

# CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

Available Online: <http://www.lardaro.com/current.htm>  
 Blog: <http://rieconomy.blogspot>  
 Twitter: @ladardo

VOL XXV  
 NUMBER 1  
 DEC 2017

Rhode Island closed out 2017 on somewhat of a cautionary note. When viewing its economic performance on a yearly basis, things appear to be fairly strong, as a host of major indicators have managed to sustain improvements. On a monthly basis, however, we see a very different picture: Since the middle of 2017, there has been continuing deterioration in the levels of a number of key economic indicators. Should this continue, and that is not at all certain at this point, the yearly performances of critical economic indicators would begin to deteriorate as well, ultimately dragging down future Current Conditions Index values.

Why is that possibility not at all certain at this time? First, we are at the end of the labor market data cycle. When the January 2018 labor market data are released (within a few days from the release of this report), we will obtain revisions to the existing 2017 data. It is possible that those revisions will contain dramatic improvements. Judging from the national economic revisions, though, such revisions to Rhode Island data will likely be relatively minor. What I find to be most interesting is the divergence in the trends of the two labor market surveys. The establishment-based (CES) survey, from which payroll employment and related measures are obtained, shows some monthly deterioration, but nothing yet to be concerned about. Recent revisions actually portray more strength (i.e., less

deterioration reflected in the household survey data may well be accurate. Stay tuned, we'll find out very soon!

The Current Conditions Index for December, 75, slipped a bit from the value of 83 it had attained for much of 2017, as nine of the twelve CCI indicators improved. That's still a very favorable value, which ironically is tied for the lowest value of 2017. While in 2017 the CCI exceeded its corresponding 2016 values for ten of twelve months, which looks to be very strong, remember this is Rhode Island: in 2016, there were two quarters with very negative rates of economic growth (Q1=-5.4%, Q4=-4.3%). How could there not be such "improvement"?

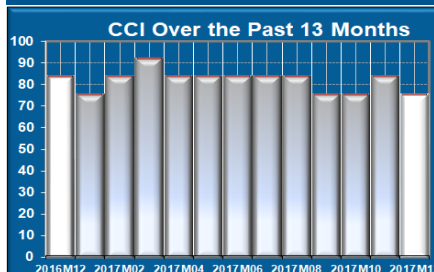
For December, only three of the five leading indicators contained in the CCI improved. **Employment Service Jobs**, a leading labor market indicator, may well have ended its recent downtrend, rising this month for the third consecutive time. **Total Manufacturing Hours**, a proxy for manufacturing output, rose by an amazing 8 percent, as both the workweek and employment expanded. **New Claims**, the timeliest measure of layoffs, fell at a double-digit rate in December, appearing to sustain its downtrend. **Consumer Sentiment** failed to improve in December (-2.2%), ending a streak of thirteen consecutive increases. **Single-Unit Permits**, which reflect new home construction, fell sharply in December (-31.6%), weather related.

**Retail Sales** grew by 3.2 percent in December. **Government Employment** fell from its level a year ago (-0.3%), while remaining above 60,000. **Private Service-Producing Employment** growth remained sluggish again in December (+0.4). **Benefit Exhaustions**, which reflects longer-term unemployment, fell by 7.4 percent. Our **Unemployment Rate**, which remains below its value a year ago, apparently bottomed at 4.2 percent and has risen the last two months, which should not be surprising given monthly deterioration in indicators I discussed earlier, most notably our employment and **Labor Force** declines since July. On a yearly basis, our **Labor Force** has risen for ten consecutive months, a very big deal for Rhode Island, although a normal occurrence for every other state.

CCI Indicators - % Change	
Government Employment	-0.3
US Consumer Sentiment	-2.2
Single-Unit Permits	-31.6
Retail Sales	3.2 Y
Employment Services Jobs	1.0 Y
Priv. Serv-Prod Employment	0.4 Y
Total Manufacturing Hours	8.0 Y
Manufacturing Wage	1.9 Y
Labor Force	0.8 Y
Benefit Exhaustions	-7.4 Y
New Claims	-11.3 Y
Unemployment Rate (change)	-0.5 Y
Y = Improved Value	

weakness) in payroll employment than we had been led to believe, although it peaked in July. The household survey, from which we obtain our **Unemployment Rate** and related data, tells a very different story, one where monthly deterioration is readily apparent. Consider the following trends in these data. First, the employment rate, the percentage of Rhode Island residents who are employed, has declined continually on a monthly basis since peaking in June. Not surprisingly, the peak in resident employment occurred in that same month. Ditto for the **Labor Force**, which also peaked in July, as did Rhode Island's labor force participation rate. Because of sustained inaction by our elected officials to improve Rhode Island's cyclical sensitivity, we remain **FILO** - first in, last out of national weakness. So,

LABOR FORCE:	Dec 2017	Peak (1/2007)
Participation Rate	64.4%	68.6%
Employment Rate	61.5%	65.4%



DLT Dec 2017 Employment (SA, Y/Y)	
Gain	7,900
Loss	1,900
Net Chg	6,000

75		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	83	83	83	83	75	83	83	75