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Rhode Island Current Conditions Index – May 2013

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CURRENT CONDITIONS INDEX

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

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The second quarter is progressing a little better for Rhode Island than had previously been thought. It has been apparent that during the first part of 2013, Rhode Island's economy has not displayed as much momentum as it did during the second half of 2012. And, even though the Current Conditions Index values so far this year have lagged those from the final two quarters of last year, at least this year's values had been better than the corresponding values one year ago, with the exception of April. Based on the most recent data, the April CCI value was revised higher, from 67 to 75, so it too bettered its year-earlier value. As for May, the CCI jumped to 83, with ten of twelve indicators improving, tying its highest value thus far for 2013. Furthermore, several of the CCI indicators in May improved despite difficult "comps" last May. So, overall, several trends continue to take shape and May points to the possibility that Rhode Island may re-accelerate in the second half of 2013. This is not an unreasonable possibility, especially since the US economy will likely continue to improve as we progress through 2013. The primary question for Rhode Island is therefore, whether the improved values later this year (assuming they occur) are improvements over the prior months from last year. This will not be easy for Rhode Island, but it is certainly not out of the question for us to see this occur. Any good news like that would be more than welcome for our state, which CNBC recently referred to in its survey of the Best States to Do Business as: "A perennial loser in our study..."

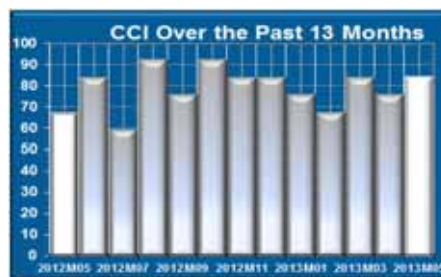
Let me state one important caveat at this point: Don't interpret the most recent data as indicating that Rhode Island's economy has already substantially strengthened, or that it is in the process

of jumping to much higher rates of growth. Permits have now settled into a range of about 70+ per month. The remaining leading indicators are related to the labor market. The first of these, **Employment Service Jobs**, which includes temporary employment, a prerequisite to overall employment growth, rose by a healthy 3.5 percent in May. This indicator has consistently improved since last April. The second leading labor market indicator, **New Claims for Unemployment Insurance**, reflects layoffs. It appears to have resumed a downtrend, which will be critical if Rhode Island is to continue improving as we move through 2013. The final leading indicator, **Total Manufacturing Hours**, measures strength in our manufacturing sector. This indicator rose again (by 1.0%), its tenth improvement in the last twelve months. Together with **Single-Unit Permits**, there has been continuous and sustained momentum in Rhode Island's goods-producing sector.

US Consumer Sentiment improved for the fourth consecutive month, in spite of a difficult comp. Related to this, **Retail Sales** remained strong. While Rhode Island's goods-producing sector is performing well, its service-producing sector has fared less well. The rate of growth in **Private Service-Producing Employment** remains well below a one percent rate (+0.4% in May). Its level has stabilized around 350,000.

On a yearly basis, Rhode Island's **Labor Force** declined slightly for the second consecutive month, while it rose compared to a month ago. This helps to explain the small monthly increase (to 8.9%) in the May **Unemployment Rate**. Rhode Island's **Manufacturing Wage** continued to rise at what I believe to be a non-credible rate (3%). Finally, **Government Employment**, which continues to decline on a yearly basis, continues to plateau around 60,000.

CCI Indicators - % Change	
Government Employment	-1.0
US Consumer Sentiment	6.3 Y
Single-Unit Permits	33.0 Y
Retail Sales	3.5 Y
Employment Services Jobs	3.5 Y
Priv. Serv-Prod Employment	0.4 Y
Total Manufacturing Hours	1.0 Y
Manufacturing Wage	3.0 Y
Labor Force	-0.1
Benefit Exhaustions	-21.2 Y
New Claims	-28.0 Y
Unemployment Rate (change)	-1.7 Y
Y = Improved Value	



DLT MAY Employment (SA,Y/Y)	
Gain	5,000
Loss	3,400
Net Chg	1,600

of jumping to much higher rates of growth. What we are seeing is that after consolidating the gains from late last year, Rhode Island's economy has begun to gain momentum, at least through May. All of this is defining how Rhode Island's economy continues to recover from The Great Recession.

All four of the CCI's leading indicators turned in strong performances this month, several in spite of very strong "comps." The continued uptrend in **Single-Unit Permits**, a leading indicator of housing, reflects continued movement beyond the low

THE BOTTOM LINE

The second quarter is turning out to be better than we had previously thought. Moving forward, the headwinds of higher gasoline prices and rising interest rates will test the existing momentum in **Retail Sales** and **Single-Unit Permits**. In addition to this, we must accept the fact that most of our state's future economic momentum will be dictated by events at the national and global levels. I continue to expect a strengthening national economy as we move into the third quarter that should clearly benefit Rhode Island, helping us cope with the headwinds we face. But only time will tell if this assessment proves to be correct.

83		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	75↑	83							