Rhode Island Current Conditions Index – April 2015

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Here we go again! Rhode Island began the second quarter in much the same way it had progressed throughout the first quarter - mediocre economic performance. For April, the Current Conditions Index fell from its March value of 67, which had actually beat its year-earlier value, a rare event indeed, back to 58, its value for the other months of 2014 thus far. Clearly, no weather-related distortions were at work in April. To put things here into a rather depressing perspective, Rhode Island’s economy has failed to demonstrate the ability to consistently exceed its performance in the prior year. According to recently released data, we find ourselves unable to match or exceed a year for which the Rhode Island economy grew at a 1.2 percent rate, which was itself a noticeable decline from our 2013 growth rate of 1.9 percent. Will the upcoming months be more of the same, even without any excuses for weather, or will the pace of economic activity here finally begin to accelerate along with that of the national economy? Stay tuned. There is some reason for optimism: Governor Raimondo has accomplished more meaningful change with her first budget (assuming this largely passes) than this state has undertaken since before The Great Recession.

Rhode Island’s April economic performance was worse than it was in March, as only seven of the twelve CCI indicators improved relative to their values last April. Of the five leading indicators in the Current Conditions Index, three improved in April. And two of them were assisted by easy comps from last April. The results for the two leading indicators that failed to improve stand out. Even without weather-related distortions, new home construction failed to improve, as Single-Unit Permits fell by 5.8 percent from last April. While this is admittedly a volatile indicator, the 745 permits (at an annual rate) in April was well below its twelve-month average. The recent upturn in mortgage rates could pose a prerequisite to employment growth, improved by a hefty 3.6 percent, its second consecutive improvement. However, this number was somewhat inflated based on an extremely weak comp (-3.3%). Finally, New Claims, a leading labor market indicator, fell by 13.1 percent in April, sustaining its well-defined downtrend following a distorted December value.

Each of the remaining leading indicators contained within the CCI improved in April. US Consumer Sentiment rose at a double-digit rate (+14%) for the seventh consecutive month. Employment Service Jobs, which includes temporary employment and is a prerequisite to employment growth, improved by a hefty 3.6 percent, its second consecutive improvement. However, this number was somewhat inflated based on an extremely weak comp (-3.3%). Finally, New Claims, a leading labor market indicator, fell by 13.1 percent in April, sustaining its well-defined downtrend following a distorted December value.

The Bottom Line

Rhode Island’s economic performance thus far in 2015 has been disappointing, although weather did distort first quarter statistics. We begin the second quarter with what seems like more of the same, but with a major difference: Governor Raimondo has put forth more measures to move Rhode Island out of its longer-term doldrums than had been put forth in total since the last recession. More importantly, many of these measures involve investment-oriented spending, the key element so lacking over the years here. These programs, when passed, will entail lags until their major effects are felt, so look for relief to appear toward the end of this year.