Rhode Island Current Conditions Index – November 2017

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As 2017 nears its end, Rhode Island’s economy is performing well, as several areas have sustained stellar their performances. Accompanying this, however, are a handful of economic indicators that continue to point to the potential for some weakening of our performance in the upcoming months.

First the good news: The Current Conditions Index for November managed to sustain its October value of 83, as ten of the twelve CCI indicators improved. While the CCI has remained at this value for much of 2017, the CCI’s performance this year is better than this might appear to indicate, since CCI values in 2017 have exceeded their corresponding 2016 values for ten of eleven months. True, there is a mitigating circumstance — our flat patch exceeded their corresponding 2016 values for ten of eleven months. But as of the third and fourth quarters thus far, Rhode Island has clearly continued to move well beyond that period of weakness.

The two areas that sustained very substantial momentum in November were Total Manufacturing Hours and Retail Sales. The first of these, Total Manufacturing Hours, a proxy for manufacturing output, rose by 5.3 percent, as both the workweek and employment expanded relative to a year ago. Rhode Island’s manufacturing sector has now demonstrated accelerated rates of growth since April. The other, Retail Sales, grew by 6 percent in November. Since August, growth rates for this indicator have remained well above 5 percent (year-over-year), reaching a peak of 7.4 percent in September. Some of this reflects skilled Rhode Islanders who work in neighboring states and who bring their income back with them to Rhode Island. No matter the spending source, retail spending levels here matter a great deal.

For November, four of the five leading indicators contained in the CCI improved. As stated earlier, Employment Service Jobs may have ended its recent downtrend with its strong November increase. Total Manufacturing Hours also did very well. New Claims, the timeliest measure of layoffs, fell at a double-digit rate in November, appearing to sustain its downtrend. Consumer Sentiment improved in November (+4.7), its thirteenth consecutive increase. Single-Unit Permits, which reflect new home construction, failed to improve in November (-6.6%), indicating the Rhode Island’s goods-producing sector turned in a mixed performance in November.

Government Employment fell from its level a year ago (-0.5%), although it remained above 60,000. Private Service-Producing Employment growth remained sluggish again in November (+0.5), continuing its recent growth deceleration. Benefit Exhastions, which reflects longer-term unemployment, fell by 2.7 percent in November, its weakest improvement since June. Finally our Labor Force trend, Rhode Island’s train wreck, barely improved on a yearly basis in November (now nine in a row), while falling yet again on a monthly basis, as stated above.

As for the yield curve, the difference between longer and shorter-term interest rates, which had been flattening (particularly bad news for RI as we are FILO - first in, last out of national weakness), longer rates might be bottoming, so the yield curve may begin to steepen. Better yet, Employment Service Jobs, a leading indicator of future employment, rose sharply in November. National strength is the key element that will determine whether Rhode Island’s economy moves toward prolonged weakness. Let’s hope the national indicators are reflecting upcoming strength.

For November, numbers. While payroll employment is currently slightly above its June level, resident employment, the number of employed Rhode Islanders, has now declined on a monthly basis for five consecutive months. Along with this, our employment rate, the percentage of employed Rhode Islanders, has fallen for four months. Also on a monthly basis, our Labor Force has declined for the past four months. All of this should cast doubt on what appear to be stellar Unemployment Rate numbers.

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