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Rhode Island Current Conditions Index -- November 2017

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CURRENT CONDITIONS INDEX

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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 indictors 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 in the first half of last year. 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.

CCI Indicators - % Change		
Government Employment	-0.5	
US Consumer Sentiment	4.7	Y
Single-Unit Permits	-6.6	
Retail Sales	6.0	Y
Employment Services Jobs	2.0	Y
Priv. Serv-Prod Employment	0.5	Y
Total Manufacturing Hours	5.3	Y
Manufacturing Wage	5.3	Y
Labor Force	0.6	Y
Benefit Exhaustions	-2.7	Y
New Claims	-11.6	Y
Unemployment Rate (change)	-0.7	Y
Y = Improved Value		

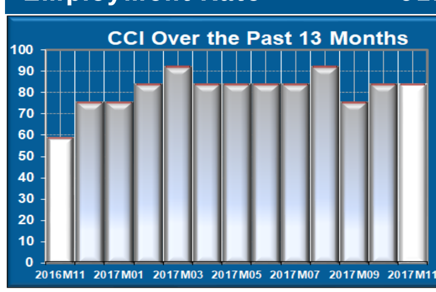
Now for the areas I find concerning. While so many in this state continue to obsess about our **Unemployment Rate**, which remains well below its value a year ago, but has plateaued around 4.2-4.3 percent since June, the behavior of employment is not as strong as one would think from the jobless rate 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.

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, 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 Exhaustions**, 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.

LABOR FORCE:	Nov 2017	Peak (1/2007)
Participation Rate	64.4%	68.6%
Employment Rate	61.6%	65.4%



DLT NOV Employment (SA,Y/Y)	
Gain	7,700
Loss	2,200
Net Chg	5,500

83	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	50↓	58↓	58↑	33↓	50	42	58↓	50↓	75	50↓	58↓	75↓
2017	75	83	92	83	83	83	83	83	75	83	83	