Rhode Island Current Conditions Index -- February 2017

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February. February was the third consecutive improvement in this month (+22.9%), in spite of a very difficult comp last February. Employment, government employment in February. The Current Conditions Index for February was 83, higher than any value in 2016 (although we previously thought we attained this), as ten of the twelve CCI indicators improved. Better yet, the CCI has now exceeded its year-earlier value for the most recent three months and four of the last six months. Momentum is definitely accelerating, perhaps back to where we thought it was at the end of last year. Of the five leading indicators contained in the CCI, four improved, although three of those had fairly easy comps a year ago.

The sole leading indicator that failed to improve, Employment Service Jobs, includes temporary employment and is a leading indicator of future employment. It was the greatest disappointment among all revised indicators, and it clearly continues to disappoint. The last time this indicator improved was March of 2016. This indicator should be monitored, since its continuing deterioration suggests a weakening in future employment growth.

For the third consecutive month, both indicators reflecting Rhode Island’s goods-producing sector improved. Total Manufacturing Hours, a proxy for manufacturing output, rose by 0.9 percent, a deceleration in growth from the prior two months. February’s improvement in this indicator emerges partially from a relatively easy comp last February. The main driver of its improvement was a longer workweek. Combine this with the failure of Employment Service Jobs to improve and one sees a possible trend where businesses may begin substituting additional hours in place of layoffs, fell dramatically in February (-30.2%), its sixth improvement in the last seven months. It had a fairly easy comp from last year.

The year-over-year performance of Rhode Island’s Labor Force, which I continue to view as a train wreck, not only failed to improve during all of 2016, it has yet to improve this year. At least the year-over-year change for February was 0. Improvement hasn’t occurred since April of 2014! At least the February Unemployment Rate decline, for once, occurred for the right reasons. Pay no attention to its move below the US rate.

US Consumer Sentiment improved in February (+5.1%), its fourth consecutive increase, something very likely tied to economic optimism that has been associated with the outcome of the presidential election. New Claims, the timeliest measure of layoffs, fell dramatically in February (-30.2%), its sixth improvement in the last seven months. It had a fairly easy comp from last year.

Government Employment continues to remain above 60,000, which it has now done for over a year. Sustaining this level, which had largely been the result of rising federal government employment, was driven by higher state and local government employment in February. Private Service-Producing Employment growth has been somewhat volatile of late. For both of the most recent two months, it has risen by 1 percent, which is close to its highest rate of growth since last July. Retail Sales did well in February, rising by 2.5 percent compared to a year ago. After rising sharply last month, Benefit Exhauster showed a noticeably improvement in February (-17.8%), resuming its longer-term downtrend.

The good news, though, is that Rhode Island has begun 2017 on a highly positive note, reminiscent of the momentum we previously thought we experienced at the end of last year. Better late than never, I guess!

The first quarter of 2016 wasn’t exactly stellar. And, while we had been led to believe that the second half of last year was a period of economic acceleration, as it turned out, data revisions eliminated most of the strength that we thought had occurred. The good news, though, is that Rhode Island has begun 2017 on a highly positive note, reminiscent of the momentum we previously thought we experienced at the end of last year. Better late than never, I guess!

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