

# CURRENT CONDITIONS INDEX

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What a way to start the second quarter! April's Current Conditions Index value fell from 75 in March to 67 in April, as only eight of the twelve CCI indicators managed to improve. Not only was April's CCI its lowest this year, it was the lowest value extending all the way back to November of 2016, Rhode Island's bizarre negative growth spurts year. For 2018 thus far, the CCI has failed to exceed its year-earlier value for three of four months.

While all of this appears to be rather bleak and foreboding at first glance, raising the potential issue of whether Rhode Island might be in the early stages of realizing its FILO status, I believe such a rush to judgement is not necessarily appropriate at the present time. Is the CCI value disappointing? Yes it is. But I view this as "guilty with an explanation." Permit me to elaborate.

While the overall value of the CCI is disappointing, this month's performance was fairly strong as disappointments go. Looking "below the hood," several notable improvements this month accompanied the disappointments. First and foremost, both the labor force participation rate and the employment rate rose

CCI Indicators - % Change	
Government Employment	0.2 Y
US Consumer Sentiment	2.2 Y
Single-Unit Permits	22.3 Y
Retail Sales	4.6 Y
Employment Services Jobs	5.9 Y
Priv. Serv-Prod Employment	1.5 Y
Total Manufacturing Hours	9.1 Y
Manufacturing Wage	-0.4
Labor Force	1.0 Y
Benefit Exhaustions	12.2
New Claims	0.4
Unemployment Rate (change)	0.1
Y = Improved Value	

(relative to a year ago) in April. The labor force participation rate, the percentage of the population in the labor force, rose to its highest level since March of 2016. The employment rate, the percentage of the population that is employed, attained its highest value since late 2008. While both remain well below their prior cyclical highs, their April performance is, nonetheless, encouraging. Both have been trending higher in the most recent months. Furthermore, while the **Manufacturing Wage** fell in April, this was its first decline since February of 2016. The failure of **Benefit Exhaustions** to improve was its first such occurrence since July of 2017. Its downtrend remains in tact.

Some concerns do remain, however. **New Claims**, the most timely measure of layoffs, rose in April, and its downtrend remains questionable, making it one of the more critical indicators to follow in the coming months. And, for mindless

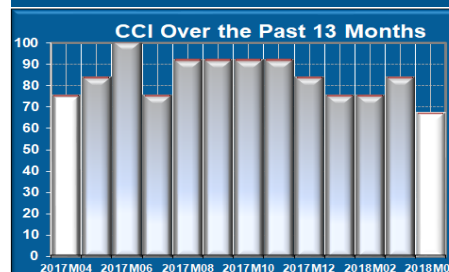
economy watchers, for whom the **Unemployment Rate** tells all, the unthinkable occurred again, as our **Unemployment Rate** rose for the third consecutive month, failing to assuage their fears of the imminent demise of Western Civilization. At least this was accompanied by both a monthly and annual rise in our state's **Labor Force**, its tenth consecutive rise — a major feat in Rhode Island!

Overall, four of the five leading indicators contained in the CCI improved in April, although most had fairly easy comps. As stated earlier, **New Claims** rose, albeit barely in April. Sustaining our momentum moving forward will require that layoffs not begin trending higher. Rhode Island's April goods-producing performance was much better than it was in March. **Total Manufacturing Hours**, a proxy for manufacturing output, an important element of Rhode Island's strength over the past two years, rose strongly in April (+9.1%) based improvements in both employment and the length of the workweek. **Single-Unit Permits**, which reflect new home construction, increased at a double-digit rate (+22.3%), but this was only its second increase in the past six months. Permit me to state the obvious: Our ability to continue adding to our 2017 momentum this year will require continued strength from our goods-producing sector. Rising mortgage rates and a stronger US Dollar might create headwinds through the remainder of this year. **Employment Service Jobs**, a leading labor market indicator that was revised higher in 2017, rose again in April (+5.9%), moving to more rapid growth after slower growth during the first quarter of this year. **US Consumer Sentiment** improved in April (+2.2%), its third consecutive improvement after two consecutive declines.

**Retail Sales** grew again, although well below its prior double-digit rate (4.6%) and toward the lower growth range of late. **Government Employment** rose from its level a year ago (+0.2%), while **Private Service-Producing Employment** growth remained above the one percent level (+1.5%).

Moving forward, added emphasis should be paid to **Total Manufacturing Hours**, **Single-Unit Permits**, **New Claims**, **Employment Service Jobs** and **Retail Sales**.

LABOR FORCE:	Apr 2018	Peak (1/2007)
Participation Rate	64.6%	68.6%
Employment Rate	61.7%	65.4%



DLT Apr 2018 Employment (SA, Y/Y)	
Gain	7,700
Loss	500
Net Chg	7,200

67		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2017	75↑	83↑	92↑	75↑	83↑	92↑	75↑	92↑	92↑	92↑	92↑	83↑
	2018	75	92	75	67								