CURRENT CONDITIONS INDEX

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VOL XXVI
NUMBER 5
Apr 2019

Rhode Island began the second quarter on somewhat of a cautionary note, as its most recent economic performance illustrates rather clearly that economic momentum is down but not out. There were a few positive elements of April's performance, but as has been the case for a while, the negative elements continued to gain in relative importance.

The good news is that the March Current Conditions Index was revised higher, from its neutral value of 50 to 58, which moves it back into the expansion range. For April, that same value was sustained, as seven of the twelve CCI indicators improved. At this point, even though it is early in the year, the CCI failed to attain an expansion value only once. More importantly, the average of the CCI values for the first four months of this year is now close to the CCI's value for the last two months, 58. Also, two indicators countered their recent negative trends this month, **Single-Unit Permits** and **Employment Services Jobs**. These improvements may turn out to be short lived, however. Finally, the strongest performance by any of the twelve indicators by far continues to be **Retail Sales**, which has turned in stellar growth rates every month since November.

While this month's CCI value is welcome news, when looking "under the hood," things aren't quite so rosy. April was the eleventh consecutive month for which the CCI has failed to exceed its year-earlier value, reflecting weakening economic momentum. It is important to keep in mind that this weakness extends back to 2017, although recently released data show that Rhode Island remains stuck at its 2015 level of real GDP. While the 5,000 increase in payroll employment was celebrated by our elected officials, it remains barely above its 2006 level, while the other employment measure, resident employment, is not only below its late 2006 value, but has declined for the last six months. Should **Unemployment Rate** drop from 4.1 percent last April to 3.7 percent this April be cheered? Sadly, no, as the decline in the number of jobless coincides almost exactly with a fall in our **Labor Force**, which has apparently resumed its long-term downtrend (-0.5% in April). In other words, this jobless rate decline from 4.1 percent to 3.7 percent was *meaningless*.

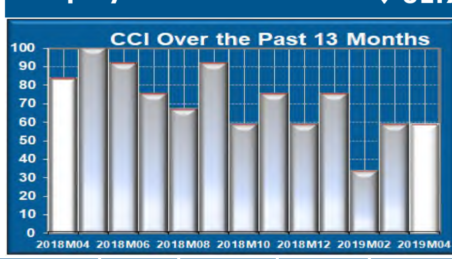
CCI Indicators - % Change		
Government Employment	1.3	Y
US Consumer Sentiment	-1.6	
Single-Unit Permits	3.6	Y
Retail Sales	9.9	Y
Employment Services Jobs	0.1	Y
Priv. Serv-Prod Employment	1.2	Y
Total Manufacturing Hours	-9.9	
Manufacturing Wage	2.1	Y
Labor Force	-0.5	
Benefit Exhaustions	1.3	
New Claims	43.9	
Unemployment Rate (change)	-0.4	Y
Y = Improved Value		

As stated earlier, **Retail Sales** has held up surprisingly well, growing again by just under 10 percent in April. The **Manufacturing Wage** rose (+2.1%), but this was only its fourth increase since September. **New Claims**, the most timely measure of layoffs, had a horrible month (+43.9%), but this was at least partially attributable to the Stop & Shop strike. In spite of this, this indicator has only improved in four of the last ten months which might reflect the beginnings of an uptrend, the opposite of what we need to sustain the momentum we do have.

The two highly cyclical leading economic indicators contained in the Current Conditions Index, **Single-Unit Permits** and **Total Manufacturing Hours**, turned in a mixed performance in April. **Total Manufacturing Hours**, a proxy for manufacturing output, fell by 9.9 percent, its seventh consecutive decline, as both employment and the workweek contracted once again. To some extent this is related to tariffs and the trade dispute. However, this might be with us for a while, so it is not meaningful to dismiss the marked deterioration of this indicator as purely "noise." **Single-Unit Permits**, a measure of new home construction, did manage a slight increase (+3.6%) after declining for nine of the last eleven months. Given Rhode Island's static population, declining interest rates will not likely have a significant effect on this indicator, as employment is far more critical. **Employment Service Jobs**, a leading indicator that includes temps, rose, albeit barely, in April (+0.1%), but it remains stuck below 11,000 at an annual level. Had this indicator not eked out this very small change, the CCI would have fallen to its neutral value of 50. Finally, **US Consumer Sentiment** fell for the seventh time in the last nine months, driven by all the economic uncertainties that exist.

Government Employment rose over the year for an eighth consecutive month (+1.3%), **Private Service-Producing Employment** rose for the first time in three months (+1.2%), and **Benefit Exhaustions**, the timeliest measure of longer-term unemployment, rose by 1.3 percent.

LABOR FORCE:	Apr 2019	Peak (1/2007)
Participation Rate	↓ 64.1%	68.6%
Employment Rate	↓ 61.7%	65.4%



Employment (SA,Y/Y)	
Gain	7,000
Loss	2,000
Net Chg	5,000

58

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	75	100↑	83↑	83↑	100↑	92↑	75	67↓	75↑	58↑	83↑	58↑
2019	75	33↓	58↑	58								