

CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

Available Online: <http://www.lardaro.com/current.htm> (NEW URL)
 Blog: <http://rieconomy.blogspot.com>

VOL XX
 NUMBER 2
 JAN 2013

The long-awaited revisions to Rhode Island's labor market data have finally arrived. While I have been anticipating these for quite some time now, it appears that most people in the state remained unaware of what was actually happening until very recently. According to the previous "official" data, Rhode Island was doing very badly. At one point, it wasn't all that difficult to conclude that we had actually entered into a double-dip recession. Throughout all of this, I kept chugging along each month with reports indicating that contrary to the "official" data, our state's economy was performing fairly well in terms of its overall momentum and the breadth of activity here.

The new data confirm my prior analysis. Not only has Rhode Island's economy been improving for some time now, the pace of activity here actually *accelerated* during the third and fourth quarters of 2012. A quick examination of the chart for the Current Conditions Index (below, right) shows this very clearly. The good news for me is that I can now stop providing two CCI numbers each month. As of January, Rhode Island's recovery was 35 months old.

According to CCI revisions for 2012, values revised higher for ten of the months, one was unchanged, and December was revised down slightly. What a difference! For all of 2012, the CCI registered values of 83 or greater five times, with two of those equal to 92.

So, after strong third and fourth quarters in 2012, Rhode Island began 2013 on yet another positive note as the Current Conditions Index registered a value of 75, with nine of 12

CCI Indicators - % Change	
Government Employment	-0.8
US Consumer Sentiment	-1.6
Single-Unit Permits	-8.4
Retail Sales	6.9 Y
Employment Services Jobs	6.5 Y
Priv. Serv-Prod Employment	1.3 Y
Total Manufacturing Hours	3.2 Y
Manufacturing Wage	4.7 Y
Labor Force	0.7 Y
Benefit Exhaustions	-38.7 Y
New Claims	-9.0 Y
Unemployment Rate (change)	-1.0 Y

Y = Improved Value

indicators improving. Among the indicators that improved were several very strong, favorable trends. Not the least of these pertains to **Retail Sales**. Its year-over-year growth has matched or exceeded six percent for the past four months. Along with this, our state's **Labor Force** appears to have finally begun to rise again, starting in last August. That upward trend makes the improvements in our state's **Unemployment Rate** more significant. Two changes I had anticipated were confirmed. **Private Service-Producing Employment** has actually been

rising for quite a while, as was true for **Employment Service Jobs**. Finally, the revised CCI values show that Rhode Island was not stuck in a saw tooth pattern through the middle of 2012. Instead, there was consistent momentum throughout all of last year *with an acceleration during the second half of the year during which it is safe to conclude that Rhode Island's economy shifted into a higher gear.*

Three indicators failed to improve in January. **Government Employment**, which reflects the effects of ongoing fiscal consolidation, hasn't improved since August of 2010. It might be in the process of bottoming, assuming that our recent momentum is sustained, as it has fluctuated around 60,000 for several months now. **US Consumer Sentiment** also failed to improve, but January's decline was its first in almost a year. Recent stock market momentum bodes well for this indicator. Lastly, **Single-Unit Permits** fell in January, but its "comp" from a year ago was almost impossible to beat due to the weather last January. The apparent bottoming of housing here should help prevent this indicator from moving into a downtrend in the coming months.

Let me conclude by reiterating a critical point I have found it necessary to make for several months now: we must be careful to distinguish between the *levels* of economic activity and their rates of growth. The CCI, which is a *momentum* indicator, reflects how broadly based economic activity is. The greater the number of improving indicators, the more broadly based is economic activity, indicating greater underlying momentum. It does *not* focus on *levels*. So, what Rhode Island is witnessing is a broadening of economic activity that has increased our momentum. The *levels* of key variables like payroll employment, however, remain well below the values they had attained during the last recovery.



THE BOTTOM LINE

Rhode Island's elected officials have kept waiting for the economy to turn around, as that was supposed to cure all of our ills. Well, I have good news and bad news on this front. The good news is that Rhode Island's economy did turn around in 2012. The eagerly awaited turn in the economy has been here for some time now. The bad news is that while Rhode Island was improving, so too were almost all other states. We are better in *absolute* terms but remain lacking in *relative* terms. So, when our state's jobless rate finally moved below 10 percent, we became the state with the highest jobless rate!

75		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2012	67↑	58↑	58	67↑	67↑	83↑	58↑	92↑	75↑	92↑	83↑	83↓
	2013	75											