

3-2018

Rhode Island Current Conditions Index – March 2018

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

Follow this and additional works at: <https://digitalcommons.uri.edu/ricci>



Part of the [Econometrics Commons](#)

[Terms of Use](#)

All rights reserved under copyright.

Recommended Citation

Lardaro, Leonard, "Rhode Island Current Conditions Index – March 2018" (2018). *The Rhode Island Current Conditions Index*. Paper 171.

<https://digitalcommons.uri.edu/ricci/171>

This Article is brought to you by the University of Rhode Island. It has been accepted for inclusion in The Rhode Island Current Conditions Index by an authorized administrator of DigitalCommons@URI. For more information, please contact digitalcommons-group@uri.edu. For permission to reuse copyrighted content, contact the author directly.

CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

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

VOL XXV
 NUMBER 4
 MAR 2018

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 attest to this. However, what we might be seeing is an all-to-familiar pattern (for us at least) recurring: the pace of economic activity here plateauing fairly soon after recovering from a

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.

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 downtrend. **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** growth remained above the one percent level (+1.5%). Finally, **Benefit Exhaustions**, which reflects longer-term unemployment, fell by 6.1 percent.

CCI Indicators - % Change	
Government Employment	0.3 Y
US Consumer Sentiment	4.4 Y
Single-Unit Permits	-18.4
Retail Sales	6.4 Y
Employment Services Jobs	3.8 Y
Priv. Serv-Prod Employment	1.5 Y
Total Manufacturing Hours	-0.9
Manufacturing Wage	2.4 Y
Labor Force	0.9 Y
Benefit Exhaustions	-6.1 Y
New Claims	-17.4 Y
Unemployment Rate (change)	0.1
Y = Improved Value	

national economic soft patch (thus our **FILO** status). If that is the case here, and it is too early to tell, our ability to sustain national upside momentum may be limited. Given the decade-long downtrend in our state's **Labor Force**, which has reduced Rhode Island's potential growth, that is a real possibility. At least that downtrend recently ended. Unfortunately, a consequence of our recently accelerating **Labor Force** growth has been the increases in our **Unemployment Rate**. Consider also that our employment rate, the percentage of our population that is employed, has been stuck between 61.4 and 61.5 percent for quite some time now, failing to increase as the result of resident employment remaining well below its early 2007 peak. Furthermore, a significant number of the Rhode Island jobs created (payroll employment) since our last peak have been part-time jobs. Let's hope for a large uptick in national and Massachusetts activity that carries Rhode Island beyond the potentially limited upside we might be witnessing, and that use of the word "might" turns out not to be correct.

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



DLT Mar 2018 Employment (SA, Y/Y)	
Gain	6,700
Loss	300
Net Chg	6,400

75		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	75									