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Rhode Island Current Conditions Index – May 2018

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CURRENT CONDITIONS INDEX

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Fortunately for Rhode Island, April's economic performance did indeed turn out to be somewhat of an outlier, as I had suspected (actually hoped for, keeping my fingers crossed). Better yet, not only was the April Current Conditions Index value revised higher, from 67 to 75 (the decline in the **Manufacturing Wage** was reversed last month), for May, the Current Conditions Index rebounded sharply, reaching all the way to 92, as eleven of twelve indicators improved. May's CCI value is tied with February for the highest level this year. And as strong monthly performances go, May was a very good month. I think it is safe to say at this point that barring an escalating trade war, fears of Rhode Island potentially activating its longer-term FILO status were indeed premature.

The two most important statistics with which to gauge May's performance are indicators that nobody in this state other than me ever discusses. *Both the labor force participation rate and the employment rate rose relative to a year ago in May.* More importantly, their May performances continued uptrends that began in January. The labor force participation rate, the percentage of our resident population that is in the labor force, rose to its highest level since March of 2016. The employment

economy watchers, for whom the **Unemployment Rate** tells all: The unthinkable occurred again - our **Unemployment Rate** failed to improve for the fourth consecutive month, no doubt perpetuating their fears of the imminent collapse of Western Civilization. At least this was accompanied by both a monthly and annual rise in our state's **Labor Force**, its eleventh consecutive rise - truly a major feat in Rhode Island!

In a testament to May's overall momentum, all five of the leading indicators contained in the CCI improved this month, with four of the five advancing despite difficult comps a year ago. **New Claims** declined sharply in May (-13.4%), although the existence of its downtrend remains in question. Rhode Island's goods-producing sector's performance improved again in May. **Total Manufacturing Hours**, a proxy for manufacturing output, an important element of Rhode Island's strength over the past two years, rose strongly in May (+7.5%) based improvements in both employment and the length of the workweek. **Single-Unit Permits**, which reflect new home construction, increased, albeit at a much slower rate (+3.8%) than last month. May was only its third increase in the past six months. Rhode Island's ability to continue building on its 2017 momentum will require continued strength from our goods-producing sector. Rising mortgage rates, a stronger US Dollar and tariffs can all be expected to generate headwinds through the remainder of this year. **Employment Service Jobs**, a leading labor market indicator that includes temporary employment, rose again in May (+2.2%), resuming the slower growth trend of earlier this year. **US Consumer Sentiment** improved in May (+0.9%), its fourth consecutive improvement, but it too faces issues moving forward, most notably as the result of trade tensions.

Retail Sales grew again (+4.0%), although well below its recent double-digit rates, and close to its lower growth range of late. **Government Employment** rose from its level a year ago (+0.2%), while **Private Service-Producing Employment** growth remained above the one percent level (+1.5%). Finally, **Benefit Exhaustions**, the most timely measure of longer-term unemployment, fell sharply in May (-29.9%), following a surprising double-digit increase in April.

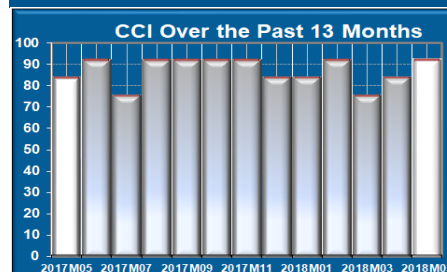
CCI Indicators - % Change	
Government Employment	0.2 Y
US Consumer Sentiment	0.9 Y
Single-Unit Permits	3.8 Y
Retail Sales	4.0 Y
Employment Services Jobs	2.2 Y
Priv. Serv-Prod Employment	1.5 Y
Total Manufacturing Hours	7.5 Y
Manufacturing Wage	2.1 Y
Labor Force	1.2 Y
Benefit Exhaustions	-29.9 Y
New Claims	-13.4 Y
Unemployment Rate (change)	0.0

Y = Improved Value

rate, the percentage of the resident population that is employed, attained its highest value since *late 2008*. While both remain well below their prior cyclical highs, their May performances, along with the continuing uptrends, are, nonetheless, encouraging. Better late than never, I guess (i.e., the **LO** in **FILO**)!

Even with this month's good economic news, it is important to keep our recent economic performance in perspective. While the May CCI value was very good, May was only the second month this year for which the CCI exceeded its year-earlier value. Some concerns remain, most notably the trend for **New Claims**, the most timely measure of layoffs. While this fell in May after rising in April, resumption of its downtrend remains questionable, making this one of the more critical indicators to pay attention to in the coming months. And, let me not forget the mindless

LABOR FORCE:	May 2018	Peak (1/2007)
Participation Rate	64.7%	68.6%
Employment Rate	61.9%	65.4%



DLT May 2018 Employment (SA, Y/Y)	
Gain	8,200
Loss	700
Net Chg	7,500

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	75	75↑	92							