

CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

VOL XXVI
NUMBER 8
JUL 2019

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

The upbeat note of Rhode Island's end-of-second-quarter performance continued in July. While it is too early to label this as a trend, it is at least safe to say that our positives are once again gaining on our economic negatives. That comes as truly welcome news given a very unsatisfactory performance in the first quarter, which featured our #46 national ranking for economic growth. The Current Conditions Index for July rose to 83, its highest value for all of 2019 thus far, as ten of twelve indicators improved, including four of its five leading indicators. That's not to imply that there were no disappointments this month, but those have, for the most part, recently moved to the background. Perhaps the most impressive statistic for July is that the CCI at long last exceeded its year-earlier value for the first time since May of 2018. While it might be a bit premature to make this assessment, *it appears that Rhode Island's economy has now shifted into at least second gear after remaining stuck in first gear for far too long.* Hopefully, at long last, we are beginning to meaningfully move beyond our 2015 levels of overall economic activity!

The number of worrisome trends as of July has become relatively small. While both our state's **Labor Force** and Resident Employment remain well below their values at the end of 2018, our state's **Labor Force** finally managed to improve on a

CCI Indicators - % Change	
Government Employment	1.1 Y
US Consumer Sentiment	0.5 Y
Single-Unit Permits	17.1 Y
Retail Sales	9.0 Y
Employment Services Jobs	4.6 Y
Priv. Serv-Prod Employment	2.6 Y
Total Manufacturing Hours	-7.9
Manufacturing Wage	3.4 Y
Labor Force	-0.4
Benefit Exhaustions	-1.8 Y
New Claims	-10.1 Y
Unemployment Rate (change)	-0.4 Y
Y = Improved Value	

monthly (but not yearly) basis for the first time since January, offering a bit of hope while leaving its long-term trend (i.e., a "train wreck") in tact. In terms of unemployment, long-term unemployment, as reflected by **Benefit Exhaustions**, finally improved in July after rising for five of the last seven months, likely benefiting from the monthly jump in Resident Employment. My greatest concern is the performance of manufacturing. While the **Manufacturing Wage** rose (+3.4%), its seventh consecutive increase, **Total Manufacturing Hours**, a proxy for manufacturing output, fell by 7.9 percent, its tenth consecutive decline, as both employment and the workweek contracted again this month. A particularly disturbing statistic is the fact that the

manufacturing workweek has now fallen on a yearly basis for all but one month since last October.

Other than these negatives, there were a number of strong performance in July. **New Claims** for Unemployment Insurance, the most timely measure of layoffs, fell for the third consecutive month, holding out the possibility that layoffs may resume their longer-term downtrend. **Retail Sales**, which has been our "star" indicator of late, improved again in July, with a growth rate that shot up to just below double digits (+9.0%). **US Consumer Sentiment** improved again this month, albeit barely, for the third consecutive time. **Employment Service Jobs**, a leading indicator that includes temps, increased more rapidly than it has of late in July (+4.6%), its fourth consecutive increase, another bright spot this month. Yet another bright spot was the growth in **Private Service-Producing Employment**, which increased for a fourth consecutive month. Its July rate of growth, 2.6 percent, is the highest it has been in well over a year.

Single-Unit Permits, a measure of new home construction, rose for the third time in four months in July (+17.1%) its second consecutive double-digit increase. It is not very likely that declining interest rates will have a significant impact on this indicator, though, given Rhode Island's static population and weak resident employment. Finally, **Government Employment** increased again in July, the tenth time in the last eleven months, remaining well over 61,000.

For July, Rhode Island's **Unemployment Rate** fell below the national rate, to 3.5 percent. In light of the very long-term decline in our state's Labor Force and the fact that both it and Resident Employment have not performed well for some time, recent declines in our state's **Unemployment Rate**, should be viewed as largely "noise." Sadly, that statistic is touted as the sole indicator of our state's economy by state government. Perhaps now that a number of economic indicators are improving and our state's economic momentum appears to have regained some strength, our elected officials can stop hiding behind the misleading **Unemployment Rate**.

LABOR FORCE:	July 2019	Peak (1/2007)
Participation Rate	↑ 64.1%	68.6%
Employment Rate	↑ 61.8%	65.4%

CCI Over the Past 13 Months	
2018M07	75
2018M09	75
2018M11	75
2019M01	83
2019M03	67
2019M05	75
2019M07	83

DLT July 2019 Employment (SA,Y/Y)	
Gain	11,000
Loss	3,900
Net Chg	7,100

83		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					