Rhode Island Current Conditions Index -- February 2016

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

Follow this and additional works at: http://digitalcommons.uri.edu/ricci

Part of the Econometrics Commons

Terms of Use
All rights reserved under copyright.

Recommended Citation
http://digitalcommons.uri.edu/ricci/146

This Article 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@etal.uri.edu.
After the discouraging news we received last month concerning labor market data revisions and the resulting changes in our economic performance, comes a bit of a reprieve in February. The Current Conditions index for February rose from its January value of 58 to 67 in February. The good news, as good news here goes, is that this CCI value this month matches the second-highest value from last year, a number we saw for eight of the twelve months in 2015. This also matches last February’s CCI value.

While the overall CCI for February does reflect improvement from what we witnessed last month, looking “below the hood” one quickly finds that Rhode Island’s overall performance continues to be moderate at best. That is not to say that there were not strong segments of state’s economy, or that none of the CCI’s indicators performed well in February. There were a few. Look at the February growth for Single-Unit Permits: 185.7 percent! Are we returning to the 1980’s? Hardly. A year ago the state had only 17 permits, given our frozen tundra. The value this month rose all the way to 49 (annualized at 588). This traumatized the seasonal adjustment produced a February value of 1,080 units with an amazing growth rate of almost 200 percent. What a tease!

What we continue to witness, especially in light of the revised data, is that our negatives remain all too present as they continue to blunt the positive momentum that exists here. Central to this are disturbing trends in several of the CCI’s indicators, most notably our state’s Labor Force. While we had been led to believe this indicator was in a well-defined uptrend, the revised data show that the well-defined trend is actually lower. Worse yet, that downturn has been in place for quite some time now. The February decline of 0.5 percent in our Labor Force was its twenty-first year-over-year decline. This has major implications for the one statistic that persons in this state continue to be obsessed with: our Unemployment Rate. While this rate has been falling for some time, our shrinking Labor Force indicates that improvements in our jobless rate have been occurring largely for the wrong reasons—not strong job growth, which is the preferred route, but unemployed persons dropping out of the Labor Force. At least we saw a fairly strong performance by our state’s goods-producing sector, unlike what had suggested the beginnings of a prolonged period of weakness. Let’s hope this continues. The weakening US Dollar could prove to be very helpful in sustaining improvement.

Four of the five leading indicators contained in the CCI improved in February. Total Manufacturing Hours, a measure of manufacturing sector strength, rose by 1.5 percent in February, its second improvement in a year (versus four with the prior data). Along with this, the Manufacturing Wage declined yet again, this month by 2.4 percent. New home construction, in terms of Single-Unit Permits, rose by 185.7 percent, as stated earlier. Employment Service Jobs, which includes temporary employment and is a prerequisite to employment growth, rose by 1.1 percent, among its slower growth rates in some time. Finally, New Claims, a leading labor market indicator that reflects layoffs, fell by 7.1 percent in February, in spite of a difficult comp one year ago. The lone non-improving leading indicator, US Consumer Sentiment, fell for only its third time in over a year, by 3.8 percent.

Retail Sales rose in February (2.3%), reversing its one-time decline in January. This indicator now improved for twenty of the last twenty-one months. Private Service-Producing Employment, an indicator whose actual growth had been slowing, increased by 1.7 percent in February, its most rapid rate of growth since last July. Government Employment fell again (-0.8%), as its level remained just above 60,000. Benefit Exhaustions, which reflects longer-term unemployment, declined by 5 percent relative to last year, its slowest rate of improvement in some time.

During February, Rhode Island turned in a mixed economic performance. We did better than we had in January, a positive, which tied us with the value last year. Beating last year’s value would have been far more significant. However, rates of improvement among virtually all of the indicators that managed to improve (with the exception of Single-Unit Permits) were tepid at best. So, as national growth slows, so too does Rhode Island. Unfortunately, it will be necessary for us to institute many structural changes before we can better insulate ourselves from weakening economic growth. "Ordering out" for lists to blindly implement won’t get it done.