Rhode Island Current Conditions Index – December 2014

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The promising economic performance of Rhode Island’s economy during the third quarter seemed to unwind as we moved closer to the end of 2014. The Current Conditions Index for both October and November was 58 (note: November was revised lower). Were we once again failing to sustain promising momentum, diverging from what was happening at the national level? Judging by the December performance of the CCI, it is premature to conclude that things are getting worse. For December, the CCI rose back to 75, and it did so with a number of very strong indicator performances. Better yet, for only the second time in quite a while, the CCI managed to beat its year-earlier value. Furthermore, while the payroll employment data appeared to weaken during the fourth quarter, I expect the upcoming data revisions to eliminate the essentially stagnant employment levels contained in the published data for the last four months of 2014, along with the “mystery decline” for October.

Therefore, at this point, my conclusion from last month, that in spite of accelerating national economic activity, Rhode Island’s recovery has failed its first test of becoming more broadly based, must again be put on hold. The positives of stronger national growth and declining energy prices will hopefully pull Rhode Island along with the national economy in 2015. That’s a New Year’s wish. It will be up to our newly elected officials to make this a New Year’s resolution.

In December, four of the five leading indicators contained within the Current Conditions Index improved, while the other failed to improve based on a combination of technical reasons and an extremely difficult comp to beat from last December. Total Manufacturing Hours, which measures strength in our producing sector, rose for the first time following three consecutive time, by an absurd 6.2 percent. Single-Unit Permits, a leading labor market indicator, rose by 1.7 percent in December, its most impressive report in several years. New Claims, a leading labor market indicator, rose by 2.6 percent in December, ending a string of eight consecutive monthly declines. Employment Service Jobs, which includes temporary employment and is a prerequisite to employment growth, rose by 1.7 percent in December (+0.9%), also following two consecutive monthly declines. US Consumer Sentiment rose sharply once again in December (+13.5%), its fifth increase following three consecutive declines.

Finally, Rhode Island’s Labor Force rose by 0.5 percent versus a year ago, while continuing its string of monthly declines since June. Along with this, our Unemployment Rate fell to 6.8 percent, now the fifth highest nationally.

Rhode Island ended the year with a very strong December performance. So, while the fourth quarter was still disappointing overall, several of the strong numbers posted in December give reason for hope (that would be a great motto for a state!). One very positive statistic: the CCI for December of this year beat its value last year, at a double-digit rate (+14.4%) following two months of declines. Viewed along with our state’s manufacturing performance in December, the momentum provided by Rhode Island’s goods-producing sector may not be moderating after all.