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Rhode Island Current Conditions Index – January 2012

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CURRENT CONDITIONS INDEX

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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

CCI Indicators - % Change	
Government Employment	-1.3
US Consumer Sentiment	1.2 Y
Single-Unit Permits	67.4 Y
Retail Sales	3.5 Y
Employment Services Jobs	-7.6
Priv. Serv-Prod Employment	-0.4
Total Manufacturing Hours	7.3 Y
Manufacturing Wage	19.0 Y
Labor Force	-0.9
Benefit Exhaustions	-10.7 Y
New Claims	8.2
Unemployment Rate (change)	-0.5 Y
Y = Improved Value	

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.

Let's begin indicator discussion with the bright spots. For January,

the Current Conditions Index registered a value of 58, as seven of the twelve indicators improved. January's CCI reading exceeded that from a year earlier, breaking a string of 10 consecutive misses. Rhode Island's recovery is now 23 months old.

Retail Sales improved for the fifth consecutive month (+3.5%), starting off 2012 on a very positive note. **US Consumer Sentiment** rose in January (1.2%), breaking a string of seven consecutive declines. Rhode Island's manufacturing sector showed significant strength, with **Total Manufacturing Hours** surging by 7.3 percent, based on greater employment and a sharply longer workweek, both of which helped to give some credibility to the dramatic increase of 19 percent in the **Manufacturing Wage**. **Benefit Exhaustions**, a measure of long-term unemployment, fell again, by 10.7 percent. At the other end of the jobless spectrum, **New Claims**, a leading labor market indicator that includes layoffs, rose sharply, by 8.2 percent. Sadly, its uptrend appears to remain intact. **Single-Unit Permits**, which tracks new home construction, the most volatile of the CCI indicators, surged by 67.4 percent in January, obviously affected by weather.

Our **Labor Force** continued its more-horrible-than-we-knew performance in January (-0.9%), and with this the decline in our **Unemployment Rate** was not welcome news. **Employment Service Jobs**, a leading labor market indicator that includes "temps," fell for a tenth time. Finally, **Private Service-Producing Employment** declined again (its levels were revised lower) as did **Government Employment**.



January Employment (SA, Y/Y)
Gain 3,700
Loss 5,100
Net Chg -1,400

THE BOTTOM LINE

The revised labor market data were finally released. Contrary to my hopes, these data were highly disappointing. It should now be painfully 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.

58		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2011	50 ↓	67	67 ↑	58	50	58	58	42	50	50	58 ↓	50 ↓
	2012	58											