2011

Rhode Island Current Conditions Index — March 2011

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Rhode Island ended the first quarter on a down note. Actually, the entire first quarter qualifies as somewhat of a disappointment, based on the economic momentum we witnessed during the second half of 2010. The Current Conditions Index for March fell to 58, as only seven of twelve indicators improved. While this qualifies as the lowest CCI value for this entire recovery (based on the new labor market indicators improved. While this qualifies as the lowest CCI Conditions Index for March fell to 58, as only seven of twelve witnessed during the second half of 2010. The Current disappointment, based on the economic momentum we the entire first quarter qualifies as somewhat of a Rhode Island ended the first quarter on a down note. Actually, indicate overall weakness, it actually does not, as six indicators the pre-revision data. While the March value might seem to indicate overall weakness, it actually does not, as six indicators had exceptionally strong “comps” to beat a year ago, and even in spite of that, two of those improved. Actually, this is a fairly common occurrences during recoveries, as easy-to-beat values in the early stages of a recession soon disappear, giving way to more difficult “comps.” Further momentum then becomes predicated on beating these ever-stronger “comps.”

There is some basis for disappointment in March, though: it is predicated on beating these ever-stronger “comps.”

Particularly noteworthy this month was the performance of the six indicators with very strong “comps” from last year. Four of these failed to improve. Single-Unit Permits, which reflects new home construction, fell by 17.2 percent compared to last March. But a year ago, this indicator’s annual growth was almost 58 percent. Clearly, the roller coaster behavior of new home construction here continues. US Consumer Sentiment fell by 8 percent versus last March, but its value last year had risen by just under 30 percent from 2009. There’s a similar story for Employment Service Jobs, which has been our “star” performer throughout this recovery. A year ago, this indicator had risen by 15 percent. Compared to that value, Employment Service Jobs this year was 3.8 percent lower, registering only its first decline in the last sixteen months. And, our Labor Force which had risen by 1.9 percent last March, fell by 0.6 percent this month.

Two indicators with difficult “comps” did manage to improve this month. Retail Sales rose by 1.1 percent this March, in spite of having risen by 3.8 percent one year ago. And New Claims, a leading labor market indicator, fell by 14.3 percent this month on top of a decline of 56.5 percent one year ago.

Private Service-Producing Employment increased by 0.7 percent in March, its twelfth consecutive improvement. Manufacturing was also impressive, as Total Manufacturing Hours rose by 3.2 percent, its tenth improvement in the last eleven months, and the Manufacturing Wage increased by 3.7 percent. Our Unemployment Rate fell again, from 11.8 percent last year to 11 percent, as did Benefit Exhaustions (-18.1%). Government Employment also declined (-1.8%).

Rhode Island’s recovery, now thirteen months old, appears to be losing some of its momentum. CCI values in the first quarter of 2011 were clearly lower than they were in either of the prior two quarters, especially the third quarter of 2010. Headwinds exist, most notably the adverse effects of food and energy prices and balancing our state’s budget. The question for now shifts to how Rhode Island deals with the possibility of a slowing economy.