Rhode Island Current Conditions Index — January 2012

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Rhode Island begins 2012 equipped with its newly revised labor market data. The prior data had painted a rather grim picture with Rhode Island’s economy being essentially “dead in the water” for much of the second half of 2011. I had hoped the new data would show that things here were materially better than what we had been led to believe, especially concerning the abysmal performances of our Labor Force, Unemployment Rate, and the two employment series, Resident and Payroll Employment. I wasn’t sadly disappointed by the revised data. More to the point, I was alarmed by how much worse the actual performances of every one of those data series were. To summarize this very succinctly: the “good stuff” (the Labor Force, and both kinds of employment) was revised sharply lower while the “bad stuff” (the Unemployment Rate) was revised significantly higher. In light of these new data, we need to rethink much of what we had thought about our state’s labor market performance. Check my Blog in the coming weeks for charts and posts about this.

This does not necessarily mean that the overall picture of Rhode Island’s economic performance in 2011 needs to be entirely overturned, though. The assessment of overall performance must be based on a broadly based set of indicators, which is precisely what the Current Conditions Index was designed to do. For 2011, three monthly values were revised lower (January, November, and December), while one (March) increased. Based on these changes, Rhode Island’s economy was a bit more “dead in the water” than I had earlier thought. In spite of this, our exceedingly tepid recovery did continue, albeit barely since the second half of 2011. Our bright spots, most notably Retail Sales, remained. It was our sore points that turned out to be quite a bit more sore. Sadly, or happily, depending on your preference, they still failed to improve, but by wider margins.

The revised labor market data were finally released. Contrary to my hopes, these data were highly disappointing. It should now be pain-fully obvious to anyone who analyzes these data that many if not most of Rhode Island’s economic problems are the result of its structural, not its cyclical, negatives. At the present time, Rhode Island finds itself once again being left behind as the pace of national economic activity accelerates. The days when our leaders were able to rationalize away our problems have now officially ended.