

CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

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

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The third quarter ended on a very positive note, as the Current Conditions Index for September recorded a value of 83, its second highest level for 2015 thus far, and ironically, the CCI average for the third quarter. Not only did ten of the twelve CCI indicators improve, more importantly, September marked the seventh month for which the CCI has either matched or exceeded its year-earlier value. At this point, it is very clear that the pace of Rhode Island's current recovery that began to accelerate in the second quarter gained further momentum throughout the third quarter. As this recovery continues to become more broadly based, last year's tepid 1.2 percent growth rate appears to be well behind us.

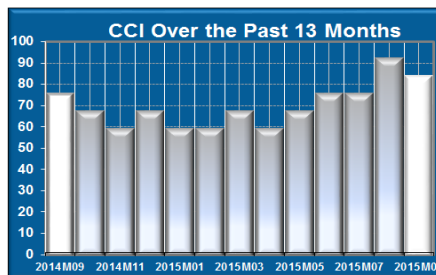
Although technically, the present recovery for Rhode Island began in early 2010, I view our state's "real" recovery as beginning at the end of last year, based on simultaneous increases in our labor force participation rate and employment rates, which at long last allowed our state's **Unemployment Rate** to begin declining for the "right" reasons, and not as the statistical byproduct of the unemployed exiting from the **Labor Force**. Sadly, this has become a rarity for this state.

As things here have truly begun to improve, it is critical that we keep all of this in perspective. As of September, Rhode Island had recovered well below three-fourths of the jobs lost during the last

New home construction, in terms of **Single-Unit Permits**, rose by 22.7 percent compared to last September, its second improvement after a large drop in July. **Total Manufacturing Hours**, a measure of manufacturing sector strength, rose by 0.4 percent in September, which was its second increase after falling by over one percent in July. As the US dollar strengthens and European growth slows, it will become increasingly difficult for this indicator to sustain its recent improvements. **US Consumer Sentiment** increased once again, albeit at a much slower rate than has been true recently (+2.9%), but this was its twelfth consecutive improvement. **Employment Service Jobs**, which includes temporary employment and is a prerequisite to employment growth, rose by 2.1 percent, its slowest rate in the last three months, but still a healthy rate of growth. Finally, **New Claims**, a leading labor market indicator that reflects layoffs, fell by 12 percent in September, which sustained its well-defined downtrend.

Retail Sales increased in September, but barely (+0.3%). While September was its sixteenth consecutive improvement, its recent stellar performance may well be moderating, or in a worse case scenario, might reverse in the next few months. **Private Service-Producing Employment** rose by 1.3 percent in September, yet another indicator with slowing recent growth. **Government Employment** fell slightly in September (-0.8%), but its level remained right at 60,000. **Benefit Exhaustions**, which reflects longer-term unemployment, fell by an amazing 35.6 percent relative to last year. For those into fiction, Rhode Island's **Manufacturing Wage** declined for the nineteenth consecutive time in September (-3.3%). Rhode Island's **Labor Force** sustained its recent uptrend on a yearly but not monthly basis, rising by a significant (for us) 1.1 percent. Finally, Rhode Island's **Unemployment Rate** declined to 5.4 percent in September, tainted by a monthly drop in our **Labor Force**.

CCI Indicators - % Change	
Government Employment	-0.8
US Consumer Sentiment	2.9 Y
Single-Unit Permits	22.7 Y
Retail Sales	0.3 Y
Employment Services Jobs	2.1 Y
Priv. Serv-Prod Employment	1.3 Y
Total Manufacturing Hours	0.4 Y
Manufacturing Wage	-3.3
Labor Force	1.1 Y
Benefit Exhaustions	-35.6 Y
New Claims	-12.0 Y
Unemployment Rate (change)	-1.8 Y
Y = Improved Value	



DLT SEP Employment (SA, Y/Y)	
Gain	6,800
Loss	3,800
Net Chg	3,000

recession. In fact, recent payroll numbers suggest we may be sliding a bit, although my simulations indicate the recent declines are likely to be revised away in February. At any rate, in spite of the fact that our labor force participation and employment rates have been rising, both remain well below pre-recession levels.

Rhode Island's September economic performance, although not as impressive as that of August, was the second best we have seen in some time. Ten indicators improved overall, including all five of the CCI's leading indicators. What was impressive about this is the fact that three of the leading indicators improved despite very difficult "comps" from last year.

THE BOTTOM LINE

Rhode Island ended the third quarter on a very positive note, recording its best quarterly performance in quite some time. And this occurred *in spite of the fact that our state literally did nothing for years, as we continue to benefit almost entirely from national and neighboring-state momentum*. In spite of this, the slowdown in national growth, which appears to have begun adversely affecting Rhode Island's month-to-month performance over the past few months, will hopefully be counteracted early next year as our recently enacted legislation will at long last provide us with internally generated momentum.

83		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	75	75	92	83			