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Rhode Island Current Conditions Index — October 2008

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CURRENT CONDITIONS Index

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Rhode Island began the fourth quarter in exactly the same way it has proceeded through 2008 — stuck in the recession lane. Rhode Island's economic performance this year, which unfortunately carried over to October, is range bound. The good news is that October's Current Conditions Index value wasn't 0. The bad news is that it was 8 again, as only one indicator, the **Manufacturing Wage**, improved.

Even though the value of the CCI remained stuck at 8 in October, it is important to keep in mind that not all CCI readings of 8 are the same. While the CCI's value is derived from the number of improving indicators in a given month, at times like this, it is the behavior of the *non-improving indicators* that is often the most telling. Of the eleven non-improving CCI indicators for October, seven actually did worse than in September. Six of October's eleven non-improving indicators failed to improve at double-digit rates. So, Rhode Island's economy is falling farther and faster than it has for some time. Looking ahead, the leading indicators contained in the CCI also paint a discouraging picture: none improved in either October or the last three months. So, fasten your seat belt, as things are getting worse here and further deterioration into next year is very likely. Based on the national economy, the best case scenario for us it to move from recession late in the second half of next year.

CCI Indicators - % Change

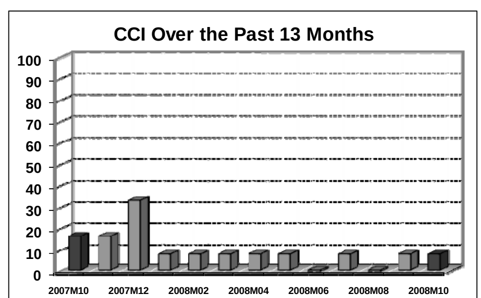
Government Employment	-3.7	
US Consumer Sentiment	-29.1	
Single-Unit Permits	-22.8	
Retail Sales	-2.9	
Employment Services Jobs	-19.2	
Priv. Serv-Prod Employment	-2.1	
Total Manufacturing Hours	-8.4	
Manufacturing Wage	0.5	**Y**
Labor Force	-1.2	
Benefit Exhaustions	42.2	
New Claims	10.1	
Unemployment Rate	82.4	

Y = Improved Value

Rhode Island's horrific economic performance continues to be noticed nationally. Our state's **Unemployment Rate**, 9.3 percent in October, was again the highest in the nation. The good news is that in October we tied Michigan for the "worst in nation" distinction. Our goods-producing sector continued to decline sharply in October, while the performance of our state's labor market was less than encouraging.

Extreme fiscal pressure continued to take its toll on **Government Employment**, which fell by 3.7 percent compared to last October, its fourth consecutive decline of 2 percent or more. **Retail Sales**, which had fallen by 0.3 percent last month, declined at a 2.9 percent rate in October, a bad omen for the holiday shopping season. Along with this, **US Consumer Sentiment** fell sharply, dropping by 29.1 percent versus last October. **Single-Unit Permits**, which reflects new home construction, declined at a smaller rate than September, 22.8 percent compared to last October. Ironically, this is one indicator where large declines are more helpful, as they would allow us to reduce the large stock of unsold homes here more rapidly. The only "good news" for the CCI, that our **Manufacturing Wage** rose again by 0.5 percent, was easily eclipsed by an 8.4 percent decline in **Total Manufacturing Hours**, the result of declines in both employment and the length of the workweek.

Our **Labor Force** fell again in October, by 1.2 percent. Payroll employment continued its long decline that began in January of 2007, causing **Private Service-Producing Employment** to fall by 2.1 percent again, as **Employment Service Jobs**, a leading labor market indicator, registered its ninth consecutive double-digit decline (a fall of 19.2%). Both **New Claims**, which measures layoffs, and **Benefit Exhaustions**, which reflects long-term unemployment, continue to show severe labor market stress.



THE BOTTOM LINE

As bad as October's economic performance was, things got even worse in November, as the deterioration in national and global economic activity accelerated. This, along with our state's need to balance a large budget deficit, promise to make the next six months noteworthy in terms of the pain and hardship we experience. Some day, when it is convenient for them, perhaps our leaders will actually meet to deal with this crisis.

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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		