Rhode Island’s economy improved in April, attempting for the second month in the last four to break beyond “first gear.” There was a lot to be optimistic about in April’s performance. The Current Conditions Index rose to 67 in April from March’s value of 58, as eight of the twelve CCI indicators improved. Noteworthy is the fact that for 2024, the CCI has exceeded its year-earlier value for two of the last four months, something we haven’t seen for a while. Very noteworthy is labor market trends related to the household survey. Rhode Island’s Labor Force continues to improve on both a monthly and yearly basis. Along with this, both the labor force participation rate (percentage of the population in the labor force) has risen for the last four months, reaching 62 percent in April and the employment rate (percentage of the population that is employed) increased, tapping 62 percent. These are critical developments. While the rising labor force and participation rate have caused the Unemployment Rate to rise, 4.1 percent in April, it has now officially (in my mind) shed its status as being a naïve rate. For April, the Participation-Adjusted Unemployment Rate stood at 4.2 percent, approximately the official rate. Not only does the rising Labor Force and participation rate bring persons back into the labor force, which should help ease labor shortages, it raises Rhode Island’s potential output, which holds the promise of allowing us to continue moving beyond the pre-pandemic slump in the rates of economic growth we experienced. There was also good news in the establishment survey (number of RI jobs — payroll employment). It has grown at or beyond a 1.5 percent annual rate for every month since December. Happily, both employment measures have now surpassed their pre-pandemic values.

Looking at this month’s CCI indicator performances, eight of the twelve CCI indicators improved relative to their values a year ago. Most had solid advances, even the one that appeared to be weakening (Retail Sales). Of the five leading indicators contained in the CCI, three improved in April, although all did so from relatively easy comps.

Focusing on the positive factors, Retail Sales improved in April, by only 1.1 percent compared to last April. However, this slow growth rate followed a 9.7 percent rate of growth in April, so it is not necessarily weakening. Total Manufacturing Hours rose very sharply (+8.3%) in April, the result of both a longer workweek and greater employment. Along with that, the Manufacturing Wage also increased by more than 6 percent compared to last April, the latest in a string of increases that have exceeded the rate of inflation since last July. Government Employment, which has been a consistent performer, registered another increase, its eighth since last September. Private Service-Producing Employment, which reflects non-government, non-goods producing employment, improved every month last year and in April (+2.2%). Its growth rate, which had been slowing since December, accelerated in April. US Consumer Sentiment sustained its recent strength, rising by double-digit rate (+21.4%). What had been a consistent area of weakness, related to housing, Single-Unit Permits, or new home construction, rose for the second time in four months. Hopefully these recent improvements along with falling interest rates will end its well-established downturn.

Not all of April’s news was good. The weakness in three critical labor market indicators continued in April. New Claims, reflective of layoffs, and a leading labor market indicator, has only improved for two of the last fifteen months. In April, it rose at a double-digit rate (+15.9%) from a year ago. Employment Service Jobs, which includes “temps,” and is a leading economic indicator of job gains, has fallen on a yearly basis every month since October of 2018. For April, it fell an additional 1.5 percent. While actual payroll employment continues to do well (let’s keep our fingers crossed for upcoming revisions next year), this signals the potential for some slowing in future job gains. At the other end of the labor market spectrum, Benefit Exhaustions, which reflects longer-term unemployment, surged last April and has increased at double-digit rates every month since then, rising by another 44.5 percent in April compared to a year ago. (Note: Both New Claims and Benefit Exhaustions will not be revised next year, as these are hard counts.)

So, in summary, the data for April is the best we have seen in a while as a number of key variables that define our state’s cyclical economic momentum are showing strength and (hopefully) sustainable future trends. While there were a few “dark clouds,” hopefully they will not be enough to derail this momentum for some time. Still, our future economic momentum rests largely with the national economy.