

10-2014

Rhode Island Current Conditions Index – October 2014

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

Follow this and additional works at: <https://digitalcommons.uri.edu/ricci>



Part of the [Econometrics Commons](#)

[Terms of Use](#)

All rights reserved under copyright.

Recommended Citation

Lardaro, Leonard, "Rhode Island Current Conditions Index – October 2014" (2014). *The Rhode Island Current Conditions Index*. Paper 119.

<https://digitalcommons.uri.edu/ricci/119>

This Article is brought to you by the University of Rhode Island. 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-group@uri.edu. For permission to reuse copyrighted content, contact the author directly.

CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

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

VOL XXI
 NUMBER 11
 OCT 2014

So much for Rhode Island's recent tear. While it appeared that the pace of economic activity might be in the initial stages of an acceleration during the third quarter, data from the fourth quarter quickly called that assessment into question. The Current Conditions Index for October fell from its value of 75 during each month of the third quarter to 58 in October. Along with this decline came an end to the short-lived period where Rhode Island had begun to match or exceed year-earlier CCI values.

While this is hardly welcome news, there may be a mitigating circumstance. The most likely explanation pertains to Rhode Island's payroll employment data that contained a "mystery decline" in October (relative to September), almost certainly a statistical aberration, quite possibly the result of seasonal adjustment issues. The category most severely affected by this, Professional and Business Services, contains a CCI indicator, **Employment Service Jobs**, which declined on a both a monthly and year-over-year basis after three consecutive increases. If the year-over-year decline in this indicator that is relevant to the CCI was adversely affected by this problem, the CCI for October would have been 67, still below last October's value, but one of the stronger 2014 values. Problems like this are not new for Rhode Island data. In fact, this is one of the primary reasons I constructed the CCI based on year-over-year values — monthly values are too volatile, often subject to revisions.

Our transition into a period where the current recovery is becoming more broadly based is now on hold, at least statistically.

CCI Indicators - % Change	
Government Employment	-0.5
US Consumer Sentiment	18.5 Y
Single-Unit Permits	-6.5
Retail Sales	4.7 Y
Employment Services Jobs	-0.9
Priv. Serv-Prod Employment	1.1 Y
Total Manufacturing Hours	-0.8
Manufacturing Wage	-5.5
Labor Force	0.6 Y
Benefit Exhaustions	-14.5 Y
New Claims	-6.6 Y
Unemployment Rate (change)	-2.0 Y
Y = Improved Value	

So, as we move further into the fourth quarter, it is still possible that our state's economic performance is not decoupling from the accelerating national economy.

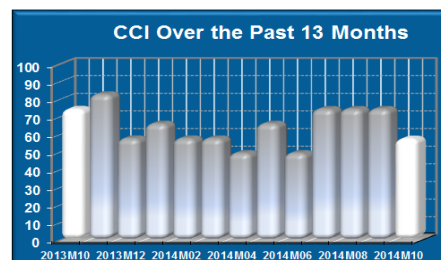
In October, three of the five leading indicators contained within the Current Conditions Index failed to improve. **Total Manufacturing Hours**, which measures strength in our manufacturing sector, fell for only the second time in over a year (-0.8%). While it increased over the month, its rate of growth has been slowing since June. Along with this, the **Manufacturing Wage** declined again, for an eighth consecutive time, by difficult to

believe 5.5 percent. **Single-Unit Permits**, which reflects new home construction, declined for the second time in three months, by 6.5 percent. Taken with our state's manufacturing performance in October, the momentum being provided by Rhode Island's goods-producing sector may be moderating. **Employment Service Jobs**, which includes temporary employment and is a prerequisite to employment growth, fell in October (-0.9%), following three with consecutive increases. Data problems in October might be behind this decline (as discussed earlier).

New Claims, a leading labor market indicator, fell by 6.6 percent in October, its seventh improvement in the last eight months, perhaps the brightest spot of this month's performance. Finally, **US Consumer Sentiment** rose sharply in October (+18.5%), its third increase following three consecutive declines.

Retail Sales remained strong in October, increasing by 4.7 percent compared to a year ago. This indicator has now improved for nine of the last eleven months. **Private Service-Producing Employment** rose by 1.1 percent in October, with growth slowing over the past four months. Not surprisingly, **Government Employment** failed to improve once again. For October, it declined by 0.5 percent. Its recent performance is consistent with its bottoming at 60,000. **Benefit Exhaustions**, which reflects longer-term unemployment, fell 14.5 percent relative to a year ago. October marked the sixth double-digit improvement for this indicator in the last seven months.

Finally, Rhode Island's **Labor Force** rose by 0.6 percent versus a year ago, although it has declined on a monthly basis since June. Along with this, our **Unemployment Rate** fell to 7.4 percent, still third highest nationally.



DLT OCT Employment (SA, Y/Y)	
Gain	5,500
Loss	1,900
Net Chg	6,600

THE BOTTOM LINE

The possibility of gauging whether Rhode Island's economy is gaining momentum and closing the gap with national economic performance got more difficult with the "mystery decline" in the October employment data. Ironically, this is not the first time we have seen inaccurate payroll employment data. In 2012, a full year's worth of data was incorrect, although it was ultimately corrected. Fortunately, the CCI was constructed using year-over-year changes, which avoids problems with monthly changes, and many of its indicators are not survey based. So, as the national economy improves, all we can do for now is to wait for confirmation of whether we are keeping up.

58		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	50↓	67	50	75	75	75	58		