

# CURRENT CONDITIONS INDEX

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August will turn out to be the most significant month thus far in 2014 for two reasons. First, in August, Rhode Island was able to sustain the improved momentum we witnessed in July, as the Current Conditions Index matched its July value of 75, which had been its highest thus far in 2014. *Second, and most importantly, August brought with it the one "signal" we were sorely in need of this year: after a string of twelve consecutive months where the CCI had failed to beat its year-earlier values, at long last, the CCI for August of this year exceeded its value from last August.* So, the major negative related to consecutive disappointments in our state's economic performance relative to a year ago has ended at twelve. The implication of both of these factors is critical: we appear to have transitioned from a period where the current recovery was becoming less broadly based into one where economic momentum is increasing. That, as the saying goes, is a big deal!

Along with this good news it is important to keep in mind the central role that our goods-producing sector has played: both housing and manufacturing have continued to move well beyond their cyclical troughs, helping us to sustain our fluctuating cyclical momentum. *So, as Rhode Island moves farther into the second half of 2014, our state's economic performance might not have decoupled from the accelerating national economy after all. Stay tuned!*

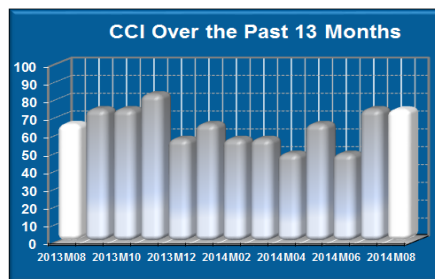
fell slightly. As has been true for some time now, the **Manufacturing Wage** declined, for a sixth consecutive time in August, by a difficult to believe 4.6 percent.

**New Claims**, which is a leading labor market indicator, fell at a double-digit rate (-20.5%) for the second consecutive month, raising the likelihood that this indicator will resume a downward trend. **Employment Service Jobs**, which includes temporary employment, and is a prerequisite to employment growth, rose for the second time since last November (+2.2%), growing at almost twice the July rate. Finally, **US Consumer Sentiment** rose in August (+0.2%), ending a string of three consecutive declines.

**Retail Sales** remained strong in August, increasing by 3.7 percent compared to a year ago. This indicator has now improved for ten of the last twelve months. **Private Service-Producing Employment** rose by 1.8 percent in August, sustaining a rate of growth among its highest in the past year. As has been the case for quite some time, **Government Employment** failed to improve once again. But, instead of declining, as it has for a while, it remained unchanged in August. Its recent performance strongly points to it bottoming at 60,000. **Benefit Exhaustions**, which reflects longer-term unemployment, fell 12.7 percent relative to a year ago. August was the fourth double-digit improvement for this indicator in the last five months.

Finally, Rhode Island's **Labor Force** rose by 0.4 percent versus a year ago in August, its third consecutive increase, although it declined relative to July. Along with this, our state's **Unemployment Rate** remained at 7.7 percent, sustaining its well-above-average national and regional level.

CCI Indicators - % Change	
Government Employment	0.0
US Consumer Sentiment	0.2 Y
Single-Unit Permits	-8.6
Retail Sales	3.7 Y
Employment Services Jobs	2.2 Y
Priv. Serv-Prod Employment	1.8 Y
Total Manufacturing Hours	1.1 Y
Manufacturing Wage	-4.6
Labor Force	0.4 Y
Benefit Exhaustions	-12.7 Y
New Claims	-20.5 Y
Unemployment Rate (change)	-1.9 Y
Y = Improved Value	



DLT AUG Employment (SA,Y/Y)	
Gain	6,900
Loss	1,200
Net Chg	5,700

In August, four of the five leading indicators contained within the Current Conditions Index improved. The one leading indicator that failed to improve, **Single-Unit Permits**, which reflects new home construction, had previously turned in a string of strong performances. This volatile indicator declined by 8.6 percent in August relative to its value last year.

**Total Manufacturing Hours**, which measures strength in our manufacturing sector, rose once again in August (+1.1%), but August growth was substantially slower than it was in July, as manufacturing employment rose but the length of the workweek

## THE BOTTOM LINE

August's economic performance may well mark a turning point for this recovery: not only did the Current Conditions Index match its prior high thus far for 2014, we also witnessed an end to the twelve-month consecutive string where the CCI had failed to improve on its year-earlier values. So, *if the strength displayed in July and August is sustained*, Rhode Island's recovery will have become more broadly based, think of it as shifting into a higher gear, one that *could* allow Rhode Island to further close the gap between its performance and that of the overall US economy.

75		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2013	75	67	83	83↑	75↓	83↑	83	67	75↑	75	83↑	58↓
	2014	67↓	58	58	50↓	67	50	75	75				