2-2013

Rhode Island Current Conditions Index -- February 2013

Leonard Lardaro
University of Rhode Island, lardaro@uri.edu

CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

Available Online: http://www.llardaro.com/current.htm (NEW URL)
Blog: http://rieconomy.blogspot.com

VOL XX
NUMBER 3
FEB 2013

Just as persons in Rhode Island finally discovered that our state's economy performed considerably better than the flawed labor market data had led us to believe throughout 2012, we wake up to the reality that the first two months of 2013 have not been as kind to our state's economy. During the second half of 2012, Rhode Island's recovery clearly strengthened, as the breadth of overall economic activity here (the number of indicators improving) and the pace of this recovery accelerated. We attained Current Conditions Index values of 92 twice in late 2012 and finished the year with a pair of 83 values, as ten of the twelve CCI indicators improved. For January of 2013, the CCI fell to 75, and in February, *the third anniversary of Rhode Island's recovery*, the CCI fell to 67, as only eight CCI indicators improved. Happy Anniversary! At least it is still possible to say that while the CCI values for each of the first two months this year were somewhat discouraging relative to what we saw in the second half of 2012, both did manage to exceed year-earlier values.

This isn't the first time I can recall seeing less impressive performance than what we had apparently missed after upwardly revised data were released. What a tease!

I wish I could say that this month's indicator performance was in some way misleading, that there is reason to believe that Rhode Island's economy isn't slowing, but *the data show rather convincingly that Rhode Island's economy has in fact slowed during the first two months of 2013*. Perhaps even worse, two critical indicators that have been strong performers for some time now *may* be in the process of reversing their trends.

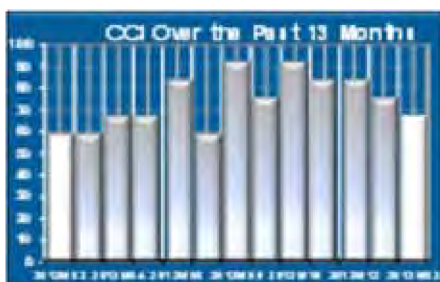
The first of these is **Retail Sales**. Its performance has been stellar, as its year-over-year growth rates have exceeded 3 percent, reaching over 6 percent several times since October. It is quite possible that the combination of the lapse of the Payroll Tax

CCI Indicators - % Change		
Government Employment	-1.0	
US Consumer Sentiment	2.5	Y
Single-Unit Permits	159.4	Y
Retail Sales	-1.0	
Employment Services Jobs	2.6	Y
Priv. Serv-Prod Employment	0.7	Y
Total Manufacturing Hours	-0.9	
Manufacturing Wage	3.5	Y
Labor Force	0.5	Y
Benefit Exhaustions	-21.4	Y
New Claims	7.6	
Unemployment Rate (change)	-1.3	Y
Y = Improved Value		

Holiday and high gasoline prices will produce retail weakness throughout the first half of 2013. The other indicator is **New Claims** for Unemployment Insurance. This is a leading indicator that reflects layoffs. On a year-over year basis it has improved for some time now. It has, however, begun to weaken on a monthly basis, which could eventually translate into weakness year-over-year.

Along with both of these, several of the indicators that were supposedly declining but actually improved last year have begun to slow as well. Growth in our state's **Labor Force** has moderated since December, as has **Employment Service Jobs**, a leading labor market indicator. The same is true for **Private Service-Producing Employment**, which saw its growth fall below 1 percent for the first time since December. To be fair, there was a "strange" behavior for payroll employment in February, as it fell from January's level, which is very likely responsible for the slowing rates of growth for both **Employment Service Jobs** and **Private Service-Producing Employment**. Let's hope this doesn't signal that the employment data is getting "strange" again this year!

Rhode Island's **Unemployment Rate** fell (to 9.4 percent) in February, as did the rates in many other states, which allowed Rhode Island to continue with the dubious distinction of having one of the highest jobless rates nationally. **Government Employment**, which reflects the effects of ongoing fiscal consolidation, hasn't improved since August of 2010. It appears to be in the process of bottoming, as it has fluctuated around 60,000 for several months now. **US Consumer Sentiment** managed to squeak out a small gain, 2.5 percent, after declining in January. It remains an open question as to whether this indicator will be able to sustain its uptrend in the coming months. **Single-Unit Permits** grew by over 150 percent relative to last February, because permits one year ago totaled 24, the lowest number I can recall ever seeing for Rhode Island. Finally, **Total Manufacturing Hours** fell in February, largely the result of a decline in the length of the workweek, while the **Manufacturing Wage** rose.



DLT FEB Employment (SA,Y/Y)	
Gain	4,100
Loss	3,900
Net Chg	200

THE BOTTOM LINE

I indicated in last month's report that Rhode Island's economy had shifted into a higher gear during the second half of 2012. A higher gear for Rhode Island, however, translates into a very different situation than what pertains for most other states. While you can think of Rhode Island as having shifted into third gear, most other states were already in fourth or fifth gear. Rhode Island fell very far during The Great Recession, and it has managed to make up some lost ground. But we remain far below where we once were. The slowing of growth shown by the CCI means our return to those levels will take longer.

67	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	67↑	58↑	58	67↑	67↑	83↑	58↑	92↑	75↑	92↑	83↑	83↓
2013	75	67										