CURRENT CONDITIONS INDEX

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Overall, the third quarter was a good but not great one for Rhode Island's economy. As we moved beyond the flat "comp" period from 2016, there were definite elements of sustained momentum, as a number of indicators were able to improve relative to not-as-easy-to-beat numbers from the prior year. Things did get a bit dicey, however, as the third quarter came to a close, as several signs that our state's momentum might be slipping emerged.

The most notable manifestation of this occurs in the two consecutive monthly declines in payroll employment. From July to August, payroll employment decreased by 900 jobs, while for the August to September period, this number quadrupled to a decline of 3,700 jobs. Maybe, just maybe, these decreases are spurious, and we will ultimately see them eliminated when the new labor market data revisions are released in February. Trust me when I say this would not be the first time this type of thing has occurred. Let's hope so. But since Rhode Island's elected officials have done so painfully little over the years to make our state's economy more self-reliant, we remain hopelessly tied to the fortunes of national and Massachusetts growth rates. All it will take is for them to experience slower rates of growth before cataclysms are felt here. Remember, Rhode Island is **FILO**- First Into national weakness, and Last Out.

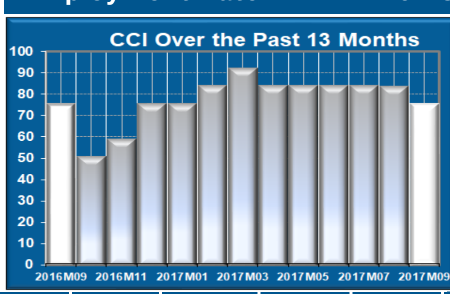
Related to all of this are three other statistics. First, our state's employment rate, the percentage of the working-age population that is employed, has now fallen for the past two months. This is not exactly a healthy sign. Second, Rhode Island's labor force participation rate, the percentage of working age Rhode Islanders who are in our labor force, has also been declining of late, which of course, casts even more doubt on the meaningfulness of the monthly declines in our **Unemployment Rate**. Both of these measures remain well below where they once were (see the two columns of data above the CCI graph on the right). Finally, **Employment Service Jobs**, an indicator that includes temporary employment and is a leading indicator of future employment, failed to improve yet again in September. It has now improved only once (July) since March of 2016. This too is not an encouraging sign, especially concerning future payroll employment growth prospects. Put all of this together and what you get is a September Current Conditions Index value that fell slightly to 75, as nine of its twelve indicators improved. But for the first time this year, the CCI failed to beat its year-earlier. Our "win" streak thus ended at eight.

CCI Indicators - % Change		
Government Employment	-0.3	
US Consumer Sentiment	4.2	Y
Single-Unit Permits	11.4	Y
Retail Sales	7.4	Y
Employment Services Jobs	-1.9	
Priv. Serv-Prod Employment	0.3	Y
Total Manufacturing Hours	2.8	Y
Manufacturing Wage	3.2	Y
Labor Force	0.5	Y
Benefit Exhaustions	-6.8	Y
New Claims	4.9	
Unemployment Rate (change)	-1.1	Y
Y = Improved Value		

In assessing September's performance, only three of the five leading indicators contained in the CCI improved, in spite of relatively easy "comps" for most of them a year ago. As stated earlier, **Employment Service Jobs** failed to improve again this month. **New Claims**, the timeliest measure of layoffs, *rose* in September by 4.9 percent, even with an easy comp from a year ago, ending a string of eight improvements in the prior ten months. Fortunately, both of the goods-producing leading indicators contained in the CCI improved again significantly. **Single-Unit Permits**, which reflects new home construction, rose at a double-digit rate, 11.4 percent, thanks in part to an easy comp last September. **Total Manufacturing Hours**, a proxy for manufacturing output, the other goods-producing indicator, rose by a 2.8 percent (also a very easy comp). Finally, **US Consumer Sentiment** improved in September (+4.2), its eleventh-consecutive increase. Sustaining momentum in our state's goods-producing sector will be critical to sustaining our forward progress as we move through the remainder of 2017.

Government Employment fell slightly from a year ago (-0.3%), although its level continues to remain above the 60,000 level. **Private Service-Producing Employment** growth fell noticeably in September (+0.3%), continuing its deceleration over this entire quarter. **Retail Sales** rose by a healthy 7.4 percent, its second consecutive increase after either being flat or falling the prior two months. **Benefit Exhaustions**, which reflects longer-term unemployment, fell by 6.8 percent in September, as its long-term downtrend remains intact. Finally, our **Labor Force** trend, Rhode Island's ***train wreck***, improved again in September, albeit marginally - seven in a row now, although there has been slippage on a monthly basis. Related to this, our **Unemployment Rate** fell (relative to a year ago) for the right reasons, while the same is *not* necessarily true on a monthly basis.

LABOR FORCE:	Sep 2017	Peak (1/2007)
Participation Rate	64.5%	68.6%
Employment Rate	61.8%	65.4%



DLT SEP Employment (SA,Y/Y)	
Gain	8,000
Loss	3,500
Net Chg	4,500

75

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	50↓	58↓	58↑	33↓	50	42	58↓	50↓	75	50↓	58↓	75↓
2017	75	83	92	83	83	83	83	83	75			