2018

Rhode Island Current Conditions Index -- August 2018

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Thus far, the third quarter of 2018 hasn’t exactly been a sign of great strength for Rhode Island. Nor has the year 2018 overall for that matter. The Current Conditions Index registered a series of very strong values in 2017, as six of the twelve months last year had CCI values of 92 (eleven of twelve indicators improved). The lowest value for that entire year was 75, with three-quarters of the indicators improving. While we managed to hit a CCI value of 92 twice thus far this year, overall we have plateaued around last year’s lowest value of 75 throughout most of this year.

Why this disparity? During 2016, Rhode Island experienced two quarters with highly negative rates of growth based on real GDP. That had the effect of lowering the base for economic comparisons throughout 2017, making them fairly easy to beat, often by wide margins. Enter 2018, when the statistical “sugar high” we got from comparisons based on depressed 2016 values no longer exists. It’s back to reality once again. Comps are no longer that easily beat this year. As a result, the Current Conditions Index has only managed to exceed its year-earlier value twice August. Furthermore, looking at 2018 CCI values since their most recent peak in May, one trend clearly jumps out: Steadily decreasing CCI values. At this point, we have moved well beyond a period with one or two months of declining values. We can move beyond the “don’t put too much weight on a single month’s values” rule. As such, the progression of CCI values since August cannot be so easily dismissed. While the diminishing CCI values reflect that our cyclical economic momentum is slowing, we still continue to possess forward strength over the past two years, rose more slowly in August (+2.7%) based improvements in both employment and the length of the workweek. Single-Unit Permits, which reflect new home construction, fell very sharply (-49.1%), its seventh decline in the past ten months. Employment Service Jobs, a leading labor market indicator that includes temporary employment, managed to improve in August (+4.0%) after remaining unchanged last month. US Consumer Sentiment fell in August (-0.7%), following six consecutive improvements.

As has been true throughout 2018, the “left behind” indicators continued to improve, sustaining uptrends that began in January. The labor force participation rate, the percentage of our resident population in the labor force, remained at its highest level since March of 2016: 64.9 percent. The employment rate, the percentage of the resident population that is employed, attained its highest value since late 2008: 62.3 percent. While both remained well below their prior cyclical highs, (see table below), their August and 2018 performances overall are encouraging.

Retail Sales grew again (+3.0%), Government Employment remained unchanged from its level a year ago, Private Service-Producing Employment growth remained above one percent (+2.3%), Benefit Expenditures, the most timely measure of longer-term unemployment, fell sharply and the Unemployment Rate fell for the right reason (a rising Labor Force).

The August Current Conditions Index value fell to its lowest value thus far in 2018, 67, as only eight indicators improved relative to one year ago, the sixth time this year the CCI has failed to exceed its year-earlier value. Only two of the five leading indicators contained in the CCI improved this month, although all five had difficult comps from a year ago. New Claims rose again in August (+6.3%), further postponing its resumption of a downturn. Rhode Island’s goods-producing sector’s performance was again mixed. Total Manufacturing Hours, a proxy for manufacturing output, an important element of Rhode Island’s strength over the past two years, rose more slowly in August (+2.7%) based improvements in both employment and the length of the workweek. Single-Unit Permits, which reflect new home construction, fell very sharply (-49.1%), its seventh decline in the past ten months. Employment Service Jobs, a leading labor market indicator that includes temporary employment, managed to improve in August (+4.0%) after remaining unchanged last month. US Consumer Sentiment fell in August (-0.7%), following six consecutive improvements.

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