

# CURRENT CONDITIONS INDEX



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The data for Rhode Island look so much better based on the recent revisions that I felt it was finally time for me to produce my monthly report in color. So, in light of this, there are three noteworthy things that I can report this month. First, from this point forward, all of my monthly reports will be in color. Second, the February value of the Current Conditions Index, 67, was actually somewhat of a disappointment compared to the (now revised) values in the second half of 2010. On numerous occasions over the past few years, I wondered if and when I might ever be able to label a value like 67 a disappointment. Happily, that day has finally arrived! Finally, based on the revised data and Current Conditions Index values, *Rhode Island's current recovery has now reached the one year mark*. Apparently time really flies when you don't realize you're having a good time!

The February Current Conditions Index value, 67, means that eight of the 12 indicators improved compared to their values one year ago. Particularly noteworthy this month was the fact that several indicators improved in spite of very strong "comps" last year. One indicator, **Single-Unit Permits**, fell partly because its comp from last February reflected a growth rate of 190 percent. But 26 permits for the entire state in February is hardly something to build a recovery on.

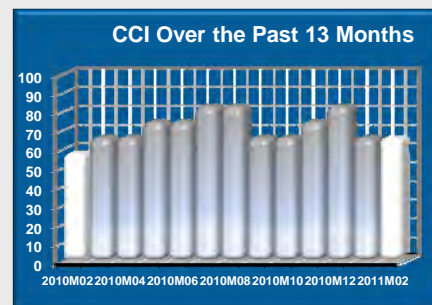
The star performer among all the CCI indicators continues to be **Employment Service Jobs**. Not only has that indicator improved for the last 15 consecutive months, it did so this month (+1.3%) on top of a 7.4 percent gain one year ago.

CCI Indicators - % Change	
Government Employment	-1.6
US Consumer Sentiment	5.4 Y
Single-Unit Permits	-46.2
Retail Sales	-2.4
Employment Services Jobs	1.3 Y
Priv. Serv-Prod Employment	1.0 Y
Total Manufacturing Hours	5.2 Y
Manufacturing Wage	3.8 Y
Labor Force	-0.0
Benefit Exhaustions	-7.8 Y
New Claims	-6.5 Y
Unemployment Rate (change)	-0.6 Y
Y = Improved Value	

Recall, we had thought from the earlier data that this indicator had not improved for quite a while. So, such a strong performance from a leading labor market indicator is potentially very good news moving forward.

The other improving indicators generally reflected very positive momentum. **US Consumer Sentiment** rose by 5.4 percent, quite an improvement from January. **Private Service-Producing Employment** increased by 1.0 percent, its eleventh consecutive improvement. Manufacturing turned in its most impressive performance in quite a while. **Total Manufacturing Hours** rose by 5.2 percent, its ninth improvement in the last ten months, as both the workweek and employment rose. Along with this was a very strong increase in the **Manufacturing Wage** (+3.8%). So, Rhode Island's manufacturing continues to mirror the national trend. Our **Unemployment Rate** fell again, from 11.8 percent one year ago to 11.2 percent this month. Unfortunately, it remains stuck well above ten percent. **New Claims**, a leading labor market indicator, fell by 6.5 percent in February. It is still unclear whether its trend will become one of declining values each month. Ultimately, its trend will be a critical determinant of future improvements in the Current Condition Index. The last improving indicator, **Benefit Exhaustions**, which reflects long-term unemployment, declined by 7.8 percent in February.

**Retail Sales** fell in by 2.4 percent in February, while **Government Employment** declined by 1.6 percent. **Single-Unit Permits**, as stated earlier, fell 46.2%. Finally, our **Labor Force** was unchanged in February, which for calculation purposes, means it also failed to improve.



## THE BOTTOM LINE

Think of Current Conditions Index values as the number of "cylinders" that our state's economy is operating on. For February, we were operating on eight cylinders, a healthy number. So, our state's cyclical momentum continues to be fairly strong. Our main problem is the persistence of a host of structural weaknesses that offset a good deal of our cyclical gains. If we don't attack these now, we will have lost a golden opportunity to be proactive.

67		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2010	42	58	67	67	75	75	83	83	67	67	75	83
	2011	67	67										