Rhode Island Current Conditions Index -- October 2013

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

Follow this and additional works at: http://digitalcommons.uri.edu/ricci

Part of the Econometrics Commons

Terms of Use
All rights reserved under copyright.

Recommended Citation
http://digitalcommons.uri.edu/ricci/92

This Article is brought to you for free and open access by the Economics at DigitalCommons@URI. 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@etal.uri.edu.
Rhode Island began the fourth quarter by continuing its positive, though not exactly stunning, momentum. Once again, there was both good news and bad news concerning Rhode Island’s economic performance. First, the good news: the Current Conditions Index rose from 67 (revised down) in September to 75 in October, as nine of its twelve indicators improved. Importantly, several of those improvements were economic activity. The bad news emerges when we contrast our state’s performance this year with that in 2012: for a third consecutive month, and the fourth time in five months, the CCI has failed to exceed its year-earlier value. I strongly suspect that this will be the dominant pattern throughout the fourth quarter. If this conjecture proves correct, which I believe it will, we will experience a slowing in our rate of growth relative to the end of last year. One could argue that the late-2012 acceleration confronts us this year with a difficult “comp,” which is true. However, as our state’s current rate of growth is not terribly rapid (Rhode Island’s growth rate in real state GDP for 2012 was only 1.4%), the test of how robust this recovery will ultimately prove to be will be defined by our ability to accelerate rather than sustain growth rates comparable to what we observed at the end of 2012. Fortunately, the US economy is growing more rapidly, which will clearly benefit Rhode Island.

One hint of future momentum can be inferred from the October performance of the leading indicators contained in the CCI. For October, four of the five leading indicators improved in spite of a combination of the government shutdown and its rise of over 37 percent last October.  While October was the second consecutive month in which I believed the CCI was flat, growing by only 0.003 percent relative to last October. This indicator has improved for ten of the last twelve months, something I never thought I would see again, especially as one of the foundations of our recovery’s momentum.

As the fourth quarter begins, Rhode Island’s economy is at a turning point of sorts: an inflection point in terms of overall momentum relative to late 2012. The CCI has now failed to exceed its year-earlier value for three consecutive months, a pattern I expect to recur for the remainder of 2013. Slower growth doesn’t necessarily mean the floor is about to cave in (strange hearing that coming from me!), since a fair amount of momentum remains and it should benefit from the accelerating pace of national activity. If, and when, our elected officials institute meaningful changes we will be able to avoid inflection-based realities such as what we now face. The key word is “if.”