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Rhode Island Current Conditions Index -- September 2018

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CURRENT CONDITIONS INDEX

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The third quarter of 2018 has to be viewed as disappointing at best. That is not to imply that the year 2018 overall has been much better. After registering a series of apparently strong values in 2017, the Current Conditions Index thus far for 2018 has had only two very high values, 92 for both February and May, with lackluster economic performance for every other month. The lowest value of the CCI for all of last year was 75. Six of the nine months thus far in 2018 have either matched or fallen below that value. Worse yet, not only has the CCI has exceeded its year-earlier value only twice for all of 2018, CCI values have been sliding noticeably since May.

What we are witnessing is a repeat of what typically happens when Rhode Island moves from a very weak year such as 2016, a period for which economic growth is highly negative (based on real GDP) for one or more quarters. While this initially lowers the base for economic comparisons the following year, an end to the "sugar high" ultimately occurs quickly the next year. All of a sudden, comps aren't that easy to beat. Because of this, the Current Conditions Index begins to plateau at lower values, with an ever dwindling number of strongly improving indicators.

At this point, as we continue to move beyond a one or two month period of declining values, we can begin to disregard the "don't place too much weight on a single month's values" rule. Because of this and the fact that the national economy appears to be slowing, along with the economies of Europe and Asia, the progression of CCI values since May cannot be so easily dismissed. While Rhode Island's economy is continuing to grow (the CCI has remained above 50), our *rate* of growth appears to be slowing. The string of lower CCI values indicates that the foundation of this recovery has begun to stand on fewer "legs," as our negatives have been gaining relative to our positives, although the positives still dominate (for now at least).

CCI Indicators - % Change		
Government Employment	-0.7	
US Consumer Sentiment	5.0	Y
Single-Unit Permits	-23.3	
Retail Sales	3.5	Y
Employment Services Jobs	4.7	Y
Priv. Serv-Prod Employment	1.7	Y
Total Manufacturing Hours	3.6	Y
Manufacturing Wage	-0.8	
Labor Force	1.1	Y
Benefit Exhaustions	0.2	
New Claims	-15.0	Y
Unemployment Rate (change)	-0.6	Y
Y = Improved Value		

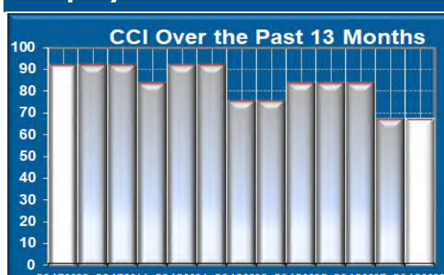
While it is still too early to make any pronouncements, it is becoming harder to dismiss the possibility that **FILO** might be in its early stages here, since Rhode Island's economy tends to peak anywhere from twelve to eighteen months before the national economy. We'll have to continue waiting and watching.

The September Current Conditions Index value tied for its lowest value thus far in 2018, 67, as only eight of its twelve indicators improved relative to a year ago. This marked the seventh time this year the CCI has failed to exceed its year-earlier value. The good news: Four of the five leading indicators contained in the CCI improved this month, and all had difficult comps a year ago. **New Claims**, the timeliest measure of layoffs, fell in September (-15%), only its third improvement in the last six months. Rhode Island's goods-producing sector's performance was once again mixed. **Total Manufacturing Hours**, a proxy for manufacturing output, an important part of Rhode Island's recent strength, rose at roughly August's rate (+3.6%) as both employment and the workweek rose, while the **Manufacturing Wage** fell (-0.8%). **Single-Unit Permits**, which reflect new home construction, fell very sharply again this month (-23.3%), its eighth decline in the past eleven months. **Employment Service Jobs**, a leading labor market indicator that includes temporary employment, improved for a second time in September (+4.7%) after remaining unchanged in July. **US Consumer Sentiment** rose in September (+5.0), resuming its uptrend.

The "left behind" indicators failed to improve in September, although their uptrends that began in January remain. The labor force participation rate, the percentage of our resident population in the labor force, remained unchanged at 64.9 percent (its highest level since March of 2016). The employment rate, the percentage of the resident population that is employed, sustained its highest value since *late 2008: 62.3 percent*. Both remain well below their prior cyclical highs (see table below), however.

Retail Sales grew again (+3.5%), **Government Employment** fell from its level a year ago (-0.7%), **Private Service-Producing Employment** growth slid, but still remained above one percent (+1.7%), **Benefit Exhaustions**, the most timely measure of longer-term unemployment, atypically *rose*, albeit slightly, and the **Unemployment Rate** once again fell for the right reason (a rising **Labor Force**) in September.

LABOR FORCE:	Sep 2018	Peak (1/2007)
Participation Rate	64.9%	68.6%
Employment Rate	62.3%	65.4%



DLT Sep 2018 Employment (SA,Y/Y)	
Gain	8,700
Loss	1,700
Net Chg	7,000

67

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	75↑	83↑	92↑	75↑	83↑	92↑	75↑	92↑	92↑	92↑	92↑	83↑
2018	75	92	75	75↑	92	83	75↑	67	67			