

# CURRENT CONDITIONS INDEX

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The promising economic performance of Rhode Island's economy during the third quarter seemed to unwind as we moved closer to the end of 2014. The Current Conditions Index for both October and November was 58 (note: November was revised lower). Were we once again failing to sustain promising momentum, diverging from what was happening at the national level? Judging by the December performance of the CCI, it is premature to conclude that things are getting worse. For December, the CCI rose back to 75, and it did so with a number of very strong indicator performances. Better yet, for only the second time in quite a while, the CCI managed to beat its year-earlier value. Furthermore, while the payroll employment data appeared to weaken during the fourth quarter, [I expect the upcoming data revisions to eliminate the essentially stagnant employment levels contained in the published data for the last four months of 2014, along with the "mystery decline" for October.](#)

Therefore, at this point, my conclusion from last month, that in spite of accelerating national economic activity, Rhode Island's recovery has failed its first test of becoming more broadly based, must again be put on hold. The positives of stronger national growth and declining energy prices will hopefully pull Rhode Island along with the national economy in 2015. That's a New Year's wish. It will be up to our newly elected officials to make this a New Year's resolution.

In December, four of the five leading indicators contained within the Current Conditions Index improved, while the other failed to improve based on a combination of technical reasons and an extremely difficult comp to beat from last December. **Total Manufacturing Hours**, which measures strength in our manufacturing sector, rose for the first time following three

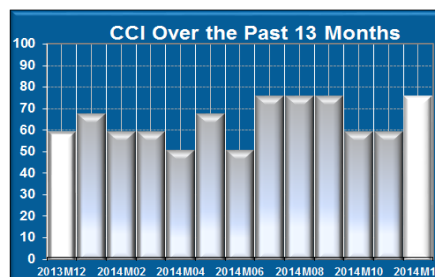
at a double-digit rate (+14.4%) following two months of declines. Viewed along with our state's manufacturing performance in December, the momentum provided by Rhode Island's goods-producing sector may not be moderating after all.

**Employment Service Jobs**, which includes temporary employment and is a prerequisite to employment growth, rose in December (+0.9%), also following two consecutive monthly declines. **New Claims**, a leading labor market indicator, rose by 26.9 percent in December, ending a string of eight consecutive improvements in the last ten months. This apparently disappointing performance has several mitigating circumstances according to the DLT, so let's not put too much weight into this month's number. Finally, **US Consumer Sentiment** rose sharply once again in December (+13.5%), its fifth increase following three consecutive declines.

**Retail Sales** remained very strong in December, increasing by 5.5 percent compared to a year ago following a 9.1 percent rise in November. This indicator has now improved for eleven of the last thirteen months. **Private Service-Producing Employment** rose by 1.7 percent in December, its most rapid rate of growth in the last four months. Not surprisingly, **Government Employment** failed to improve once again. For December, it declined by 0.5 percent, remaining just below 60,000. **Benefit Exhaustions**, which reflects longer-term unemployment, fell by 22.7 percent relative to a year ago.

Finally, Rhode Island's **Labor Force** rose by 0.5 percent versus a year ago, while continuing its string of monthly declines since June. Along with this, our **Unemployment Rate** fell to 6.8 percent, now the fifth highest nationally.

| CCI Indicators - % Change  |         |
|----------------------------|---------|
| Government Employment      | -0.5    |
| US Consumer Sentiment      | 13.5 Y  |
| Single-Unit Permits        | 14.4 Y  |
| Retail Sales               | 5.5 Y   |
| Employment Services Jobs   | 0.9 Y   |
| Priv. Serv-Prod Employment | 1.7 Y   |
| Total Manufacturing Hours  | 1.8 Y   |
| Manufacturing Wage         | -6.2    |
| Labor Force                | 0.5 Y   |
| Benefit Exhaustions        | -22.7 Y |
| New Claims                 | 26.9    |
| Unemployment Rate (change) | -2.5 Y  |
| Y = Improved Value         |         |



| DLT DEC Employment (SA,Y/Y) |       |
|-----------------------------|-------|
| Gain                        | 9,000 |
| Loss                        | 1,300 |
| Net Chg                     | 7,700 |

## THE BOTTOM LINE

Rhode Island ended the year with a very strong December performance. So, while the fourth quarter was still disappointing overall, several of the strong numbers posted in December give reason for hope (that would be a great motto for a state!). One very positive statistic: the CCI for December of this year beat its value last year, something we have virtually not witnessed for a few years now. Expected positive data revisions, an improving national economy, and declining energy prices should at long last begin to manifest themselves in the actual pace and statistical tracking of our state's recovery.

consecutive monthly declines (+1.8%). More impressively, December's value managed to exceed its value of last December, where it had risen by over 4 percent. Along with this, the **Manufacturing Wage** declined yet again, for the tenth consecutive time, by an absurd 6.2 percent. **Single-Unit Permits**, a very volatile indicator that reflects new home construction, rose

| 75 |      | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|    | 2013 | 75  | 67  | 83  | 83↑ | 75↓ | 83↑ | 83  | 67  | 75↑ | 75  | 83↑ | 58↓ |
|    | 2014 | 67↓ | 58  | 58  | 50↓ | 67  | 50  | 75  | 75  | 75  | 58  | 58↓ | 75  |