Rhode Island Current Conditions Index — October 2012

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What a great way to begin the fourth quarter! Rhode Island’s economic performance in October was its strongest in a long, long time. Even using the flawed “official” labor market data, the Current Conditions Index registered a score of 75. Overlooking the labor data inaccuracies, the more correct score for October is either 83 or quite possibly 92, depending on whether Employment Services Jobs actually rose. Even our state’s Labor Force rose in October (first time since the end of 2010)!

Clearly, Rhode Island’s economy shifted into a higher gear in October. This is highly significant for several reasons. First, the pace of activity here had been rather uneven over the past six months, so it had only been possible to conclude that on average our economic momentum was being sustained through time, although at times during that stretch one had to wonder. October’s strong performance means that it is more likely that we should be moving away from the weaker monthly performances of late. This brings me to a second point: I used the word should because we have to be careful not to place too much weight on the performance for a single month, and more importantly, our ability to sustain this momentum will largely be determined by the outcome of the fiscal cliff negotiations. Should the US fall over the dreaded cliff and remain there for some time, then Rhode Island, like almost every other state, will inevitably be drawn into the abyss of a national recession. I seriously doubt that we will either go over the cliff or if so, remain there for very long. I must confess, though, that I am not a Child Psychologist. Finally, our state’s manufacturing sector appears to be sustaining a very positive answer — its economy showed its strongest momentum has been sustained … The issue now shifts to which way our momentum will move as we come ever closer to the end of this year …” For October Rhode Island received a strong 6.4 percent growth rate versus last October, its tenth increase in the past twelve months. Along with this, US Consumer Sentiment once again surged by over 30 percent, helped by improvement in the national economy. Layoffs, in terms of New Claims for Unemployment Insurance, fell by 9.7 percent in October, its ninth improvement in the last year. On the other end of the spectrum, Benefit Exhaustions, reflective of longer-term unemployment, also fell at a double-digit rate (-15.1%), sustaining its downward (improvement) trend. New home construction, based on Single-Unit Permits, surged by 27.5 percent in October, providing further evidence that it reached a bottom several months ago. In spite of this, its levels remain subdued, a feature that will likely persist as long as our state’s population continues its decline that began in mid-2004.

Finally, our state’s manufacturing sector appears to be sustaining strength, if we can believe the data, with Total Manufacturing Hours rising by a healthy 3.2 percent, while growth in our Manufacturing Wage slowed to “only” 5.6 percent. Contrary to the “official” labor market data, I believe that Private Service-Producing Employment actually rose for October, which gives the alternative CCI value of 83. The same might well be true for Employment Services Jobs, which would give an upward bound for the October CCI value of 92.

As of October, Rhode Island’s recovery was 32 months old. For October, (at least) nine of the twelve CCI indicators improved. All five non-survey-based indicators, those that don’t suffer from the flaws currently plaguing the “official” labor market data, showed substantial improvement versus one year ago. Retail Sales resumed its uptrend in a very impressive fashion, registering a strong 6.4 percent growth rate versus last October, its tenth increase in the past twelve months. Along with this, US Consumer Sentiment once again surged by over 30 percent, helped by improvement in the national economy. Layoffs, in terms of New Claims for Unemployment Insurance, fell by 9.7 percent in October, its ninth improvement in the last year. On the other end of the spectrum, Benefit Exhaustions, reflective of longer-term unemployment, also fell at a double-digit rate (-15.1%), sustaining its downward (improvement) trend. New home construction, based on Single-Unit Permits, surged by 27.5 percent in October, providing further evidence that it reached a bottom several months ago. In spite of this, its levels remain subdued, a feature that will likely persist as long as our state’s population continues its decline that began in mid-2004.

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