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Rhode Island Current Conditions Index -- February 2018

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

CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

Available Online: http://www.llardaro.com/current.htm
Blog: http://rieconomy.blogspot
Twitter: @ladardo

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As we move further into 2018, Rhode Island's economic performance continues to be very promising, based on our continuing ability to progress farther and farther beyond the "funk" we experienced in 2016, where for two of the four quarters that year, we experienced large negative rates of growth. To some extent, strength in 2017 reflected easy prior-year comps. But it did, nonetheless, entail a sustained move forward. What is encouraging about 2018 thus far is that we continue to build very strongly on last year's re-established base, with a number of key economic indicators demonstrating clear strength. Specifically, monthly deterioration in several indicators I had commented on in prior reports either slowed or began to reverse in February. That is key, since monthly deterioration, if sustained, eventually translates into year-over-year declines, which adversely affect Current Conditions Index values. Furthermore, the apparent divergence between the two labor market surveys I had been observing, the surveys for payroll employment and resident employment, have disappeared (for now at least). Resident employment has now risen on a monthly basis for both months of 2018, while payroll employment is at its highest level in over a year. Unfortunately, the bizarre smoothing method adopted by providers of the household data continues, which indicates that during times of potential change, these "frozen" values will provide us with misleading signals

CCI Indicators - % Change		
Government Employment	0.2	Y
US Consumer Sentiment	3.5	Y
Single-Unit Permits	16.3	Y
Retail Sales	4.5	Y
Employment Services Jobs	2.0	Y
Priv. Serv-Prod Employment	1.3	Y
Total Manufacturing Hours	6.8	Y
Manufacturing Wage	1.5	Y
Labor Force	0.8	Y
Benefit Exhaustions	-10.5	Y
New Claims	-9.7	Y
Unemployment Rate (change)	0.0	
Y = Improved Value		

(Interesting fact: This started just when our Unemployment Rate reached its bottom, so as long as this continues, we will most likely see *underestimates* of this rate as it rises). This issue is important enough for me to reiterate my belief which I stated last month: ***For the record: I don't believe these identical value strings for one minute, and neither should you!***

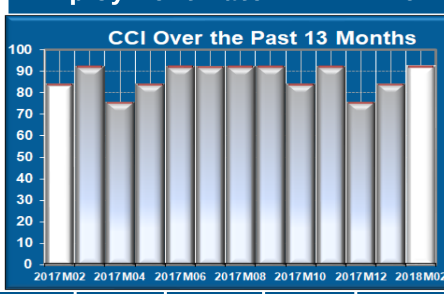
Additional evidence of the building momentum we have been witnessing in 2018 comes from the fact that for February, the Current Conditions Index rose from its January value of 75, which tied the prior January value, up to 92, the highest value attained in all of 2017. Better yet, not only did the February value exceed its year-earlier value, for the first time in a very long time, all five of the leading economic indicators contained in the CCI improved in February, and three of those had difficult comps from a year ago. Overall, eleven of the twelve CCI indictors improved in February. The single indicator that failed to improve, the **Unemployment Rate**, was unchanged — it did not rise from its value last February. Better yet, this occurred as our **Labor Force** rose on both a monthly and yearly basis, which lends some credibility (and a meaningful rationalization for once) to the unchanged **Unemployment Rate**. More good news, in the "Only in RI" department: As of February, Rhode Island's **Labor Force** has now risen on a yearly basis for eight consecutive months!

Rhode Island's goods-producing sector fared well in February. **Total Manufacturing Hours**, a proxy for manufacturing output, an important part of Rhode Island's strength over the past two years, increased in February by an amazing 6.8 percent compared to a year ago. Both manufacturing employment and the workweek rose. **Single-Unit Permits**, which reflect new home construction, rose at a double-digit rate in February (+16.3%), ending three months weather-related declines. In order to sustain our recent 2018 momentum, we will need continued strength in our goods-producing sector. Hopefully, with better weather, new home construction momentum will begin to approach that of our manufacturing sector.

Employment Service Jobs, a leading labor market indicator that was revised higher in 2017, rose again in February (+2.0%), but has recently begun to deteriorate monthly, the only blemish on this month's CCI. **New Claims**, the timeliest measure of layoffs, fell by 9.7 percent in February, ending earlier weakness, and hopefully resuming its longer-term downtrend. **US Consumer Sentiment** improved in February (+3.5%), ending a string of two consecutive declines.

Retail Sales grew again, although below last month's double-digit rate (4.5%). **Government Employment** rose from its level a year ago, while **Private Service-Producing Employment** growth remained above the one percent level. Finally, **Benefit Exhaustions**, which reflects longer-term unemployment, fell by 10.5 percent.

LABOR FORCE:	Feb 2018	Peak (1/2007)
Participation Rate	64.5%	68.6%
Employment Rate	61.6%	65.4%



DLT Feb 2018 Employment (SA,Y/Y)	
Gain	7,000
Loss	700
Net Chg	6,300

92	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	75↑	83↑	92↑	75↑	83↑	92↑	75↑	92↑	92↑	92↑	92↑	83↑
2018	75	92										