

CURRENT CONDITIONS INDEX

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VOL XXII
 NUMBER 3
 FEB 2015

February was yet another month of mediocre economic performance for Rhode Island. Fortunately, the actual performance of our state's economy was a bit better than it appeared to be statistically. For February, the Current Conditions Index remained at 58, as only seven of the twelve CCI indicators improved relative to their values last February. However, a very obvious weather-related distortion concerning new home construction produced what appears at first to be a sharp drop in housing activity. **Single-Unit Permits**, which is a volatile indicator even in times of normal weather, fell over the edge: there were only 17 permits for the entire state of Rhode Island in February, which after annualizing and applying seasonal adjustment produced an annualized value of only 448 units. Not only was this a 34.2 percent decline relative to its value last year, it almost matches the recession low that occurred in early 2009. Quite obviously, there is a great deal more housing strength overall, and in new home construction in particular, today than there was in 2009. So, allowing for this weather-related data distortion, it is more accurate to assume that the February CCI was really 67. Still not great, but higher than last month's value and equal to the CCI last February.

The prior discussion should not be viewed as implying that many or most of the CCI indicators were adversely impacted by February's weather. **Retail Sales** turned in yet another strong

first decline since June of last year. **New Claims**, a leading labor market indicator, fell by 15.4 percent in February, sustaining its well-defined downtrend following a December value that was adversely affected by technical factors. Finally, **Total Manufacturing Hours**, a measure of manufacturing sector strength, managed a very small increase (+0.1%), only its second improvement in the last four months, the result of a sharp decline in the length of the workweek that largely offset the benefits of higher employment. Along with this, the **Manufacturing Wage** declined for the twelfth consecutive time, by a bizarre and difficult to comprehend 4.1 percent. Viewing this manufacturing performance along with February's new home construction, the momentum provided by Rhode Island's goods-producing sector continued to fluctuate.

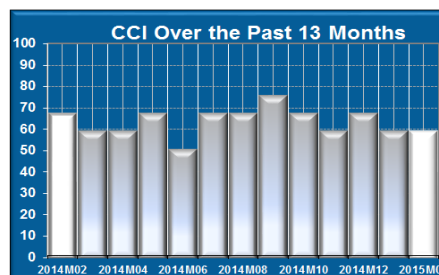
Private Service-Producing Employment increased by one percent in February, slower than its January growth, but among its most rapid rates of growth rate since last September. Not surprisingly, **Government Employment** failed to improve yet again, declining at an elevated pace, 0.5 percent for February, moving to just below 60,000. **Benefit Exhaustions**, which reflects longer-term unemployment, fell by 29.6 percent relative to a year ago, its eighth consecutive double-digit improvement.

Rhode Island's **Labor Force** continued its well-defined downtrend that began in late 2012 and intensified after June of 2014. February was the twenty-second consecutive year-over-year decline in our **Labor Force**. This downtrend has been a key factor in the recent dramatic "improvements" in our **Unemployment Rate**, which fell to 6.3 percent in February. Since jobless rate improvement is so strongly tied to our declining **Labor Force**, I continue to view these jobless "improvements" skeptically.

CCI Indicators - % Change	
Government Employment	-0.5
US Consumer Sentiment	17.5 Y
Single-Unit Permits	-34.2
Retail Sales	4.9 Y
Employment Services Jobs	-0.1
Priv. Serv-Prod Employment	1.0 Y
Total Manufacturing Hours	0.1 Y
Manufacturing Wage	-4.1
Labor Force	-1.0
Benefit Exhaustions	-29.6 Y
New Claims	-15.4 Y
Unemployment Rate (change)	-2.1 Y
Y = Improved Value	

performance in February, rising by 4.9 percent, its thirteenth improvement in the last fourteen months. **Retail Sales** have now risen by at least 4 percent for every month since September of last year. **US Consumer Sentiment** also rose sharply once again in February (+17.5%), its seventh increase following three consecutive declines, boosted by low energy prices.

In total, three of the five leading indicators contained within the Current Conditions Index improved in February. **Single-Unit Permits**, as discussed earlier declined, while **US Consumer Sentiment** improved. **Employment Service Jobs**, which includes temporary employment and is a prerequisite to employment growth, fell slightly in February, by 0.1 percent, its



DLT FEB Employment (SA,Y/Y)	
Gain	7,100
Loss	600
Net Chg	6,500

THE BOTTOM LINE

Rhode Island continued its tepid recovery in February. While weather adversely affected February's economic performance, a substantial amount of weakness continues to exist nonetheless, which is limiting our upside economic momentum. Sadly, people here tend to fixate on our state's **Unemployment Rate** as "the" summary statistic for our state's economic performance. Not only is this emphasis misguided, it entirely overlooks continued weakness in a far more critical area, employment, which remains 40 percent below its prior peak that occurred in December of 2006, over eight years ago.

58		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2014	67	67↑	58	58	67↑	50	67↓	67↓	75	67↑	58	67↓
	2015	58	58										