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Rhode Island Current Conditions Index — November 2008

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CURRENT CONDITIONS Index

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November was yet another bad month for Rhode Island. The value of the Current Conditions Index, 8, masks the overall and growing economic weakness being experienced in Rhode Island. As I stated last month, not all CCI scores of 8 are alike. While we have been stuck at this value for almost all of this year (with the exception of two 0's), what is inescapable this month is how much worse several key indicators have gotten.

Consider **Retail Sales**, for example. This is a major indicator of our state's economy. A few years ago it was consistently a stellar performer. But now, well into recession, its year-over-year growth rate has rapidly deteriorated, from –0.4 percent in September to –3.0 percent in October, to –10.2 percent in November. I wish I could say that this is the only badly performing indicator. **Benefit Exhaustions**, which reflects long-term unemployment, has been rising (we want this to decline) at rates of over 40 percent since August. For November, the increase was almost 50 percent!

CCI Indicators - % Change	
Government Employment	-3.6
US Consumer Sentiment	-27.5
Single-Unit Permits	-44.7
Retail Sales	-10.2
Employment Services Jobs	-20.9
Priv. Serv-Prod Employment	-2.9
Total Manufacturing Hours	-8.9
Manufacturing Wage	0.1 **Y**
Labor Force	-1.1
Benefit Exhaustions	49.3
New Claims	30.9
Unemployment Rate	78.8

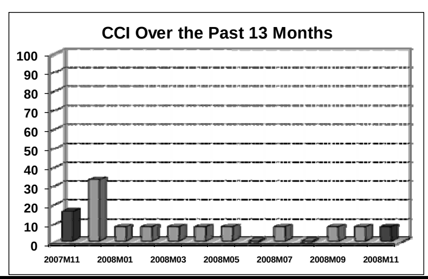
Y = Improved Value

And it doesn't end there. **Employment Service Jobs**, a leading labor market indicator that includes "temps" has been declining at double digit rates since February. For November, its rate of decline exceeded 20 percent. Not surprisingly, **Private Service-Producing Employment** has continued to fall sharply (by 2.9% in November), while layoffs, as measured by **New Claims**, a second leading labor market indicator, rose sharply once again. November saw a 30.9 percent increase. **US Consumer Sentiment** has also been very hard hit this year. In November, it fell by 27.5 percent, continuing double-digit reductions for over a year.

Let's not forget our state's **Unemployment Rate**. Its recent spikes from values around 5 percent a year ago to over 9 percent recently has not only gotten Rhode Island far too much negative publicity nationally, these spikes represent percent increases of well over 50 percent. The good news here, if there is any, is that we were second nationally to Michigan in November, shedding our horrific label from earlier months. The bad news is that our jobless rate spikes are occurring along with a declining **Labor Force** (since January). So, had some of our state's unemployed not dropped out of the **Labor Force**, recent jobless rates would have been even higher. Ironically, with labor market rebenchmarking in February, several of these spikes will be revised away, back to levels around 8.7% as far as I can tell.

The only good news concerning declines occurred for **Single-Unit Permits**. This measure of new home construction fell by 44.7 percent in November, continuing a string of double-digit declines that began in January. The "good news" here is that so little construction (56 permits statewide in November) helps us work down the stock of unsold homes.

Our state's goods-producing sector continued its sharp decline in November. Along with weakness in housing, **Total Manufacturing Hours** fell by 8.9 percent, its worst showing since August. Ironically, this occurred as the **Manufacturing Wage**, the only indicator that has kept the CCI in 2008 from being a series of 0's, grew slowly, coming very close to reaching the $14 hourly level. Finally, extreme fiscal pressure continued to take its toll on **Government Employment**, which fell by 3.6 percent compared to last November, its fifth consecutive decline of 2 percent or more.



THE BOTTOM LINE

Rhode Island must find ways to hang on through the remainder of a difficult economic time. If my analysis is correct, the rate of decline in economic activity experienced a peak in the fourth quarter of 2008. So, while declining activity here will continue throughout most, if not all of 2009, rates of decline should be slower, making things a bit less chaotic, assuming no new "shoes" drop unexpectedly.

8	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	