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Rhode Island Current Conditions Index – September 2010

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CURRENT CONDITIONS Index

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Rhode Island's recovery continued in September, its fourth month. While the value of the Current Conditions Index remained at 58 this month, the list of indicators that improved changed somewhat. While **Retail Sales** and **US Consumer Sentiment** have both shown improvement for quite some time now, fundamental to helping the CCI to form its base in the expanding range, both failed to improve in September. The fact that the CCI was able to remain in the expanding range in spite of both indicators failing to improve is a very positive sign for Rhode Island. Declines like this are not uncommon for indicators that have improved consecutively for many months. This most likely reflects a "pause" for both indicators, as their uptrends remain intact at this point. Improving economic momentum at the national level should benefit both of these in the coming months.

September's economic data were more positive than the CCI's value of 58 would appear to indicate. On a monthly basis, eleven of the twelve CCI indicators either improved or were close to improving. Once again, strength in our state's manufacturing sector led the way, as its rebound continued. **Total Manufacturing Hours** rose again (+0.9%), powered by

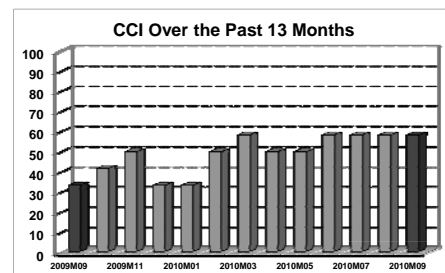
| CCI Indicators - % Change | |
|----------------------------|---------|
| Government Employment | -0.2 |
| US Consumer Sentiment | -7.5 |
| Single-Unit Permits | 16.0 Y |
| Retail Sales | -2.7 |
| Employment Services Jobs | -11.6 |
| Priv. Serv-Prod Employment | -1.2 |
| Total Manufacturing Hours | 0.9 Y |
| Manufacturing Wage | 4.2 Y |
| Labor Force | 0.2 Y |
| Benefit Exhaustions | -31.2 Y |
| New Claims | -2.4 Y |
| Unemployment Rate (change) | -0.5 Y |

Y = Improved Value

yet another sharp increase in the length of the workweek. This indicator has now improved for the last three months, something Rhode Island hasn't seen since the year 2000. Along with this improvement in **Total Manufacturing Hours**, the **Manufacturing Wage** rose gain by a greater than 4 percent rate (+4.2%). The other part of our goods producing sector (Mining doesn't matter here), **Single-Unit Permits**, which reflects new home construction, continued its recent roller coaster behavior, rising by 16 percent compared to last September. As noted earlier, **Retail Sales** failed to improve in

September, declining by 2.7 percent compared to a year ago, its first decline in the last eight months. Along with this, **US Consumer Sentiment** fell (-7.5%), breaking a string of seventeen consecutive improvements.

Our state's **Labor Force** rose again, increasing by 0.2 percent compared to a year ago. While our **Unemployment Rate** fell to 11.5 percent from August's value of 11.8, this was once again at least partially the result of monthly declines in our **Labor Force**. **Benefit Exhaustions**, which reflects long-term unemployment, fell sharply again, dropping by 31.2 percent in September, its seventh consecutive improvement. **New Claims**, a leading indicator that measures layoffs, fell by 2.4 percent versus last September, further erasing the effects of recent consecutive increases. While **Employment Service Jobs**, another leading labor market indicator, fell by 11.6 percent compared to a year ago, on a monthly basis, this indicator appears to have plateaued since June. Stabilization in this indicator will be critical to sustaining Rhode Island's newly found recovery momentum. **Private Service-Producing Employment** fell again (-1.2%), with its rate of decline accelerating slightly in September. Finally, **Government Employment** declined in September, by 0.2 percent, fueled largely by a decrease in local non-education employment. While visual examination of the data for this indicator seems to show a leveling off, Rhode Island's persistent deficit woes coupled with the likely absence of any future help from the federal government should cause its eventual deterioration.



THE BOTTOM LINE

September was month four for Rhode Island's current recovery. While CCI readings remained at 58, barely into the expansion range, the fact that this value was sustained in spite of declines in two indicators that had led the way into recovery is encouraging, as is recent national economic momentum. At this point, let's hope that this momentum can be sustained, especially as the next fiscal year approaches.

| 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 | 58 | 58 | | | | |