2017

Rhode Island Current Conditions Index -- January 2017

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

Follow this and additional works at: http://digitalcommons.uri.edu/ricci
Part of the Econometrics Commons

Terms of Use
All rights reserved under copyright.

Recommended Citation
http://digitalcommons.uri.edu/ricci/157

This Article is brought to you for free and open access by the Economics at DigitalCommons@URI. 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@etal.uri.edu.
Just as we began to believe that Rhode Island’s economy had at long last shifted into a higher gear, the newly rebenchmarked labor market data caused those perceptions to come crashing down. Did we end 2016 on a positive note? As I had written last month? Not really. In fact, there were five things I either expected to occur or genuinely wished we would see. First: I had expected the negative labor market data for November and December to be revised higher. Verdict: Half correct - yes for November, no for December. Second: I hoped that Employment Service Jobs, a leading labor market indicator, would be revised to show that its 2016 downturn was an aberration. Verdict: Not even close. Third: Would the recent uptrend in Government Employment survive revision? Verdict: Yes. Fourth: Would the several-month string of year-over-year improvements in our Labor Force at the end of 2016 survive, or possibly improve? Verdict: Not only did this fail to occur, the revisions show a far more dire Labor Force performance since 2007. In fact, it is so bad, I will label it as a Train Wreck. Finally, would the number of year-over-year improvements in the Current Conditions Index we saw last year be sustained or possibly increase? Verdict: NO! For all of 2016, the CCI only beat its year-earlier value twice! Worse yet, the revised CCI values show that we never actually attained a value of 83 at any time in 2016. Several monthly values, as it turned out, were revised lower. As a result, the second half CCI average for 2016 was lower than the value of 75 we had been led to believe.

For the second consecutive month, both indicators reflecting Rhode Island’s goods-producing sector improved. Total Manufacturing Hours, a proxy for manufacturing output, rose by a healthy 2 percent, an acceleration in growth from the prior two months. Single-Unit Permits also rose sharply this month (+37.1%), in spite of a very difficult comp last January.

US Consumer Sentiment improved in January (+6.9%), its third consecutive increase. New Claims, the most timely measure of layoffs, fell sharply in January (-9.4%), its fifth improvement in the last seven months. It too had a difficult comp last year.

According to the revised labor market data, Government Employment has remained above 60,000 for over a year now. Sustaining this level has largely been the result of rising federal government employment. Private Service-Producing Employment growth has been volatile, according to the revised data. For January, it rose by 1 percent, which is close to its highest rate of growth since last July. Retail Sales did well in January, rising by almost 4 percent compared to a year ago. The same is not true for Benefit Expirations, which failed to improve for only the second time in the last four months (+16.7%).

The year-over-year performance of Rhode Island’s Labor Force, which I view as a train wreck, not only failed to improve during all of 2016, its last such increase occurred all the way back in April of 2014! It did manage to rise slightly on a monthly basis, though. Based on that, along with January’s payroll employment increase, our state’s Unemployment Rate declined for the right reason. Ironically, in January, Rhode Island’s Unemployment Rate fell below the national rate. How have we gotten there? Largely, due to our incredible shrinking Labor Force.

As of January, the tenth anniversary of our prior payroll employment peak has come and gone. We remain below that level. The year 2017 also represents an anniversary: The 30th anniversary of our state’s transition from a manufacturing to a post-manufacturing economy. We find ourselves confronted with a continually declining labor force, a factor that continues to limit our potential growth. Ironically, the same persons who dismissed the population declines that will ultimately cost this state a congressional seat, now dismiss our declining labor force, a factor that continues to limit our potential growth. Denial is not leadership—when will they realize this?