

University of Rhode Island

DigitalCommons@URI

---

The Rhode Island Current Conditions Index

Economics

---

4-2013

## Rhode Island Current Conditions Index – April 2013

Leonard Lardaro

University of Rhode Island, lardaro@uri.edu

Follow this and additional works at: <https://digitalcommons.uri.edu/ricci>



Part of the [Econometrics Commons](#)

[Terms of Use](#)

All rights reserved under copyright.

---

### Recommended Citation

Lardaro, Leonard, "Rhode Island Current Conditions Index – April 2013" (2013). *The Rhode Island Current Conditions Index*. Paper 86.

<https://digitalcommons.uri.edu/ricci/86>

This Article is brought to you by the University of Rhode Island. It has been accepted for inclusion in The Rhode Island Current Conditions Index by an authorized administrator of DigitalCommons@URI. For more information, please contact [digitalcommons-group@uri.edu](mailto:digitalcommons-group@uri.edu). For permission to reuse copyrighted content, contact the author directly.

# CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

VOL XX  
NUMBER 5  
APR 2013

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

The assessments of Rhode Island's economy provided by the Current Conditions Index over the past few years were recently confirmed by data released from the US Bureau of Economic Analysis (BEA). The CCI showed that Rhode Island's economy was virtually flat in 2011, with an average value of 55 for the entire year (approximately a neutral value), before accelerating in 2012, mainly during the second half of the year. According to the BEA data, real GDP for Rhode Island was unchanged in 2011, then accelerated to a 1.4% rate of growth in 2012. I had referred to this uptick as our "shifting into higher gear" and noted that for Rhode Island, shifting into a higher gear meant moving to third gear, unlike many other states which had already moved to even gears. Sadly, my assessment turned out to be a bit too accurate: *the 1.4 percent rate of growth in 2012 for Rhode Island was its highest rate since 2006!*

According to the CCI values for 2013, Rhode Island's economy has slowed a bit from its accelerated pace in late 2012. During the first three months of this year, the CCI had moved between 67 and 83. Although two of the three values weren't particularly

CCI Indicators - % Change	
Government Employment	-0.8
US Consumer Sentiment	-0.04
Single-Unit Permits	26.1 Y
Retail Sales	1.7 Y
Employment Services Jobs	10.6 Y
Priv. Serv-Prod Employment	0.9 Y
Total Manufacturing Hours	1.7 Y
Manufacturing Wage	4.2 Y
Labor Force	-0.1
Benefit Exhaustions	-28.5 Y
New Claims	0.5
Unemployment Rate (change)	-1.8 Y
Y = Improved Value	

strong, all three did manage to beat their year-earlier values (part of the weaker portion of 2012). For April, the CCI slid once again to 67 as only eight of twelve indicators improved. And, for the first time this year, the CCI failed to better its year-earlier value.

Don't interpret this as indicating that Rhode Island's economy has substantially weakened, or that it is about to fall off of a cliff. Instead, the pace of economic activity here has leveled off to about what we attained by the end of 2012. That's not great, but a lot better than virtually anything we have seen since 2006.

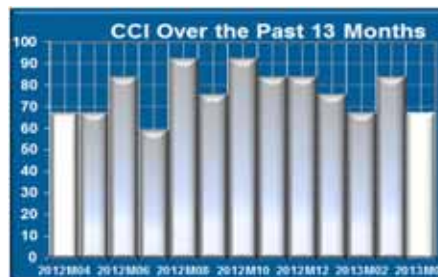
In spite of all of this, there was cause for optimism in April's data. Two leading indicators turned in strong performances, while a few of our recent strong indicators had to overcome strong comps from a year ago. The continued uptrend in **Single-Unit Permits**, a leading indicator, reflects our having moved past a bottom in new home construction. In spite of recent volatility, permits appear to have settled into a range of about 60+ permits per month. **Employment Service Jobs**, also a leading indicator, reflects temporary employment, a prerequisite to overall employment growth. This indicator has consistently improved since last April.

This April, it rose by a stunning 10.6 percent compared to a year ago. **US Consumer Sentiment** failed to improve (but barely) for only the second time in over a year, although its comp from a year ago was very difficult to beat.

Rhode Island's manufacturing sector continued to show strength, as **Total Manufacturing Hours** rose again (by 1.7%) while our **Manufacturing Wage** continued to rise at what I believe to be a non-credible rate (4.2%). **New Claims** for Unemployment Insurance, which reflects layoffs, has begun to rise on a year-over year basis, a very unwelcome development. It has been trending higher on a monthly basis since the third quarter of last year. **Private Service-Producing Employment**, whose growth has fallen to below one percent of late, appears to be in the process of stabilizing around 350,000.

While Rhode Island's **Unemployment Rate** fell to 8.8 percent in April, this change is *not* as significant an indicator of Rhode Island's momentum as many here seem to believe. Not only is the **Unemployment Rate** a lagging economic indicator, most of its recent monthly declines have coincided with declines in our **Labor Force**, reflecting the fact that a number of our state's jobless residents are continuing to drop out of the **Labor Force** as they are no longer actively searching for employment (part is also related to retirements).

**Retail Sales**, one of the most critical of the CCI indicators, rose again in April, although at a moderate rate. On a monthly basis, however, this indicator appears to be experiencing difficulty breaking out of its recent range. Finally, **Government Employment**, which continues to decline on a yearly basis, continues to plateau around 60,000.



DLT APR Employment (SA,Y/Y)	
Gain	6,400
Loss	3,700
Net Chg	2,700

## THE BOTTOM LINE

Rhode Island began the second quarter on a somewhat disappointing note, as the CCI slid to 67 in April. For the first time this year, it failed to beat its year-earlier value. Much of our state's economic momentum throughout the remainder of this year will be dictated by events at the national and global levels. I continue to expect weak momentum through the second quarter which should eventually improve during the second half of this year. But given the uptick in momentum displayed during the second half of 2012, it is not clear whether the CCI values for the remainder of this year will be able to exceed those we witnessed last year.

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	83	67									