

CURRENT CONDITIONS INDEX

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As Rhode Island moved into the second quarter, it sustained the momentum that has been carrying it beyond the disappointing economic performance of 2016. The Current Conditions Index for each month of 2017 has now matched or exceeded the highest values we observed during all of last year. That is a very significant development. However, it appears that some persons have been misconstruing Rhode Island's recent performance.

It is imperative to keep in mind that the CCI is an index of *cyclical momentum*. What the improved performance this year does *not* indicate, contrary to some public perception, is that Rhode Island has returned to very high levels of activity, or even to the highest levels of overall economic activity for this entire recovery. As an index reflecting momentum, the 2017 performance illustrates that Rhode Island's economy is currently accelerating at a pace greater than the disappointing pace we witnessed last year. To make an analogy, our "car" slowed last year, and at present, the high CCI

again, **Employment Service Jobs**, which includes temporary employment and is a leading indicator of future employment, failed to improve. Its downtrend has now continued for over a year. Its deterioration suggests the potential for weakening future employment growth. For the first time in four months, both goods-producing indicators failed to improve. **Single-Unit Permits**, which reflects new home construction, fell this month (-6.2%), even with a fairly easy comp last year. In spite of this disappointment, it remains in an uptrend. **Total Manufacturing Hours**, a proxy for manufacturing output, the other goods-producing indicator, rose by a robust 3.3 percent.

US Consumer Sentiment improved in April (+8.9%), its sixth consecutive increase. **New Claims**, the timeliest measure of layoffs, fell at a double-digit level in April (-15.4%) for its eighth improvement in the last nine months.

Government Employment increased again, remaining above 60,000, which it has now done for over a year. **Private Service-Producing Employment** growth has been somewhat volatile of late, and in April it barely grew (+0.5%), its slowest growth this year. **Retail Sales** did quite well in April, rising by over 5 percent again. **Benefit Exhaustions**, which reflects longer-term unemployment, fell yet again in April (-8.3%), sustaining its long-term downtrend.

The *train wreck* known as our **Labor Force** trend actually improved in April — that's two in a row!!! As a result, our **Unemployment Rate** once again fell for the right reasons.

CCI Indicators - % Change	
Government Employment	0.5 Y
US Consumer Sentiment	8.9 Y
Single-Unit Permits	-6.2
Retail Sales	5.3 Y
Employment Services Jobs	-3.2
Priv. Serv-Prod Employment	0.5 Y
Total Manufacturing Hours	3.3 Y
Manufacturing Wage	3.7 Y
Labor Force	0.6 Y
Benefit Exhaustions	-8.3 Y
New Claims	-15.4 Y
Unemployment Rate (change)	-1.1 Y
Y = Improved Value	

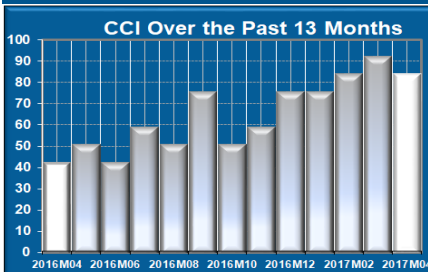
values reflect that we are now depressing the gas pedal more than we have in a while. This most recent acceleration is allowing us to attain a higher speed than what we had been able to attain last year. It does not, however, reflect our reaching the speed limit, even with our low (for the wrong reasons) **Unemployment Rate**. Sustained acceleration is required for that to occur.

Should anyone doubt that Rhode Island's economy slowed during 2016, they have to look no farther than the combination of our disappointing tax revenue and rising entitlement case loads, both of which are *lagging* economic indicators. Recent CCI values imply we might see some improvement in these later this year.

The Current Conditions Index performance so far this year continues to reflect a broadly based acceleration. While the CCI value of 83 for April was a slight drop from the March value of 92, it is still a strong value, as ten of the twelve CCI indicators improved. The CCI has now exceeded its year-earlier value for every month of this year.

Of the five leading indicators contained in the CCI, only three improved, in spite of relatively easy comps a year ago. Once

LABOR FORCE:	Apr 2016	Apr 2017
Participation Rate	64.5%	64.6%
Employment Rate	61.0%	61.8%



DLT APR Employment (SA, Y/Y)	
Gain	6,200
Loss	1,200
Net Chg	5,000

THE BOTTOM LINE

The strength of this year's CCI values indicate that Rhode Island may be in the early stages of restoring the momentum it experienced a couple of years ago. The lingering aftereffects of the 2016 slowdown, notably disappointing tax revenue and rising case loads, pose a problem for fiscal choices moving forward. To sustain our momentum, we must emphasize investment-oriented spending.

83		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2016	50↓	58↓	58↑	33↓	50	42	58↓	50↓	75	50↓	58↓	75↓
	2017	75	83	92	83								