

# CURRENT CONDITIONS INDEX

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What a way to end the year! Rhode Island's December performance was its best by far for all of 2019. At 92, the December Current Conditions Index value was its highest since June of 2018. And, for the third time in 2019, the Current Conditions Index exceeded its year-earlier value. It should be noted that all three of these "beats" occurred in the second half of the year. Clearly, Rhode Island recovered from the weak patch it experienced during the first half of 2019.

As for individual performances, there was a great deal of strength displayed among individual CCI indicators along with the continuation of several recent uptrends, a most encouraging development. If we focus on the leading economic indicators contained in the CCI, there were several welcome developments. First, and foremost, **New Claims** for Unemployment Insurance, the most timely measure of layoffs, improved again in December, for the seventh time in the last eight months, resuming its longer-term downtrend. Along with this, **Employment Service Jobs**, a leading indicator of employment, rose strongly again as it has for every month since March. Taken together, these changes suggest a trend toward higher employment accompanied by fewer layoffs in the coming months, necessary elements if Rhode Island is to sustain its recent momentum. Several non-leading indicators turned in noteworthy performances, most notably Rhode Island's star performer for some time now, **Retail Sales**, which rose at a double-digit rate (+10.2%), capping what turned out to be a very strong holiday shopping season.

Two factors in Rhode Island's ongoing performance merit discussion. As everyone but our elected officials know, until very recently, the dramatic declines in Rhode Island's

(employment rate). Both trends indicate that *our Unemployment Rate is finally behaving as it should, for the "right" reasons*. It has been far too long since we have been able to make that claim.

The most pressing question moving forward concerns data rebenchmarking - the upcoming revisions to this year's data, since surges in activity occurred during the months most likely to be revised. I continue to hope that existing values prove to be accurate and the underlying strength we are witnessing at present remains in tact. I am a bit skeptical, though, since there were large downward revisions to the national labor market data.

In spite of all the good news, our weakest area by far continues to be manufacturing. In December, **Total Manufacturing Hours**, a proxy for manufacturing output, fell *for the fifteenth consecutive month* (-7.7%), as both employment and the workweek both declined yet again. Even the **Manufacturing Wage**, while improving, grew at its slowest rate in a year (+0.9%). **US Consumer Sentiment** improved this month, but barely (+1.1%), its first improvement in the last five months. **Single-Unit Permits**, which reflect new home construction, surged (+39.2%) following an exceptionally easy comp a year ago. Long-term unemployment, based on **Benefit Exhaustions**, improved in December, but its recent performance remains weak. It is not certain whether this indicator will transition to a meaningful downtrend any time soon. **Private Service Producing Employment**, which reflects job change focusing on our service sector excluding government, rose by 2.4 percent in December. Its growth has exceeded a two percent rate each month since July. **Government Employment** increased again in December as it has for eleven of the past twelve months, sustaining a level above 61,000.

Finally, our **Unemployment Rate** remained unchanged at 3.5 percent again in December, which might prove to be its low for this cycle, driven by monthly and yearly increases in our **Labor Force**. Our **Unemployment Rate** is now changing for the "right" reasons, no longer driven by a statistical aberration.

CCI Indicators - % Change	
Government Employment	0.3 Y
US Consumer Sentiment	1.1 Y
Single-Unit Permits	39.2 Y
Retail Sales	10.2 Y
Employment Services Jobs	8.1 Y
Priv. Serv-Prod Employment	2.4 Y
Total Manufacturing Hours	-7.7
Manufacturing Wage	0.9 Y
Labor Force	0.4 Y
Benefit Exhaustions	-4.4 Y
New Claims	-3.7 Y
Unemployment Rate (change)	-0.5 Y

Y = Improved Value

**Unemployment Rate** that occurred had been associated with tepid job growth accompanied by prolonged declines in our state's **Labor Force**. Since June of 2019, however, our **Labor Force** and its value relative to our resident population (i.e., our labor force participation rate) have been improving *on a monthly basis*, the first step, if sustained, to improving yearly values. The same is true for resident employment (the number of employed RI residents) and its value relative to our resident population

LABOR FORCE:	DEC 2019	Peak (1/2007)
Participation Rate	M↑ Y↑ 64.6%	68.6%
Employment Rate	M↑ Y↑ 62.4%	65.4%

  

DLT DEC 2019 Employment (SA,Y/Y)	
Gain	10,500
Loss	1,900
Net Chg	8,600

92		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	58	75	83	67	58	83	67	92