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Rhode Island Current Conditions Index — December 2008

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CURRENT CONDITIONS Index

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Rhode Island's economic performance in December was much the same as it had been throughout all of 2008 — abysmal. While the value of the Current Conditions Index was 8 again, based on only one indicator improving (guess which one?), the declining pace of economic activity here, as with the nation, was highly significant. Although 2008 is a number designating a year, Rhode Islanders will no doubt come to think of it in terms of economic activity here as a four letter word.

As I have stated several times throughout 2008, not all CCI scores of 8 are alike. The fall in a host of CCI indicators is alarming. But there are a few "bright" spots, if you want to call it that.

There were two pieces of "good" news for December, and something to look forward to when revised labor market data are released. The **Manufacturing Wage** increased again, as it had for nine of the twelve months in 2008. For December, it rose by 0.6 percent compared to last December. While that doesn't seem like a very significant change, and it certainly wouldn't be in good economic times, what makes it remarkable

CCI Indicators - % Change

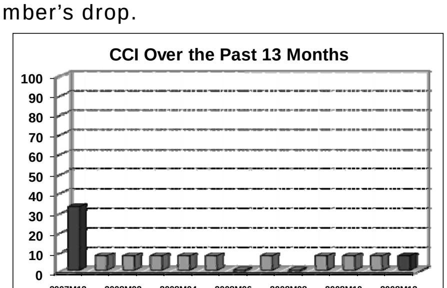
Government Employment	-3.3	
US Consumer Sentiment	-20.2	
Single-Unit Permits	-24.9	
Retail Sales	-0.9	
Employment Services Jobs	-28.1	
Priv. Serv-Prod Employment	-3.7	
Total Manufacturing Hours	-9.8	
Manufacturing Wage	0.6	**Y**
Labor Force	-1.8	
Benefit Exhaustions	39.2	
New Claims	6.5	
Unemployment Rate	92.3	

Y = Improved Value

is that it occurred as **Total Manufacturing Hours** here *plunged by 9.8 percent* (following a decline of 9.2 percent in November), based on sharp declines in both employment and the length of the workweek. Clearly the manufacturing sector here is in a near freefall, as it is nationally. The improving **Manufacturing Wage** reflects the existence of some skill shortages, as hard as that might be to contemplate, and contraction of the lower end of our manufacturing sector. **Retail Sales** fell again, by 0.9 percent, which was far *less* than its decline in November (10.3%). Yet **Retail Sales** for the fourth quarter of 2008 were horrible, as we had the worst holiday shopping season in decades.

What can we look forward to? When the revised labor market data for 2008 are released later in February, the sharp jumps in our state's **Unemployment Rate** will be "smoothed" out, resulting in lower "official" values. So, rates for the entire second half of 2008, all of which were spikes of 50 percent or more compared to year-ago values, should be reduced. That means that our state's official December **Unemployment Rate** of 10 percent will be reduced. We'll still have numerous opportunities in 2009 to actually hit that level, though.

The litany of disappointing indicator performances should be obvious by now. **Benefit Exhaustions**, which reflects long-term unemployment, rose by 39.2 percent in December. **Employment Service Jobs**, a leading labor market indicator that includes "temps," continued its string of double digit declines, falling by 28.1 percent. The declines in **Private Service-Producing Employment** have also accelerated, with a 3.7 percent December drop. Layoffs, as measured by **New Claims**, a second leading labor market indicator, rose sharply once again, by 6.5 percent. **US Consumer Sentiment** dropped by 20.2 percent, as it continues to fall at double-digit rates. Our jobless rate spikes have continued along with a declining **Labor Force**. For December, our **Labor Force** fell by 1.8 percent, which actually *helped* our recorded jobless rate. Extreme fiscal pressure continued to hurt **Government Employment**, which fell by 3.3 percent compared to last December, and **Single-Unit Permits** fell by 24.5 percent, less than November's drop.



THE BOTTOM LINE

I never imagined that Rhode Island would replicate the economic pain it experienced in 1991, the result of a recession, defense cutbacks, and a banking crisis. Statistically, 2008 is close to what we saw in 1991, except for the employment decline. When 2008 and 2009 are viewed *together*, however, it is very likely that we will have surpassed the economic misery of 1991. Yet another record we don't need!

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	50↓	50↓	42↓	42	67	50↓	58↑	33	25↓	17↓	17↓	33↓
2008	8	8	8	8↓	8	0	8↓	0	8	8	8	8