Rhode Island Current Conditions Index — February 2010

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Prior to the April flooding, Rhode Island’s economy was continuing to move ever closer to a cyclical bottom, allowing us to begin visualizing an end of the current recession which has now lasted over two and a half years. February’s Current Conditions Index was further proof of this. The February CCI once again reached its neutral value of 50, only the second time this has occurred since mid-2007. Although the flooding that has so devastated Rhode Island was not a cyclical event, it will nonetheless generate substantial negative effects on Rhode Island’s economy throughout most of the remainder of 2010. So, starting in April, recent improvements in CCI values will be lost for a while, as the impact of the flooding overwhelms whatever cyclical momentum exists.

Although it now seems irrelevant (something akin to July and August data releases after 9/11), Rhode Island’s economy did once again reach its neutral value of 50, only the second time this has occurred since mid-2007. Although the flooding that has so devastated Rhode Island was not a cyclical event, it will nonetheless generate substantial negative effects on Rhode Island’s economy throughout most of the remainder of 2010. So, starting in April, recent improvements in CCI values will be lost for a while, as the impact of the flooding overwhelms whatever cyclical momentum exists.

February’s performance was not without its negatives. Future job prospects based on Employment Service Jobs, a leading indicator, remained discouraging, as these fell 10.2 percent compared to a year ago. In spite of this, this indicator has stabilized on a monthly basis since last March. Total Manufacturing Hours fell again, but by a less than double-digit rate (6.6 percent) compared to last year. Private Service-Producing Employment declined again, by 1.9 percent, ironically its “best” performance in quite some time, even though our Unemployment Rate remained stuck at 12.7 percent. Government Employment, driven largely by budget woes, declined by another 1.9 percent, and Benefit Exhausions, which reflects long-term unemployment, rose by “only” 8.4 percent.

Looking at the February indicator performance, US Consumer Sentiment continued to be our “star” performer, rising by 31.1 percent in February, its eleventh consecutive year-over-year improvement. Our state’s Labor Force rose again, increasing by a surprising 2.7 percent. Growth in the Manufacturing Wage remained rapid in February, at a 2.3 percent rate, sustaining a string of growth rates above 2 percent since last September. Once again, Single-Unit Permits surged by over 100 percent compared to a year ago (+191.8%). Why? Since there were only 16 permits for the entire state last February. So, prior to the flooding, there continued to be virtually no new home construction in Rhode Island. Post-flood rebuilding and repairs will actually help Rhode Island’s housing sector in coming months. Another improving indicator, Retail Sales, will not fare as well. For February, Retail Sales grew by a very healthy 5 percent compared to a year ago, rising on a monthly basis for the last three months. The total shutdown of Warwick Mall after the flooding will by itself dramatically lower Retail Sales starting for at least April and May. The last improving indicator, New Claims, a leading indicator that measures layoffs, fell by 38.2 percent, its seventh improvement in the last eight months.