Rhode Island Current Conditions Index – April 2014

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The non-event bounce back from the adverse effects of the harsh February weather we witnessed in March apparently continued into April. What a way to begin the new quarter! The April Current Conditions Index remained stuck at its same value since February, 58. This extends the string of consecutive months where the CCI has failed to improve relative to its year-earlier value to nine. Looking at the CCI for all of 2014, it has conclude that this year is turning out to be a real disappointment. If I had to summarize Rhode Island’s current economic performance with one word, that word would be precarious.

This should not be viewed as indicating that there are no positive forces at work here. Look how much payroll employment has been rising; for March, Rhode Island added 7,600 jobs while only losing 900, for a net change of 6,700. Clearly, the pace of job growth has accelerated here of late while job loss has diminished to levels far below what we experienced during The Great Recession. Yet in spite of this, and recent healthy declines in our state’s Unemployment Rate, we remain well below our prior employment peak of December of 2006 and our jobless rate is still the highest in the nation. Worse yet, Rhode Island’s image has suffered nationally: we have now come to be known as “the state’s longest-term unemployment rate state.” Not only can we do better than this, we have to! The clock continues to run. Some promising legislative changes have emerged from the Rhode Island House. Let’s hope the Senate follows suit.

For April, only three of the five leading indicators contained within the Current Conditions Index improved, some by healthy rates. The two that failed to improve do not signal any real weakness or transition to noticeably slower growth. Single-Unit Permits, which reflect new home construction, the indicator most adversely impacted by winter weather, stumbled in April, declining by 4.5 percent after bouncing back with a healthy 20.2 percent increase in March. Employment Service Jobs, which includes temporary employment, and the prerequisite to employment growth, fell 3.1 percent in April, its fifth consecutive decline. Let’s just say I continue to view changes in this indicator suspiciously.

New Claims for Unemployment Insurance, the timeliest measure of layoffs, declined for the second consecutive month and fifth time in the last seven months. In spite of these recent improvements, it is not yet clear whether this indicator has resumed the longer-term downturn that will be needed if we are to improve activity levels significantly in coming months. Total Manufacturing Hours, which measures strength in our manufacturing sector, rose sharply in April (+4.0%), as the workweek rose by a full hour and manufacturing employment increased by 600. It was odd to see that in spite of this manufacturing momentum, the Manufacturing Wage actually fell by 1.9 percent in April. Finally, US Consumer Sentiment rose by 10 percent in April, its fifth increase following three consecutive months of declines.

Retail Sales, which apparently never experienced the anticipated adverse weather effects, remained strong in April, rising by another 3.1 percent. This indicator has improved for ten of the last twelve months. Its recent performance places it among the strongest CCI indicators. Benefit Exhustions, which reflects longer-term unemployment, improved in April (-24.8%), after failing to improve in March. March was the only time this indicator has failed to improve in over a year. Private Service-Producing Employment rose by 1.4 percent in April. Its growth rates have remained above the one-percent level since January. Government Employment fell once again, declining by 0.2 percent versus last April. Its level has clearly plateaued around 50,000. Finally, Rhode Island’s Labor Force declined yet again, this time by 0.5 percent. The last time the Labor Force rose was April of 2013. Along with this decline came a significant drop in our Unemployment Rate all the way to “only” 8.3 percent, still #1 in the nation!

As the CCI’s performance through 2014 shows, Rhode Island’s current recovery has continued to become less broadly based, as evidenced by the fact that the CCI has now failed to exceed its year-earlier value for nine consecutive months. Unfortunately, our state’s cyclical negatives are gaining strength, in spite of the fact Rhode Island is doing better on several fronts, most notably payroll employment. The unfortunate effect is a dissipating our state’s overall economic momentum, something we can ill afford given that we remain far below our prior employment peak and our jobless rate remains the highest in the US in spite of its recent improvements.