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Rhode Island Current Conditions Index -- August 2019

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CURRENT CONDITIONS INDEX

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After a two-month uptick in the pace of economic activity, Rhode Island's economy slowed a bit in August. What is notable is that several of economic indicators that recently moved past their prior lulls managed to sustain their newly found momentum while others, like **Retail Sales**, continued to perform extremely well.

While our negatives gained a bit on our positives this month, causing the Current Conditions Index to fall from its July value of 83 down to 67, actual indicator performances were not as weak as focusing merely on the CCI's value might suggest. In August, eight of the twelve indicators contained in the CCI improved, with several strong and encouraging performances. The indicators that failed to improve, however, displayed substantial weakness. Not only did the CCI fail to exceed its year-earlier value, after doing so in July for the first time since May of 2018, only two of the five leading indicators contained in the CCI improved.

So, at this point, Rhode Island's economy might well find itself at an inflection point. Will we sustain the uptick in momentum of the last three months or will we revert back to diminished momentum of the past several years? The answer for Rhode Island lies almost entirely with how well the national and Massachusetts economies perform in the upcoming months. Sadly, Rhode Island's continuing failure to meaningfully reinvent itself as a post-manufacturing economy (since late 1987), aside from the highly publicized deals that often don't materialize, has left our economy largely "adrift" in the current economic environment, hoping for a substantial uptick in economic activity while remaining saddled with the reality of having to deal with the consequences of **FILO** should the national economy slow further. Taken together, all of this is a sad illustration of an ongoing series of self-inflicted wounds. Does our state's economy remain in second gear, or will we downshift back to first gear? Stay tuned, and remain focused on how well the US and Massachusetts economies fare.

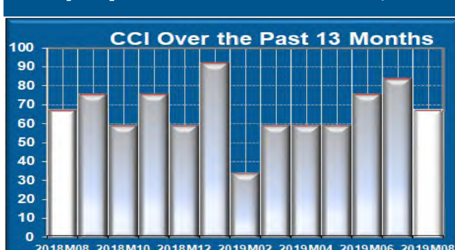
CCI Indicators - % Change		
Government Employment	1.5	Y
US Consumer Sentiment	-4.4	
Single-Unit Permits	-9.0	
Retail Sales	8.3	Y
Employment Services Jobs	3.5	Y
Priv. Serv-Prod Employment	2.4	Y
Total Manufacturing Hours	-10.4	
Manufacturing Wage	2.4	Y
Labor Force	-0.2	
Benefit Exhaustions	-2.0	Y
New Claims	-19.0	Y
Unemployment Rate (change)	-0.3	Y
Y = Improved Value		

There were several notable positives in August. Both the monthly employment and labor force participation rates improved again, although both our **Labor Force** and Resident Employment remain below their values at the end of 2018. Our state's **Labor Force** improved again on a monthly (but not yearly) basis for the second time since January, but its yearly performance trend remains troubling (i.e., a "train wreck"). In terms of unemployment, long-term unemployment, as reflected by **Benefit Exhaustions**, improved for a second time in August after rising for five of the last eight months. **New Claims** for Unemployment Insurance, the most timely measure of layoffs, fell for the fourth consecutive month, raising the possibility that layoffs may resume their longer-term downtrend. As stated earlier, **Retail Sales**, which has been our "star" indicator for quite some time now, improved again in August, with a growth rate that remained just below double digits (+8.3%). **Employment Service Jobs**, a leading indicator that includes temps, increased again in August (+3.5%), its fifth consecutive increase. Yet another bright spot was the growth in **Private Service-Producing Employment**, which increased for a fifth consecutive month (+2.4%). Finally, **Government Employment** increased again in August, the eleventh time in the last twelve months, remaining well over 61,000.

My greatest concern continues to be the performance of our goods-producing sector, the most highly cyclical element of our economy which also has large multipliers. While the **Manufacturing Wage** rose (+2.4%), **Total Manufacturing Hours**, a proxy for manufacturing output, fell at a double-digit rate (-10.4%), its eleventh consecutive decline, as both employment and the workweek contracted again this month. Particularly disturbing is the fact that the manufacturing workweek has now fallen on a yearly basis for all but one month since last October. **Single-Unit Permits**, a measure of new home construction, which fell by 9 percent after rising for three of the prior four months, remains in a clear downtrend. **US Consumer Sentiment** failed to improve this month, which could impact **Single-Unit Permits** and **Retail Sales** in the future.

Last, and least, our artificially low **Unemployment Rate** rose in August to 3.6 percent, even with a smaller **Labor Force**!

LABOR FORCE:	Aug 2019	Peak (1/2007)
Participation Rate	↑ 64.2%	68.6%
Employment Rate	↑ 61.9%	65.4%



DLT Aug 2019 Employment (SA,Y/Y)

Gain	10,600
Loss	3,200
Net Chg	7,400

67	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	75	100↑	83↑	83↑	100↑	92↑	75	67↓	75↑	58↑	83↑	58↑
2019	75	33↓	58↑	58	58	75	83	67				