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Rhode Island Current Conditions Index -- November 2016

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CURRENT CONDITIONS INDEX

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Rhode Island's economy continues to hang in there as we move into the final months of 2016. That is particularly encouraging as we witnessed several changes in the quality of our state's economic performance and its overall momentum as this year progressed. Early on, Rhode Island stumbled rather seriously as the national economy encountered a short-term blip in its rate of growth. Our state's eye-opening performance at that time served as a warning to us that Rhode Island's economy remains to far too susceptible to downdrafts in national economic momentum and that many structural changes remain to yet be completed. Fortunately, our state's third quarter performance, which I have characterized as "the un-second quarter," began the process of moving us beyond our earlier weakness, not only containing the "damage" but providing us with stronger economic momentum throughout that quarter and into the Q4 2016.

As we moved beyond the second quarter of 2016, Current Conditions Index values moved from 42's and 50's to 67's and 75's — reflective of a more substantial basis for our economic momentum. Furthermore, the CCI not only reached but managed to sustain its highest yearly values over the August through October period. Better yet, we began to observe something that occurs all too infrequently here — the CCI began a sustained period where it matched or exceeded its year-earlier values.

That brings us to November and this month's report. The CCI slipped slightly from 75 for several months to 67 this month. The most important takeaway is that the pattern of weakness in the CCI indicators that we witnessed in Q2 has now been largely, though not entirely, erased. On a monthly basis, however, we are beginning to see a few signs of faltering momentum.

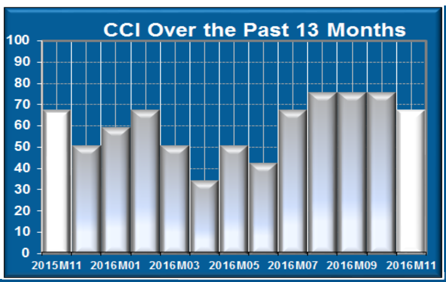
CCI Indicators - % Change		
Government Employment	0.8	Y
US Consumer Sentiment	2.5	Y
Single-Unit Permits	-2.0	
Retail Sales	-2.0	
Employment Services Jobs	-3.9	
Priv. Serv-Prod Employment	1.5	Y
Total Manufacturing Hours	2.7	Y
Manufacturing Wage	4.3	Y
Labor Force	0.5	Y
Benefit Exhaustions	-12.2	Y
New Claims	20.1	
Unemployment Rate (change)	-0.2	Y
Y = Improved Value		

Employment Service Jobs, which includes temporary employment and is a leading indictor of future employment, fell this month by a hefty 3.9 percent, its first decline in the last four months. While this reflects its year-over-year performance, on a monthly basis, it has now *fallen* for four straight months. **Total Manufacturing Hours**, a proxy for manufacturing output, went from flat in September to increasing for the most recent two months. For November, a longer workweek was encouraging, but it occurred along with a decline in manufacturing employment. As the US Dollar strengthens, it will be difficult to sustain its recent momentum, as it has improved for six of the last seven months.

The performance of Rhode Island's goods-producing sector remained mixed. Accompanying the improvement in **Total Manufacturing Hours**, **Single-Unit Permits** fell once again (-2%), even with a very easy comp one year ago. As mortgage rates continue to trend higher, this indicator will not likely show much life, especially as it now has fallen for five of the last six months. At least **US Consumer Sentiment** improved in November (+2.5%) for only the second time in the last four months.

Government Employment remained above 60,000 where it had been stuck for some time, largely the result of increasing federal government employment. Our **Labor Force** has now improved on a year-over-year basis for the most recent four months after previously declining on a yearly basis for twenty-six consecutive months. While this is a very big deal for Rhode Island, it is the norm for any other state. For November, *on a monthly basis*, the **Labor Force** fell about the same amount as the number of unemployed, so the November **Unemployment Rate** decline to 5.3 percent was really the result of jobless Rhode Islanders dropping out of the **Labor Force** and no longer being counted.

New Claims, the most timely measure of layoffs, rose sharply in November (+20.1%). **Private Service-Producing Employment** growth moderated (+1.5%), reversing its recent acceleration. Finally, **Benefit Exhaustions** improved in November, reversing its first failure to improve in over a year. Longer-term unemployment thus remains contained at this point.



DLT Nov Employment (SA,Y/Y)	
Gain	7,800
Loss	2,300
Net Chg	5,500

THE BOTTOM LINE

As this report is being written, Rhode Island is celebrating the tenth anniversary of its prior payroll employment peak and now, in 2017, we have arrived at the 30th anniversary of our state's transition from being a manufacturing based to a post-manufacturing economy. We have yet to regain the employment lost during the last recession. Worse yet, the stumble in our state's economy during Q2 has shown us that we remain far from where we need to be for us to succeed and flourish as a post-manufacturing economy. In spite of all the media hype, Rhode Island is only in the first inning of its reinvention for this newer type of economy.

67		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2015	67↑	67↑	67	67↑	67	67↓	58↓	75↓	67↓	50↓	67↓	50↓
	2016	58	67	50↓	42	50	42	67↑	75	75	75	67	