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Rhode Island Current Conditions Index -- August 2015

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CURRENT CONDITIONS INDEX

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August arrived with a bang for Rhode Island. The Current Conditions Index for August surged all the way to 92, its highest value since December of 2012, as eleven of the twelve CCI indicators improved. As if that wasn't enough, August was the sixth month for which the CCI has matched or exceeded its year-earlier value, indicating that this recovery continues to become more broadly based. Clearly, Rhode Island's rate of growth is continuing to accelerate above last year's tepid 1.2 percent rate.

While Rhode Island has technically been in a recovery since early 2010, I would date the "real" recovery here as beginning in December of 2014, when both our labor force participation rate and employment rates finally began to rise *simultaneously*. So, in a rarity for this state, we are at long last witnessing a sustained period where Rhode Island's **Unemployment Rate** has been declining for the reasons we want it to, and not as the statistical byproduct of unemployed persons dropping out of the **Labor Force**. For Rhode Island, that's a big deal.

Before popping the champagne corks, we need to keep all of this in perspective. As of August, Rhode Island has still recovered less than three-fourths of the jobs it lost during the last recession. And while our labor force participation and employment rates are rising, both remain well below the levels they attained during the last recovery. As I noted last month, better late to "the party," than never.

Rhode Island's August economic performance was among the best we have seen here for quite some time. Eleven indicators improved overall, which included all five of the leading indicators contained in the Current Conditions Index. Admittedly, three of these had relatively easy comps from last August to beat, but the sustained improvement in a number of key indicators is the key factor that we should be focusing on.

CCI Indicators - % Change		
Government Employment	0.3	Y
US Consumer Sentiment	11.0	Y
Single-Unit Permits	21.0	Y
Retail Sales	3.5	Y
Employment Services Jobs	5.1	Y
Priv. Serv-Prod Employment	1.9	Y
Total Manufacturing Hours	0.9	Y
Manufacturing Wage	-4.2	
Labor Force	1.2	Y
Benefit Exhaustions	-8.7	Y
New Claims	-10.7	Y
Unemployment Rate (change)	-1.8	Y
Y = Improved Value		

The two leading indicators that failed to improve last month reversed course in strong fashion. New home construction, in terms of **Single-Unit Permits**, rose by 21 percent compared to last August, after a large drop last month. This remains the most volatile of the CCI indicators. **Total Manufacturing Hours**, a measure of manufacturing sector strength, rose by 0.9 percent in August after falling by over one percent in July, ending a string of four consecutive declines. The remaining leading indicators within the CCI improved again in August. **US Consumer Sentiment** rose once again at a double-digit rate (+11.0%) for the eleventh consecutive month. **Employment Service Jobs**, which includes temporary employment and is a prerequisite to employment growth, improved by 5.1 percent, slower than last month but still very healthy. Finally, **New Claims**, a leading labor market indicator that reflects layoffs, fell by 10.7 percent in August, sustaining its well-defined downtrend.

Retail Sales increased in August, but at a much slower rate than it had grown in recent months. While this indicator has now improved for fifteen consecutive months, its growth rate appears to be moderating. **Private Service-Producing Employment** rose by 1.9 percent in August, among its higher growth rates of late. **Government Employment** actually rose slightly in August (+0.3%), its second increase since last June. **Benefit Exhaustions**, which reflects longer-term unemployment, fell by 8.7 percent relative to last year. Its rate of improvement also appears to be slowing. For those into fiction, Rhode Island's **Manufacturing Wage** declined for the eighteenth consecutive time in August (-4.2%), which prevented the CCI from recording its highest possible value of 100. Rhode Island's **Labor Force** sustained its recent uptrend, rising by a hefty (for us) 1.2 percent. Finally, Rhode Island's **Unemployment Rate** declined to 5.6 percent in August. For only the fourth time in a while, our jobless decline was accompanied by large jumps in resident and payroll employment and a substantial decline in the number of unemployed.

DLT AUG Employment (SA,Y/Y)	
Gain	8,000
Loss	2,400
Net Chg	5,600

THE BOTTOM LINE

The third quarter is proving to be a very positive one for Rhode Island, as increasing economic momentum is moving us beyond last year's paltry rate of growth. Most importantly, as I have noted several times of late, *this has been occurring in spite of the fact that our state literally did nothing for several years, so we continue to benefit almost entirely on national and neighboring-state momentum*. Imagine how well we would be doing by now had our elected officials actually been leading all along. Fortunately, recent legislation will soon provide internally generated momentum. As is true for our economy, better late than never applies to government here as well.

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	67	67↑	58	58	58	50	67↓	67↓	75	67↑	58	67↓
2015	58	58	67	58	67	75	75	92				