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Rhode Island Current Conditions Index – July 2010

Leonard Lardaro

University of Rhode Island, lardaro@uri.edu

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CURRENT CONDITIONS Index

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Leonard Lardaro URI

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Rhode Island's economic performance in July was highly significant. For the second consecutive month, the Current Conditions Index registered a value in the expansion range (an above-50 value), as seven of twelve indicators improved. To put this into perspective, the last time the CCI registered two consecutive expansion values was *at the end of 2006*. Clearly, Rhode Island's economic performance has come a very long way from the depths it experienced in 2008. At long last, we are beginning to see "the light at the end of the recession tunnel." When the CCI moves consistently above 50, we will finally be in a recovery. While this might have already begun, the recent slowdown in the national economy remains as a potential dark cloud for our future momentum.

As has been true for several months now, July's economic data paint a somewhat mixed picture, in spite of several relatively easy "comps" from a year ago. On a monthly basis, nine of the twelve CCI indicators either improved or were close to improving, while the July CCI easily beat its value one year ago (of 17). **Retail Sales** has continued to sustain its recent

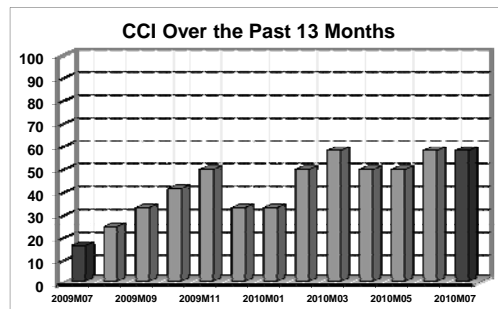
CCI Indicators - % Change	
Government Employment	-0.5
US Consumer Sentiment	3.2 Y
Single-Unit Permits	-4.5
Retail Sales	2.1 Y
Employment Services Jobs	-9.9
Priv. Serv-Prod Employment	-0.7
Total Manufacturing Hours	2.3 Y
Manufacturing Wage	1.5 Y
Labor Force	1.3 Y
Benefit Exhaustions	-34.0 Y
New Claims	-28.0 Y
Unemployment Rate (change)	0.5

Y = Improved Value

momentum, rising for the sixth consecutive month (by 2.1%), fueled by improving **US Consumer Sentiment** (+3.2%), which registered its sixteenth consecutive year-over-year improvement. Our state's manufacturing rebound also continued in July. For the first time since December of 2006, **Total Manufacturing Hours** rose (+2.3%), powered by an amazing *two-hour increase in the length of the workweek* (talk about easy "comps"!). Along with this, **Manufacturing Wage** growth remained solid, although slower than recent levels, rising by another 1.5 percent in July. Our state's **Labor Force** rose again, increasing by 1.3 percent compared to a year ago. While our **Unemployment Rate** fell slightly to 11.9 percent from June's value, this was at least partially attributable to a

monthly decline in our **Labor Force**. One year ago, our **Unemployment Rate** stood at "only" 11.4 percent. **Benefit Exhaustions**, which reflects long-term unemployment, fell sharply again, dropping by 34 percent in July, its fifth consecutive improvement. I continue to wonder whether Rhode Island is running out of persons with regular benefit entitlement. **New Claims**, a leading indicator that measures layoffs, fell by 28 percent versus last July, following three consecutive increases. *If* the recent uptrend in this indicator has now ended, this would signal an end to the recent uptick in layoffs, adding momentum for an end to this recession and the beginning of a recovery. While **Employment Service Jobs**, another leading labor market indicator, fell by 9.9 percent in July, on a monthly basis, this indicator appears to have plateaued since February, more potentially good news.

Private Service-Producing Employment fell again, but by its smallest rate of decline since February of 2008 (0.7%). **Single-Unit Permits** continued its roller coaster behavior, dropping 4.5 percent compared to a year ago. In spite of declining mortgage rates, it is not clear whether building momentum will return in the coming months, based on debt and slowing national economic activity. Finally, **Government Employment** fell in July, by 0.5 percent, fueled largely by a decrease in local non-education employment and some added declines in the number of Census-related jobs.



THE BOTTOM LINE

At this point, I can no longer rule out the possibility that Rhode Island is in the earliest stages of a recovery, based on expanding range readings over the most recent two months and three of the last five months. I am not yet comfortable ruling in the existence of a recovery either, as a few more months of data are needed in light of the slowing national economy.

58	2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		17	8	0	8	17	33	17	42	33	42	50	33
	2010	33	50	58	50	50	58	58					