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Rhode Island Current Conditions Index — July 2009

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CURRENT CONDITIONS Index

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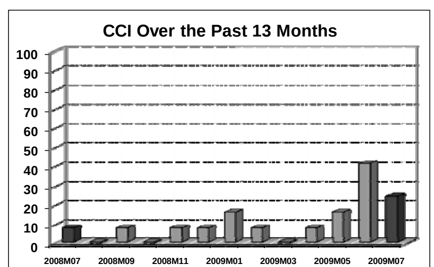
Rhode Island's economic momentum, which picked up noticeably in May, was sustained in July. Evidence provided by the Current Conditions Index points to Rhode Island having at long last broken out of the rut it was stuck in for most of the past two years, when values were either 0 (if no indicator improved) or 8 (when a single indicator showed improvement). The CCI for July was 25, as three indicators improved. While this is a decline from June's value of 42, July marked the third consecutive month for which the CCI beat its year-earlier value. And, looking at month-to-month improvements that eventually lay the foundation for yearly improvement, seven indicators either improved or changed very little. Clearly, the "Great Recession" is moderating here, as Rhode Island continues along in the *process of recovery*, as its economy declines at slower rates.

In spite of this good news, an all-too-familiar pattern continued: CCI indicators that failed to improve relative to last July did so with very discouraging performances, in spite of the fact that a number of them had fairly easy "comps." As I noted last month, expect to see greater numbers of indicators improving each month, as the "comps" from a year ago are becoming far easier to beat and Rhode Island will benefit from the increased momentum of the US economy.

CCI Indicators - % Change		
Government Employment	-3.6	
US Consumer Sentiment	8.0	Y
Single-Unit Permits	-31.3	
Retail Sales	-1.4	
Employment Services Jobs	-16.8	
Priv. Serv-Prod Employment	-2.4	
Total Manufacturing Hours	-13.3	
Manufacturing Wage	4.3	Y
Labor Force	1.0	Y
Benefit Exhaustions	106.3	
New Claims	32.1	
Unemployment Rate	60.8	
Y = Improved Value		

Focusing first on the improving indicators for July, **US Consumer Sentiment**, our "star" performer of late, rose by 8 percent, its fourth consecutive improvement on a year-over-year basis. Growth in the **Manufacturing Wage** accelerated in July, as it rose by 4.3 percent compared to a year ago, surging by almost half a dollar compared to June. Our state's **Labor Force** rose by 1.0 percent in July, only its second improvement since June of 2007. These increases in our **Labor Force** over the past two months appear to indicate that some unemployed persons who had given up looking for work have resumed job search, which has put upward pressure on our state's **Unemployment Rate**. As probably everyone reading this report knows, our state's **Unemployment Rate** rose to 12.7 percent in July, once again ranking second nationally.

Labor market indicators turned in mixed performances. **New Claims**, which tracks layoffs, rose in July by 32.1 percent (we want these to fall). For the first time in four months, this indicator failed to improve on a monthly basis. Hopefully this doesn't point to a new round of layoffs, but only time will tell. Job prospects moving forward based on **Employment Service Jobs** remained discouraging, as these fell by 16.8 percent compared to a year ago. They have, however, clearly stabilized on a monthly basis. **Total Manufacturing Hours** registered yet another sharp decline, falling by 13.3 percent compared to a year ago as both employment and the workweek fell. This is a divergence from the national trend of possible manufacturing -sector bottoming. **Private Service-Producing Employment** fell by another 2.4 percent, while rising compared to June. **Government Employment** declined by another 3.6 percent in July, as ongoing budget woes continued. Not surprisingly, **Benefit Exhaustions**, which reflects long-term unemployment, *more than doubled* again in July. Finally, **Single-Unit Permits** fell by 31.3 percent compared to a year ago, as new home construction remains virtually non-existent.



THE BOTTOM LINE

The "Great Recession" is moderating here in Rhode Island. Monthly indicator improvement continues to lay the foundation for eventual yearly improvements and sustained CCI values above 50 sometime next year. This is welcome news but somewhat bittersweet, as a substantial body of evidence suggests that the *national* recession may well have ended in July.

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	8	8	8	8	8	0	8	0	8	0	8	8
2009	17	8	0	8	17	42	25					