Rhode Island Current Conditions Index – August 2004

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Rhode Island’s economic performance in August was disappointing, as the Current Conditions Index returned to its neutral value of 50. In fact, the average CCI value for the past three months is also 50, hardly a sign of economic momentum, reflecting how Rhode Island, like the nation, continues to be mired in the “soft patch” that began in June. Six of the CCI’s indicators showed improvement in August, with two turning in very strong performances. One troubling trend continued: the CCI failed to exceed its year-earlier value for the third consecutive month. Get used to it — it will be very difficult for Rhode Island to match the upsurge in economic activity it experienced at the end of 2003. More moderate growth (at best) is in our future.

Rhode Island’s payroll employment growth continues to hover around one percent on a year-over-year basis. Year to date, employment is 1.1 percent higher than it was up to this point in 2003. If history is any guide, Rhode Island typically experiences job growth at or near this value. This is ironic since our state’s Unemployment Rate has now matched or exceeded the national rate for the last five months, following by 3.2 percent. Consistent with weaker labor demand, long-term unemployment, as measured by the number of Benefit Exhustions, rose in August for the first time in five months.

Private Service-Producing Employment continued to experience moderate growth, as August’s growth rate of 1.0 percent was an improvement over the rates in the second quarter. As budget pressures mount, a macroeconomic effect, declining Government Employment, continued as well, falling for the second time in the last three months (-0.3%). Rhode Island’s manufacturing sector performance in August was weak, as the decline in Manufacturing Man-hours accelerated to a 0.6 percent rate, while Rhode Island’s Manufacturing Wage grew at its slowest rate in nine months, leaving our Manufacturing Wage at only $13.05.

Rhode Island’s housing sector gained momentum in August, fueled by lower interest rates. Single-Unit Permits surged by 14.2 percent, its sixth double-digit gain in the past eight months. Existing home sales were also very strong in August. Retail Sales grew by 4.8 percent in August, its third consecutive month with an accelerating growth rate. US Consumer Sentiment rose again, by 7.5 percent in August (compared to the same month last year), which no doubt has helped to fuel strength in retail sales and housing.

The “slippery” period I spoke of last month will continue, as a host of uncertainties remain. Some will be resolved, most notably the presidential election and Rhode Island’s political system progressing beyond the 17th Century. What Rhode Island needs most, however, is a viable “engine” of job growth.