

CURRENT CONDITIONS INDEX

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VOL XXIII
 NUMBER 4
 MAR 2016

What a way to end the first quarter! Midway we were informed that the previously released labor market data were significantly less favorable than we had been led to believe. The result was a vanishing of what had been a perceived acceleration in the pace of economic activity last year. Then, in light of these new data realities, we found ourselves moving sideways at best, clearly impacted by the slowing pace of national activity. Then along comes the March data. Not only did the Current Conditions Index fall from its February value of 67 to 58, as seven of the twelve CCI indicators improved, but a more in-depth analysis of this month's data reveals ongoing deterioration in the performances of several of the indicators that had been generating a great deal of our momentum.

A value of 58 for the CCI reveals that Rhode Island's economy is expanding (50 is its neutral value) but barely. Not all 58's are the same, however. Make no mistake about it, this month's CCI value of 58 was an ugly 58 based on the behavior of a number of key indicators. Worse yet, the CCI once again failed to exceed its year-earlier value, a feat we have yet to accomplish this year. As of

indicator has had very weak comps. The good news appears to be that we are finally settling in at a level of 1,000 or more annual permits. As positive trends go, that's largely it for now.

What are the areas I am concerned about? Our state's **Labor Force** is not in the well-defined uptrend we had been led to believe. Instead, it continues to decrease. March's decline of 0.5 percent was its twenty-second year-over-year fall. Because of this, our **Unemployment Rate** continues to fall primarily for the wrong reasons. **Retail Sales**, which has been the CCI's star performer for a few years, has now declined for two of the past three months, falling by 2.9 percent in March. Accompanying this was the fourth consecutive decline in **US Consumer Sentiment** (-1.9%). **Employment Service Jobs**, which includes temporary employment and is a prerequisite to employment growth, fell by 1.1 percent, its first decline in over a year.

The remaining three of the five leading indicators contained in the CCI improved in March. **Total Manufacturing Hours**, a measure of manufacturing sector strength, rose by 0.4 percent in March, only its third improvement in a year. The biggest surprise this month was a rise in the **Manufacturing Wage** (+0.4%), its first increase in a very long time. **New Claims**, a leading labor market indicator that reflects layoffs, fell by 10.1 percent in March, in spite of a difficult comp one year ago.

Private Service-Producing Employment, an indicator whose actual growth had been slowing, increased by 2 percent in March, its most rapid rate of growth since last July. **Government Employment** fell again (-0.7%), as its level remained just above 60,000. Finally, **Benefit Exhaustions**, which reflects longer-term unemployment, declined by 26.5 percent relative to last year.

CCI Indicators - % Change	
Government Employment	-0.7
US Consumer Sentiment	-1.9
Single-Unit Permits	44.1 Y
Retail Sales	-2.9
Employment Services Jobs	-1.1
Priv. Serv-Prod Employment	2.0 Y
Total Manufacturing Hours	0.4 Y
Manufacturing Wage	0.4 Y
Labor Force	-0.5
Benefit Exhaustions	-26.5 Y
New Claims	-10.1 Y
Unemployment Rate (change)	-0.9 Y
Y = Improved Value	

March, it appears that Rhode Island's economy finds itself stuck in the mediocre lane. Don't be fooled by the upward revisions to tax revenue: those are largely an artifact of how clumsy Massachusetts has been in amassing a major gambling presence, not the result of surging activity here. If anything, recent CCI values presage a *slowing* in the growth of future tax revenue.

This is not to say that there weren't any strong segments of our state's economy in March. There were a few, but only a few. The message from our first quarter performance is that our negatives have continued to gain on our positives.

Consider the March growth rate of **Single-Unit Permits**: 44.1 percent, following a rise of 185.7 percent last month. Does this indicate a return to the 1980's? No. For the past few months, this



THE BOTTOM LINE

March marked the end of a very disappointing quarter for Rhode Island. Rates of growth for virtually all of the indicators that managed to improve (with the exceptions of **Single-Unit Permits** and **Private Service-Producing Employment**) were mediocre, to say the least. As national growth continues to slow, so too does Rhode Island's economy. Unfortunately, we have allowed ourselves to remain far from where we would have been had we reinvented our state's economy in ways that would better insulate us from weakening national economic growth.

58		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2015	67↑	67↑	67	67↑	67	67↓	58↓	75↓	67↓	50↓	67↓	50↓
	2016	58	67	58									