2018

Rhode Island Current Conditions Index -- March 2018

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The unthinkable has finally happened: Rhode Island’s Unemployment Rate has now risen relative to its value a year ago for two consecutive months! Does this presage the end of Western Civilization as we know it? Will the earth in Rhode Island abruptly open up and our state’s structures and its people fall helplessly into it? For those whose exclusive focus in gauging Rhode Island’s economy is the Unemployment Rate, these are very serious questions. For those among us who are intelligent enough to know that accurately gauging an economy’s progress requires a far more broadly based analysis, please keep reading.

Rhode Island ended the first quarter of 2018 on somewhat of a precautionary note. My characterization of our state’s economic performance last month as being “very promising” might have been premature. The key word, though, is “might.” We have clearly moved beyond the doldrums of 2016, where Rhode Island’s economy contracted for two of the four quarters that year. The Current Conditions Index readings throughout 2017 attested to this. However, what we might be seeing is an all-too-year. The Current Conditions Index readings throughout 2017 plateauing fairly soon after recovering from a familiar pattern (for us at least) recurring: the pace of economic activity here moving beyond the doldrums of last year. Unfortunately, a consequence of our continued strength over the past two years, fell in March based on a sharply declining workweek. Single-Unit Permits, which reflect new-home construction, fell at a double-digit rate (-18.4%), its fourth decline in the past five months. Stating the obvious: In order for us to accelerate beyond our 2017 momentum in 2018, we will need continued strength in our goods-producing sector. Employment Service Jobs, a leading labor market indicator that was revised higher in 2017, rose again in March (+3.8%), reversing a recent deterioration in its rate of growth. New Claims, the timeliest measure of layoffs, fell by a healthy 17.4 percent in March, continuing to sustain an end to its earlier weakness, and hopefully resuming its longer-term downturn. US Consumer Sentiment improved in March (+4.4%), moving us beyond a string of two consecutive declines for a second month. Retail Sales grew again, although below its prior double-digit rates (6.4%). It is one of the more critical statistics we need to pay close attention to over the coming months. Government Employment rose from its level a year ago (+0.3%), while Private Service-Producing Employment continued to hold up at a rate of growth remained above the one percent level (+1.5%). Finally, Benefit Exhaustions, which reflects longer-term unemployment, fell by 6.1 percent.

For March, the Current Conditions Index fell from its February value of 92, which occurred numerous times last year, to 75. Overall, nine of the twelve CCI indicators improved in March. Unfortunately, March’s value failed to exceed its year-earlier value for the second time in the last three months. Only three of the five leading economic indicators contained in the CCI improved this month, although most had difficult comps from a year ago.

Looking first at the indicators that failed to improve, our Unemployment Rate rose, as stated earlier, but at least that rise was accompanied by a more rapid increase in our state's Labor Force, which increased on both a monthly and yearly basis. Rhode Island’s goods-producing sector fared poorly in March. Total Manufacturing Hours, a proxy for manufacturing output, what has been an important part of Rhode Island’s strength over the past two years, fell in March based on a sharply declining workweek. Single-Unit Permits, which reflect new-home construction, fell at a double-digit rate (-18.4%), its fourth decline in the past five months. Stating the obvious: In order for us to accelerate beyond our 2017 momentum in 2018, we will need continued strength in our goods-producing sector.

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