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This recovery really is taking hold, as we are in the third consecutive quarter with very broadly based economic activity. The Current Conditions Index for February rose to 92, its highest value since September of 1999 — more than twice its value last February. Only one indicator failed to improve, the Labor Force, which fell by 1.1 percent. Most of the other indicators turned in very impressive gains. Three indicators in particular, which earlier showed lesser performances, have been beneficial in our gaining this momentum: Single-Unit Permits, which has been erratic of late; US Consumer Sentiment, which has now improved for several consecutive months; and Government Employment, which earlier labor market data had incorrectly indicated was on a sustained downtrend. Even Manufacturing Man-hours rose.

While currently unemployed persons continue to experience difficulties finding employment, other labor market indicators point to growing momentum amid some remaining weakness. Help Wanted Advertising rose by 10 percent in February. This certainly appears to indicate dramatic improvement in labor demand. Unfortunately that conclusion is incorrect, as its value is still very low in historical terms (33 percent of its value in 1987). Layoffs, in terms of New Claims for Unemployment Insurance, continued their downward trend, as this indicator has now improved for five of the last six months. A similar picture exists for long-term unemployment, as measured by Benefit Exhaustions, which has improved for six of the last eight months. Rhode Island’s Unemployment Rate fell compared to last February (5.2% vs. 5.5%), but remained unchanged from January. However, one must be cautious in drawing inferences about declines in months like February when the Labor Force also falls, since this suggests that some unemployed persons dropped out of the labor force, which has the effect of making the changing rate appear to be more beneficial than it really is.

Retail Sales grew strongly in February, fueled again by strongly improving US Consumer Sentiment (+18.6%) which remains close to a value of 100. Volatility in new home construction continued in February, as Single-Unit Permits surged again, this time by an amazing 29.4 percent compared to last February.

Rhode Island’s manufacturing labor market showed strength in February. Manufacturing Man-hours rose by 1.2%, its first increase in over a year. Growth in Rhode Island’s Manufacturing Wage, which continues to hover at just under $13 per hour, continues to accelerate (+1.6% in February). Private Service-Producing Employment growth continues to accelerate, growing at a 1.9 percent rate in February, its highest rate since last August. And, in spite of ongoing budget difficulties, Government Employment rose once again in February (+0.6%). As stated earlier, this upward trend is a clear divergence from what we were led to believe based on the labor market data prior to this rebenchmarking.

At the present time, Rhode Island’s economy is showing surprising strength, as momentum continues to build. Not only is our recovery becoming more broadly based, for once, we are not being “left in the dust” by the strong pace of national economic activity. Let’s hope this continues for quite some time.

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