. At least the level of this indicator managed to remain above 60,000. Finally, **Benefit Exhaustions**, which reflects longer-term unemployment, fell by 9.8 percent. While this is still a very healthy rate of improvement, April's value was its second slowest rate of improvement in the past eight months.

CCI Indicators - % Change	
Government Employment	-0.5
US Consumer Sentiment	-7.4
Single-Unit Permits	0.1 Y
Retail Sales	-3.3
Employment Services Jobs	-4.0
Priv. Serv-Prod Employment	0.8 Y
Total Manufacturing Hours	-1.5
Manufacturing Wage	3.0 Y
Labor Force	-0.6
Benefit Exhaustions	-9.8 Y
New Claims	3.2
Unemployment Rate (change)	-1.0 Y

Y = Improved Value

level that indicates contraction. April's value was the lowest CCI since October of 2011.

Both the prior data and that for April data point to pronounced and ongoing deterioration in the performances of several key indicators, most notably those that had been generating much of our forward progress. So much for our state's cyclical momentum!

The pattern revealed by the data is entirely consistent with declining cyclical momentum. In total, four of the five leading indicators contained in the CCI failed to improve in April, although three had difficult comps from a year ago. The single improving leading indicator, **Single-Unit Permits**, barely rose (+0.1%). **Employment Service Jobs**, which includes temporary employment and is a prerequisite to employment growth, fell by a hefty 4 percent, its second consecutive decline. Manufacturing employment rose (albeit barely), but the workweek fell sharply, causing **Total Manufacturing Hours**, a proxy for manufacturing output, to resume its downtrend that began over a year ago. Along with this, **New Claims**, a leading labor market indicator that reflects layoffs, rose by 3.2 percent in April, in spite of a very easy comp



DLT APR Employment (SA,Y/Y)	
Gain	7,400
Loss	2,300
Net Chg	5,100

## THE BOTTOM LINE

While the recent performance of Rhode Island's economy is clearly concerning, it is imperative that we not jump to any unjustified conclusions at this point. Yes, our state's recent cyclical momentum has been disappointing. The CCI shows very clearly that rates of growth here have been slowing since last August. But if the national economy accelerates, our state's performance should also improve, hopefully ending this recent period of weakness. The key word, of course, is should. We only began to make meaningful structural changes to our economy recently. In light of our current cyclical weakness, it is imperative that we now accelerate these changes.

42		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2015	67↑	67↑	67	67↑	67	67↓	58↓	75↓	67↓	50↓	67↓	50↓
	2016	58	67	50↓	42								