

2019

Rhode Island Current Conditions Index -- March 2019

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CURRENT CONDITIONS INDEX

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Rhode Island ended the first quarter on a continuing note of concern. The Current Conditions Index rose from its downwardly revised value of 33 for February to only 50 in March, its neutral value, as only six of the twelve indicators improved. For two of the three months in the first quarter, the CCI failed to attain expansion values. In fact, the average of the CCI values for the first quarter is close to its neutral value of 50.

Rhode Island's economy didn't just begin to slow in the first quarter of this year. The Current Conditions Index has shown that since the end of 2015, economic performance here has been spotty at best, and consistently disappointing. Recently revised data from several other sources corroborate this. According to the US Bureau of Economic Analysis, economic growth for Rhode Island was 0 in 2016, 0.8 percent in 2017 and 0.6 percent in 2018. Remember, those growth rates are sequential, so not only were these well below values for both the US and New England, real GDP in 2019 remains little changed from where it was in 2015. According to the most recent readings of the CCI, we're not exactly moving forward at a rapid rate, as March was the tenth consecutive month for which the CCI failed to exceed its year-earlier value. Worse yet, according to the Pew Charitable Foundation, Rhode Island was the only state in the country to have 0 real income growth for all of 2018. Then there were the labor market data revisions from a few months ago that showed sharply lower levels for both measures of employment (resident

Retail Sales, which has held up surprisingly well, growing by just under 10 percent. Rhode Island's goods-producing sector fared poorly again in March. The **Manufacturing Wage** rose again (+2.1%), but this was only its third increase since September. **New Claims**, the most timely measure of layoffs, improved in March (-2.3%), which was only its sixth improvement in the last year. More critically, this was the only one of the CCI's leading indicators to improve in March.

The other two of the three highly cyclical leading economic indicators contained in the Current Conditions Index, **Single-Unit Permits** and **Total Manufacturing Hours**, continued their downtrends. This is worrisome since not only do both have large multipliers, they led also us into the last recession. **Total Manufacturing Hours**, a proxy for manufacturing output, fell by 5.2 percent, its sixth consecutive decline, as both employment and the workweek contracted. **Single-Unit Permits**, a measure of new home construction, fell at a large double-digit rate (-37.8%), its ninth decline in the last ten months. Declining interest rates will likely have little effect on this indicator, given Rhode Island's static population. **Employment Service Jobs**, a leading indicator that includes temps, fell by 2 percent in March, with accelerating *rates of decline*. Finally, **US Consumer Sentiment** fell again for the sixth time in the last seven months.

Our state's **Labor Force** reached its most recent peak last October and has failed to exceed that value ever since. In March, it fell again relative to its level a year ago (-0.3%). Accompanying this was yet another decrease in the labor force participation rate. While our state's **Unemployment Rate** remained below 4 percent in March, the extremely tainted nature of this indicator was highlighted by the fact that this was accompanied by a declining **Labor Force** (monthly).

Government Employment rose over the year for a seventh consecutive month (+1.2%), **Private Service-Producing Employment** fell again (-0.1%), and **Benefit Exhaustions**, the timeliest measure of longer-term unemployment, fell by 12.7 percent.

CCI Indicators - % Change	
Government Employment	1.2 Y
US Consumer Sentiment	-3.3
Single-Unit Permits	-37.8
Retail Sales	9.7 Y
Employment Services Jobs	-2.0
Priv. Serv-Prod Employment	-0.1
Total Manufacturing Hours	-5.2
Manufacturing Wage	2.1 Y
Labor Force	-0.3
Benefit Exhaustions	-12.7 Y
New Claims	-2.3 Y
Unemployment Rate (change)	-0.4 Y
Y = Improved Value	

and payroll), indicating that as of March of 2019, both employment measures remained below their levels at the last cycle's peak, all the way back in December of 2006! It's little wonder why Rhode Island's government insists on summarizing Rhode Island's economic performance solely on the basis of its **Unemployment Rate**, which *should* have fallen due to robust and consistent economic growth. Sadly, for Rhode Island, this has become a virtually meaningless statistic due to the way it declined (a longer than decade-long fall in our **Labor Force**).

March's performance did have a few bright spots, but only a few. The strongest indicator performance in March was once again

LABOR FORCE:	Mar 2019	Peak (1/2007)
Participation Rate	↓ 64.2%	68.6%
Employment Rate	↓ 61.8%	65.4%

Employment (SA, Y/Y)	
Gain	4,100
Loss	5,100
Net Chg	-1,000

50		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2018	75	100↑	83↑	83↑	100↑	92↑	75	67↓	75↑	58↑	83↑	58↑
	2019	75	33↓	50									