CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

Available Online: http://www.llardaro.com/current.htm
Twitter: @ladardo

VOL XXV
NUMBER 7
JUN 2018

Rhode Island ended the second quarter on a positive note, as the Current Conditions Index remained well into the expansion range, buttressed by strong individual performances by a number of indicators. Clearly, Rhode Island's economy is performing at its best since the Great Recession. Perhaps most importantly, we are beginning to see the "left behind" indicators moving forward at long last, which is, to the best of my ability to assess our state's economic performance, the **LO** portion of **FILO** (First In, Last Out of national economic weakness).

June's CCI value, while not the highest for this year thus far, is the second highest level that we have managed to attain. June's economic performance was indeed strong, as ten of the twelve CCI indicators improved. In terms of overall perspective, while the June CCI value was very good, it failed to exceed its year-earlier value, a feat that has only occurred twice this year. So, it is safe to say that barring an escalating trade war, Rhode Island's economic momentum should continue, at least into next year.

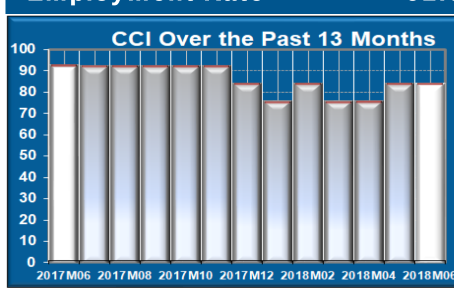
As has been true throughout 2018, the two most important statistics with which to gauge whether Rhode Island has moved beyond the damage it suffered from the Great Recession, ones that nobody in this state other than me ever discusses (our "left behind" indicators) continue to improve. *Both the labor force participation rate and the employment rate once again rose relative to their values a year ago in June, continuing uptrends that began in January.* The labor force participation rate, the percentage of our resident population that is in the labor force, rose to its highest level since March of 2016: 64.8 percent. The employment rate, the percentage of the resident population that is employed, attained its highest value since *late 2008: 62 percent*. *While both remain well below their prior cyclical highs* (see table on right), their June and 2018 performances overall are encouraging. Furthermore, while payroll employment (the number of jobs in RI) has passed its prior peak, due largely to increases in part-time jobs, resident employment (the number of employed RI residents) remains about 10,000 below its prior peak, although it has continually improved since January. The great news for the mindless economy watchers, for whom the **Unemployment Rate** tells all: The **Unemployment Rate** improved this month, allaying for now their fears of the imminent collapse of Western Civilization. Better yet, this was accompanied by both monthly and annual rises in our **Labor Force**, the twelfth consecutive year-over-year increase.

CCI Indicators - % Change		
Government Employment	-0.5	
US Consumer Sentiment	3.3	Y
Single-Unit Permits	-30.1	
Retail Sales	8.8	Y
Employment Services Jobs	3.1	Y
Priv. Serv-Prod Employment	1.9	Y
Total Manufacturing Hours	7.0	Y
Manufacturing Wage	2.0	Y
Labor Force	1.2	Y
Benefit Exhaustions	-18.4	Y
New Claims	-8.2	Y
Unemployment Rate (change)	-0.1	Y
Y = Improved Value		

Four of the five leading indicators contained in the CCI improved this month. **New Claims** declined in June (-8.2%), moving it closer to the resumption of a downtrend. Rhode Island's goods-producing sector's performance turned in a mixed performance in June. **Total Manufacturing Hours**, a proxy for manufacturing output, an important element of Rhode Island's strength over the past two years, rose strongly in June (+7%) based improvements in both employment and the length of the workweek. A stronger US Dollar and tariff effects can be expected to generate headwinds for our manufacturing sector through the remainder of this year. **Single-Unit Permits**, which reflect new home construction, decreased at a double-digit rate (-30.1%), its fifth decline in the past eight months. Rising home prices and mortgage rates pose challenges for this indicator moving forward. **Employment Service Jobs**, a leading labor market indicator that includes temporary employment, rose again in June (+3.1%), continuing a trend of slower year-over-year growth while remaining constant on a monthly basis. **US Consumer Sentiment** increased in June (+3.3%), its fifth consecutive improvement. As is true with our goods-producing indicators, it too faces issues moving forward, most notably as the result of trade tensions and their potential negative stock market effects.

Retail Sales grew again (+8.8%), and while growth remained below its recent double-digit rates, it did, nonetheless, move towards its upper growth range of late. **Government Employment** fell from its level a year ago (-0.5%), its first decline since July of 2017. **Private Service-Producing Employment** growth remained above the one percent level, accelerating in June (+1.9%). Finally, **Benefit Exhaustions**, the most timely measure of longer-term unemployment, fell sharply in June (-18.4%), moving further beyond April's double-digit rise.

LABOR FORCE:	June 2018	Peak (1/2007)
Participation Rate	64.8%	68.6%
Employment Rate	62.0%	65.4%



DLT June 2018 Employment (SA,Y/Y)

Gain	8,800
Loss	1,300
Net Chg	7,500

83

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	75↑	83↑	92↑	75↑	83↑	92↑	75↑	92↑	92↑	92↑	92↑	83↑
2018	75	92	75	75↑	92	83						