Rhode Island Current Conditions Index — August 2007

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

Follow this and additional works at: https://digitalcommons.uri.edu/ricci
Part of the Econometrics Commons
Terms of Use
All rights reserved under copyright.

Recommended Citation
https://digitalcommons.uri.edu/ricci/63

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-group@uri.edu.
August was a difficult month for both the nation and Rhode Island. Fears of significant financial weakness permeated markets that were already feeling the effects of the recession in the housing sector. Nationally, overall economic activity that had been fairly good in July clearly deteriorated in August. That wasn’t the case here. For Rhode Island, July was a month of mediocre economic activity, as the Current Conditions Index value only reached 50, its neutral value. Not only did Rhode Island’s economic performance deteriorate in August, it fell significantly into its contracting range. The Current Conditions Index for August dropped all the way to 33, with only four of the twelve CCI indicators improving — its lowest value in over a year.

There is very few positive things that can be said about Rhode Island’s August performance. In some months, the existence of difficult “comps” lead me to conclude that things are stronger than they appear. Not this month! The most accurate description of Rhode Island’s overall economic performance in August is horrible. Weakness was generally spread across all of the sectors the Current Conditions Index tracks. What is more troubling, a number of non-improving indicators will likely retain that status for some time to come.

The best performers in August were Private Service Producing Employment and our manufacturing sector, which like most months, turned in a mixed performance. Even though our Unemployment Rate fell in August, that decline was accompanied by a falling Labor Force, which nullified the jobless improvement.

Private Service-Producing Employment sustained a two percent rate of annual growth, part of an acceleration from the second quarter. Total Manufacturing Hours fell by less than it has in a while (-1.1%), while the Manufacturing Wage grew by 3.8 percent from last August, approaching the $14 hourly level. But even with this diminished manufacturing weakness, Employment Service Jobs, which includes “temp” positions, a leading labor market indicator, fell by 0.8 percent for its first decline in a year. And the other leading labor market indicator included in the CCI, New Claims, rose again for the ninth time in the last ten months (even after adjusting for a recent change in Unemployment Insurance eligibility by senior citizens). Benefit Exhaustions, which reflects long-term unemployment, surged to a level 19.1 percent higher than its value last August. All of this bodes badly for our Unemployment Rate, currently at 5.1 percent, but rising of late. A declining Labor Force (-1.0%) in August made the jobless rate lower than it would have been with more favorable economic activity.

Single-Unit Permits, which reflects new home construction, dropped sharply in August (by 18.8 percent), continuing its recent roller coaster behavior. In light of the backlog of unsold homes, don’t much improvement from this indicator any time soon. Retail Sales, which is influenced by housing weakness, also fell significantly in August, by 3.6 percent, while US Consumer Sentiment rose by 2 percent. Finally, Government Employment fell again in August, by 0.5 percent.