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Rhode Island Current Conditions Index -- May 2014

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CURRENT CONDITIONS INDEX

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Rhode Island's economy bounced back a bit from its earlier-year woes in May. Following a string of three consecutive 58 values, the Current Conditions Index rose to 67 in May, matching its January value. While Rhode Island's overall performance in 2014 has been somewhat disappointing, perhaps the May bounce will turn out to be the beginning of a prolonged period of stronger economic activity driven in large part by an improving national economy. Clearly, there have been a number of positives during the first part of this year, most notably improvements in both payroll and resident employment, and along with the latter, a full percentage point decline in our state's **Unemployment Rate**. Yet in spite of this good news, Rhode Island's performance continues to lag in terms of several metrics, the most obvious being the #1 national ranking of our state's jobless rate that has been sustained for far too long a period. So, while our state's *absolute* economic performance continues to improve, its *relative* performance remains problematic. Sadly, this trend hardly something new. I will continue to describe the overall economic performance of Rhode Island's economy as precarious, citing the fact that May was the tenth consecutive month where the CCI failed to improve relative to its year-earlier value.

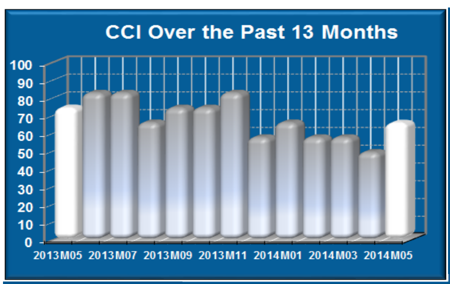
For May, only three of the five leading indicators contained within the Current Conditions Index improved, but two of those did so at healthy rates. Fortunately, the two that failed to improve do not necessarily signal any real weakness in our state's economy or the possibility of a transition to slower growth. **US Consumer Sentiment** fell by 3.1 percent in May, ending a string of five consecutive increases. This decline very likely reflected stock market performance that has since reversed. **Employment Service Jobs**, which includes temporary employment, and is a prerequisite to employment growth, fell by another 1.1 percent in May, its sixth consecutive decline. Suffice it to say that I continue to view changes in this indicator somewhat suspiciously.

CCI Indicators - % Change		
Government Employment	-0.2	
US Consumer Sentiment	-3.1	
Single-Unit Permits	9.0	Y
Retail Sales	4.9	Y
Employment Services Jobs	-1.1	
Priv. Serv-Prod Employment	1.4	Y
Total Manufacturing Hours	3.1	Y
Manufacturing Wage	-2.3	
Labor Force	0.02	Y
Benefit Exhaustions	-13.1	Y
New Claims	-0.3	Y
Unemployment Rate (change)	-1.3	Y

Y = Improved Value

Single-Unit Permits, which reflect new home construction, and was adversely impacted by winter weather earlier in the year, turned in a strong performance in May, rising by 9 percent relative to last May. **Total Manufacturing Hours**, which measures strength in our manufacturing sector, rose sharply again in May (+3.1%), as both the length of the workweek rose and manufacturing employment increased by 900. Oddly, in spite of this manufacturing momentum, the **Manufacturing Wage** actually declined for a third time in May, by 2.3 percent. **New Claims** for Unemployment Insurance, the timeliest measure of layoffs, declined, albeit slowly in May, for a third consecutive month and sixth time in the last seven months. In spite of its recent improvements, it is not yet clear whether this indicator has resumed the longer-term downtrend that will be critical to our sustaining May's overall momentum in the coming months.

Retail Sales remained strong in May, rising by just under 5 percent compared to a year ago. This indicator has now improved for eleven of the last twelve months. Based on its recent performance, it is one of the strongest CCI indicators. **Benefit Exhaustions**, which reflects longer-term unemployment, improved at a double-digit rate in May (-13.1%), registering its second consecutive double-digit improvement. **Private Service-Producing Employment** rose by 1.4 percent in May, the same rate of improvement it displayed in April. Its rate of growth has remained above the one-percent level since January. **Government Employment** fell once again, declining by 0.2 percent versus last May. Its level has clearly plateaued around 60,000, which was its May value. Finally, Rhode Island's **Labor Force** actually rose in May, by a mighty 0.02 percent. Prior to this month, the last time the **Labor Force** rose was last April. Along with this encouraging **Labor Force** change came a significant drop in our **Unemployment Rate,** all the way from 9.5 percent last May to "only" 8.2 percent this year, still #1 nationally.



DLT MAY Employment (SA,Y/Y)	
Gain	8,800
Loss	1,300
Net Chg	7,500

THE BOTTOM LINE

Rhode Island's May performance could be a sign that our state is at long last in the process of regaining the momentum we witnessed at the end of 2012. Will this recovery become more broadly based than it has become of late or will we revert to where we have been during the first part of 2014? The first true sign of improvement will be our ability to exceed year-earlier CCI values, something we haven't done for ten consecutive months. True improvement will mean that our state's economic performance will not only be gaining momentum in absolute terms (looking only at us) but in relative terms as well (compared to the nation).

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	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	67↓	58	58	58	67							