

# CURRENT CONDITIONS INDEX

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Maybe 2015 won't turn out to be as disappointing as it looked last month. While this year started fairly slowly, there was an obvious and valid excuse - atypically bad weather. Once that weather ended, I was expecting a quick bounce back. Based on the April data, that didn't come. But maybe, just maybe, that bounce waited until May to occur. The employment data for May were the best that Rhode Island has seen for quite some time. Virtually all of the key numbers moved in the direction we want them to move and for the right reasons. When was the last time that happened? This was especially true for our **Unemployment Rate** which, at long last, was accompanied by an improving **Labor Force**. That might not sound like a big deal. And it probably isn't for other states. But this is Rhode Island, where our state's **Labor Force** had been declining for two consecutive years on a year-over-year basis. Thus, the dramatic "improvements" in our **Unemployment Rate** had largely been occurring for the wrong reason. *Job gains, what we should be focusing on all the time, really haven't been all that good.* Our employment rate (i.e., the percentage of the working-age population that is employed) was only 61.1 percent in May, well below its pre-recession peak of 65.4 percent (in January of 2007).

average. **Total Manufacturing Hours**, a measure of manufacturing sector strength, also declined in May (-0.6%), its second consecutive decline following the bad weather, as a sharp decline in the workweek more than offset the positive effects of a small employment gain. As was true last month, May was not a very good month Rhode Island's goods-producing sector.

Each of the remaining leading indicators contained within the CCI improved in May. **US Consumer Sentiment** rose at a double-digit rate (+11.3%) for the eighth consecutive month. **Employment Service Jobs**, which includes temporary employment and is a prerequisite to employment growth, improved by a healthy 2.2 percent, its third consecutive improvement. Finally, **New Claims**, a leading labor market indicator, fell by 11.8 percent in May, sustaining its well-defined downtrend.

**Retail Sales** turned in another strong performance in May (+7.0%), following a double-digit gain in April. **Private Service-Producing Employment** increased by 1.7 percent in May, its most rapid growth rate since last August. **Government Employment** again failed to improve, declining by 0.8 percent for May. **Benefit Exhaustions**, which reflects longer-term unemployment, fell by 31.5 percent relative to last year. For those into fiction, Rhode Island's **Manufacturing Wage** declined for the fifteenth consecutive time in May (-4.8%). Rhode Island's **Labor Force** at long last ended its two-year string of year-over-year declines, rising by a hefty (for us) 0.2 percent in May. And, for the first time in a very long time, Rhode Island's **Unemployment Rate** declined, this month to 5.9 percent, accompanied by large jumps in both resident employment (+12,000 or 2.3% year-over-year) and payroll employment (6,700 or 1.4%), along with a substantial decline in the number of unemployed (10,800 or 24.6%). Will our state's **Labor Force** begin to increase on a sustained basis?

CCI Indicators - % Change	
Government Employment	-0.8
US Consumer Sentiment	11.3 Y
Single-Unit Permits	-15.2
Retail Sales	7.0 Y
Employment Services Jobs	2.2 Y
Priv. Serv-Prod Employment	1.7 Y
Total Manufacturing Hours	-0.6
Manufacturing Wage	-4.8
Labor Force	0.2 Y
Benefit Exhaustions	-31.5 Y
New Claims	-11.8 Y
Unemployment Rate (change)	-2.0 Y
Y = Improved Value	

At any rate, the Current Conditions Index for May rose from its value of 58 last month to 67. While that's still not a great value, as only eight of the twelve CCI indicators improved relative to a year ago, it was better than the CCI's value last May. So, we might be witnessing the early stages of improving momentum, as the CCI has now exceeded its year-earlier values for two of the last three months. For Rhode Island, that is a big deal. If this continues, it will signal that our state's rate of growth has at long last begun to accelerate from its disappointing level of 1.2 percent in 2014.

Rhode Island's May economic performance was quite good (for us). Eight indicators improved overall, which included only three of the five leading indicators in the Current Conditions Index. Absent weather-related distortions, new home construction failed to improve yet again, as **Single-Unit Permits** fell by 15.2 percent from last May. While this is admittedly a volatile indicator, the 739 permits (at an annual rate) in May was well below its twelve-month



DLT MAY Employment (SA, Y/Y)	
Gain	9,200
Loss	2,500
Net Chg	6,700

## THE BOTTOM LINE

Rhode Island's economy may well be in the process of transitioning to a period of more rapid growth. The CCI has now beaten its year-earlier value for two of the last three months, a rare and very welcome occurrence. On our horizon lie the benefits of the numerous legislative changes passed in the most recent budget - more than had been put forth *in total* since the last recession, and many of which involve investment-oriented spending. The primary effects of these programs will not be felt for six to twelve months, so our state's economy should get a self-generated further boost by the end of 2015 and into early 2016.

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