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## Rhode Island Current Conditions Index – January 2014

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# CURRENT CONDITIONS INDEX

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The new year began with some happy news concerning Rhode Island employment: payroll employment was revised higher by 3,100 relative to the original estimate. But this is Rhode Island, where behind every silver lining lurks a gray cloud: our jobless rate, which was already either the highest or among the highest in the country, was also revised - even higher. So, there is some cause for celebration in the rebenchmarked payroll data, but the household survey data continues to paint a very discouraging picture as far as how this recovery is progressing.

How did Rhode Island's cyclical economic momentum fare in light of the revised data? The Current Conditions Index, which was designed for this very purpose, also showed a continuation of the good news - bad news situation we have remained mired in for some time now. First, the good news: in light of the newly released labor market data, the CCI was revised higher for four months in 2013 (April, June, September, and November). And, for January, the CCI rose from the (downwardly revised) December value of 58 to 75, as nine of twelve indicators improved. Now for the bad news: the CCI was only revised lower for two months in 2013 (May and December), but the CCI values based on the new data show that the CCI has now failed to improve relative to its year-earlier value for six consecutive months and seven of the last eight months. So, while the values of several CCI indicators were revised higher, these upward revisions were not sufficient to permit us to exceed the favorable CCI values we experienced at

behavior over the next several months before any confirmation is possible, however.

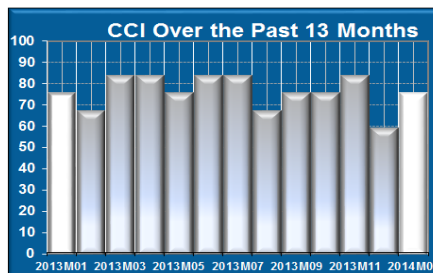
**Single-Unit Permits**, managed to improve by 5.5 percent in January relative to its value one year ago, although weather-related factors make interpreting changes in this indicator very difficult. In spite of this, it is safe to conclude that Rhode Island is continuing to move beyond its cyclical trough in new home construction. **US Consumer Sentiment** rose at a double-digit rate in January (+10.1%), its second increase following three consecutive months of declines. Expect its uptrend to continue as long as the stock market improves. The final leading indicator, **Total Manufacturing Hours**, which measures strength in our manufacturing sector, barely rose in January (+0.2%), as a decline in the workweek almost offset the job gains that occurred. At least part of the decline in hours may be weather related.

**Retail Sales** have remained relatively strong overall although its rate of growth compared to a year ago has recently been declining. As was true for several of the other CCI indicators, weather has likely played some role this slowing rate of growth. **Private Service-Producing Employment** was revised higher in the recent rebenchmarking. Its rate of growth, which had appeared to be slipping below 1%, remained above that level for all but one month during the last year. The performance of our state's **Labor Force** must be described as ugly - its rates of decline went from bad to worse. It fell for the ninth consecutive month. What could be worse? For the past four months, rates of decrease have exceeded 1.5%! And in spite of this, Rhode Island once again claimed the #1 jobless slot in January. Our rate never fell below a value of 9%, contradicting the prior data. Finally, **Government Employment** rose slightly (by 0.2%).

CCI Indicators - % Change	
Government Employment	0.2 Y
US Consumer Sentiment	10.1 Y
Single-Unit Permits	5.5 Y
Retail Sales	2.4 Y
Employment Services Jobs	-2.4
Priv. Serv-Prod Employment	1.4 Y
Total Manufacturing Hours	0.2 Y
Manufacturing Wage	2.7 Y
Labor Force	-1.7
Benefit Exhaustions	-17.3 Y
New Claims	1.3
Unemployment Rate (change)	-0.4 Y
Y = Improved Value	

the end of 2012 and into January of 2013. It should be noted though, that there were several ties (like this month).

For January, two of the CCI's five leading indicators failed to improve. The first of these, **Employment Service Jobs**, includes temporary employment, which is a prerequisite to employment growth. It fell by 2.4 percent in January, which was its second consecutive decline. Continuation of its recent uptrend is now questionable as its values have apparently plateaued around 9,000 for the better part of a year. The other indicator, **New Claims** for Unemployment Insurance, the timeliest measure of layoffs, rose by 1.3 percent in January, its first failure to improve since last August. The downtrend in this indicator since July of 2013 may be ending. It will be necessary to observe its



DLT JAN Employment (SA, Y/Y)	
Gain	6,800
Loss	700
Net Chg	6,100

## THE BOTTOM LINE

The news concerning the revisions to Rhode Island's labor market data was mixed. While payroll employment was higher than we had thought, our unemployment rate was revised even higher than its prior levels. What is worse, Rhode Island's jobless rate never fell below 9%. The present recovery continues to be less broadly based than it was a year ago, based on the fact that the CCI has now failed to exceed its year-earlier value for six consecutive months. Happy New Year, Rhode Island style!

75		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2013	75	67	83	83↑	75↓	83↑	83	67	75↑	75	83↑	58↓
	2014	75											