Rhode Island Current Conditions Index -- September 2019

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

Recommended Citation
https://digitalcommons.uri.edu/ricci/190

This Newsletter is brought to you for free and open access by the Economics at DigitalCommons@URI. 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.
Rhode Island’s third quarter economic performance appears at first glance to be disappointing, as the Current Conditions Index fell from its highest value for the year thus far, 83 in July, to 67 in August then down to a barely expanding value of 58 in September. While statistically this appears to reflect a clear weakening in Rhode Island’s third quarter economic momentum, a closer, more in-depth look reveals that things are not necessarily as weak as one would conclude by merely focusing on the overall CCI numbers.

The CCI’s values each month are derived by looking at year-over-year (yearly) changes in each of its twelve indicators after seasonally adjusting the data. What drives changes in yearly values? Underlying trends in month-to-month (monthly) changes. And it is in this distinction between the two sets of values that I find grounds for some optimism in the recent performance of Rhode Island’s economy.

At present, a number of individual CCI indicators are performing badly on a yearly basis, most notably our Labor Force, Total Manufacturing Hours and Benefit Exclusions. Yearly weakness in the latter two are particularly worrisome, as these reflect trends where manufacturing continues to trend lower while longer-term unemployment has of late been trending higher. Obviously, these are not unrelated.

At present, a number of individual CCI indicators are performing badly on a yearly basis, most notably our Labor Force, Total Manufacturing Hours and Benefit Exclusions. Yearly weakness in the latter two are particularly worrisome, as these reflect trends where manufacturing continues to trend lower while longer-term unemployment has of late been trending higher. Obviously, these are not unrelated.

Lurking behind problematic yearly performances are several promising monthly trends, which could ultimately reverse yearly weakness should they be sustained in the coming months. Most notable among these is Resident Employment, the number of employed Rhode Island residents. While this remains well below its 2006 level, it has now risen for every month since May. Ditto for the Employment Rate and Labor Force Participation Rate. Professional and Business Service employment has also strengthened monthly since May.

Last month, I raised the possibility that Rhode Island’s economy might be at an inflection point, where our negatives begin to turn positive, driven by manufacturing and employment trends. As September’s CCI figures reveal, this possibility is growing in statistical depth as well. Although seven of our twelve CCI indicators failed to improve in September (+3.2%), the six that did included Labor Force, Total Manufacturing Hours, and Retail Sales. The CCI’s overall value improved to a still weak 58, its highest value since May.

My greatest concern continues to be the performance of our goods-producing sector, the most highly cyclical element of our economy. While the Manufacturing Wage rose (+3.2%), Total Manufacturing Hours, a proxy for manufacturing output, fell by 5.8 percent, its twelfth consecutive decline, while Employment Service Jobs, our “star” indicator for quite some time now, improved at a double-digit rate in September. Employment Service Jobs, a leading indicator that includes temps, increased impressively in September (+8.2%), its sixth consecutive increase. Yet another bright spot was the growth in Private Service-Producing Employment, which rose for a sixth consecutive month (+2.1%). Finally, Government Employment increased again in September for the twelfth time in the last thirteen months, remaining well over 61,000.

My greatest concern continues to be the performance of our goods-producing sector, the most highly cyclical element of our economy. While the Manufacturing Wage rose (+3.2%), Total Manufacturing Hours, a proxy for manufacturing output, fell by 5.8 percent, its twelfth consecutive decline, while Single-Unit Permits, a measure of new home construction, surged by over 50 percent (very weak comp), but remains in a downtrend. US Consumer Sentiment failed to improve again, which could impact Single-Unit Permits and Retail Sales in the future.

In September, seven of the twelve CCI indicators improved with many displaying strong performances while at the same time the indicators failing to improve displayed substantial weakness. The CCI failed to exceed its year-earlier value again, as only two of the five leading indicators contained in the CCI improved.

Our state’s Labor Force improved again on a monthly but not yearly basis for the fourth consecutive time since January. Long-term unemployment, as reflected by Benefit Exclusions, failed to improve (rose) at a double-digit rate and its trend has turned positive (we want negative). New Claims for Unemployment Insurance, the most timely measure of layoffs, rose in September after falling four consecutive months. Retail Sales, our “star” indicator for quite some time now, improved at a double-digit rate in September. Employment Service Jobs, a leading indicator that includes temps, increased impressively in September (+8.2%), its sixth consecutive increase. Yet another bright spot was the growth in Private Service-Producing Employment, which rose for a sixth consecutive month (+2.1%). Finally, Government Employment increased again in September for the twelfth time in the last thirteen months, remaining well over 61,000.

Last month, I raised the possibility that Rhode Island’s economy might be at an inflection point, where our negatives begin to turn positive, driven by manufacturing and employment trends. As September’s CCI figures reveal, this possibility is growing in statistical depth as well. Although seven of our twelve CCI indicators failed to improve in September (+3.2%), the six that did included Labor Force, Total Manufacturing Hours, and Retail Sales. The CCI’s overall value improved to a still weak 58, its highest value since May.

My greatest concern continues to be the performance of our goods-producing sector, the most highly cyclical element of our economy. While the Manufacturing Wage rose (+3.2%), Total Manufacturing Hours, a proxy for manufacturing output, fell by 5.8 percent, its twelfth consecutive decline, while Single-Unit Permits, a measure of new home construction, surged by over 50 percent (very weak comp), but remains in a downtrend. US Consumer Sentiment failed to improve again, which could impact Single-Unit Permits and Retail Sales in the future.

In September, seven of the twelve CCI indicators improved with many displaying strong performances while at the same time the indicators failing to improve displayed substantial weakness. The CCI failed to exceed its year-earlier value again, as only two of the five leading indicators contained in the CCI improved.

Our state’s Labor Force improved again on a monthly but not yearly basis for the fourth consecutive time since January. Long-term unemployment, as reflected by Benefit Exclusions, failed to improve (rose) at a double-digit rate and its trend has turned positive (we want negative). New Claims for Unemployment Insurance, the most timely measure of layoffs, rose in September after falling four consecutive months. Retail Sales, our “star” indicator for quite some time now, improved at a double-digit rate in September. Employment Service Jobs, a leading indicator that includes temps, increased impressively in September (+8.2%), its sixth consecutive increase. Yet another bright spot was the growth in Private Service-Producing Employment, which rose for a sixth consecutive month (+2.1%). Finally, Government Employment increased again in September for the twelfth time in the last thirteen months, remaining well over 61,000.

My greatest concern continues to be the performance of our goods-producing sector, the most highly cyclical element of our economy. While the Manufacturing Wage rose (+3.2%), Total Manufacturing Hours, a proxy for manufacturing output, fell by 5.8 percent, its twelfth consecutive decline, while Single-Unit Permits, a measure of new home construction, surged by over 50 percent (very weak comp), but remains in a downtrend. US Consumer Sentiment failed to improve again, which could impact Single-Unit Permits and Retail Sales in the future.