

Current Conditions Index

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Monthly Highlights

Rhode Island's ended the third quarter on somewhat of a down note as the Current Conditions Index remained at its neutral value of 50 once again, its mean for the past four months. It is safe to say that *on average* Rhode Island is pretty much "dead in the water" at present. The good news, though, is that the performance of individual indicators in September was highly variable — several performed extremely well while almost an equal number were disappointing. Unlike the nation, however, Rhode Island continues to be mired in the June "soft patch," which has led to the continuation of a disturbing recent trend: the CCI has now failed to exceed its year-earlier value for four consecutive months. Realistically, don't expect this to change any time soon.

The stellar performers in September, which have been among the better performing indicators for some time, were **Retail Sales**, which rose by 7 percent compared to last September, and **US Consumer Sentiment**, rising by 7.7 percent. Clearly, the momentum provided by both of these indicators continues to rise, as reflected by their accelerating rates of growth. The other indicators that turned in excellent performances in September were both labor market indicators. **New Claims** for Unemployment Insurance, the most timely indicator of layoffs, fell by 13.4 percent, its best performance since April. **Benefit**

Manufacturing Wage improved again on a year-over-year basis, but its rate of growth slowed, returning it to a value below \$13 (on a seasonally adjusted basis). **Private Service-Producing Employment** continued to grow at around one percent, sharply lower than its rate of growth one year ago, and ongoing budget pressures have caused **Government Employment** to stall, as this indicator has risen only once in the past four months. New home construction continued to be highly volatile. **Single-Unit Permits** dropped by 17.7 percent in September, falling from a 2,500 annual-units level only one year ago to around a 2,050 level this September.

The strangest performance for September was for the **Unemployment Rate**. Compared to a year ago, it rose slightly, to 5 percent, but relative to August, it posted a dramatic decline. View this as one of those "blips" that occurs from time to time in this indicator. Expect September's monthly value to be revised up to around 5.3 percent when October's labor market data are released. The most troubling indicator continues to be the **Labor Force**, which is declining at an accelerating rate. This indicator has now fallen on a year-over-year basis for the past nine months, which is likely to be part of the explanation for recent the dramatic improvements in **Benefit Exhaustions**. To fully appreciate recent changes to the **Labor Force**, consider that only one year ago, Rhode Island's **Labor Force** was *growing at a 2.9 percent rate*, versus its September 2004 change of *minus 1.1 percent* — a four percentage point turnaround!

Let's hope that *on average*, Rhode Island's economy begins to improve very soon. Ironically, one of the most visible indications of this would be *increases* in both the **Labor Force** and the **Unemployment Rate**.

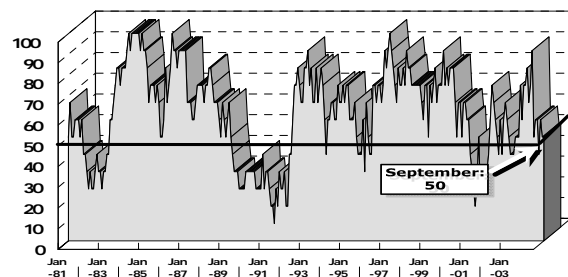
CCI Indicators - % Change

Government Employment	0.0
US Consumer Sentiment	7.7 Y
Single-Unit Permits	-17.7
Retail Sales	7.0 Y
Help Wanted Advertising	-6.7
Priv. Serv-Prod Employment	1.0 Y
Man-Hours Manufacturing	-0.8
Manufacturing Wage	0.9 Y
Labor Force	-1.1
Benefit Exhaustions	-28.3 Y
New Claims	-13.4 Y
Unemployment Rate	2.0

Y = Improved Value

Exhaustions, a measure of long-term unemployment, declined by 28.3 percent. The improvement in these indicators was a bit surprising in light of the fact that labor demand, as measured by **Help Wanted Advertising**, fell again in September (-6.7%) — it has only improved once in the last seven months. Along with this, weakness in manufacturing continued as **Manufacturing Man-hours** declined by 0.8 percent compared to last September, while the

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2003

2004

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	42	42	42	50	50	50	75	58	75	75	83	67
2004	75	92	50	58	58	42	58	50	50			