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Rhode Island Current Conditions Index — August 2009

Leonard Lardaro
University of Rhode Island, lardaro@uri.edu

CURRENT CONDITIONS Index

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Leonard Lardaro URI

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Rhode Island's economy has shown substantial improvement over the past four months, as we have now moved beyond the inescapable downdrafts of rapid national and global economic deterioration during this "Great Recession" to what should be viewed as more "typical" recession performance. The Current Conditions Index for August rose to 42, as five of its twelve indicators improved. While some of this can be attributed to weak "comps" from a year ago, which is what typically occurs as economies move out of recessions, it is clear that Rhode Island's economy is now moving in the right direction, which should set the stage for a recovery next year.

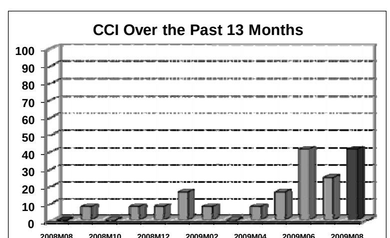
For the fourth consecutive month, the CCI beat its year-earlier value, a feat we haven't seen for a few years. And, gauging month-to-month improvement in CCI indicators, nine either improved relative to their July values or were little changed. That was the highest such number since our state's economic "pulse" returned. Even what is viewed as our worst statistic, a very high **Unemployment Rate**, can be partly explained as being the result of a rapidly rising **Labor Force**, as many jobless persons have reinitiated job search, resulting in their inclusion in the monthly rate. In fact, *our state's **Labor Force** has now returned to slightly below its peak during the last recovery!* This has apparently provided a great deal of the fuel for our moving from a 10 percent to nearly 13 percent jobless rate, especially since layoffs, in terms of **New Claims**, have settled in at levels far below their worst in this recession.

CCI Indicators - % Change		
Government Employment	-3.5	
US Consumer Sentiment	4.2	Y
Single-Unit Permits	1.0	Y
Retail Sales	-7.5	
Employment Services Jobs	-14.0	
Priv. Serv-Prod Employment	-2.3	
Total Manufacturing Hours	-11.9	
Manufacturing Wage	0.3	Y
Labor Force	1.3	Y
Benefit Exhaustions	95.8	
New Claims	-3.1	Y
Unemployment Rate	54.2	

Y = Improved Value

Focusing on the improving indicators for August, **US Consumer Sentiment**, our "star" performer of late, rose by 4.2 percent, its fifth consecutive year-over-year improvement. As noted earlier, our **Labor Force** continued its recent growth, rising by 1.3 percent compared to a year ago. Over several of the past months, the **Labor Force** has grown at annualized rates in excess of 6 percent. Growth in the **Manufacturing Wage** decelerated in August, rising by only 0.3 percent compared to a year ago. **Single-Unit Permits** increased by 1 percent in August, largely the result of very easy "comps," as new home construction here remains virtually non-existent. Finally, **New Claims**, which reflect layoffs, improved, falling by 3.1 percent.

While there are a number of positive things to focus on in this month's report, we shouldn't lose sight of the fact that many of the CCI indicators that failed to improve relative to last August did so with very discouraging performances. **Retail Sales** fell by 7.5 percent in August. This indicator has now declined every month in 2009. Job prospects moving forward based on **Employment Service Jobs** remained discouraging, as these dropped 14 percent compared to a year ago. They appear, however, to have stabilized on a monthly basis. **Total Manufacturing Hours** registered yet another sharp decline, falling by 11.9 percent in August as both employment and the workweek declined. This continues a divergence from the national trend of possible manufacturing-sector bottoming. **Private Service-Producing Employment** fell by another 2.3 percent but remained almost unchanged from July. **Government Employment**, driven largely by budget woes, declined by 3.5 percent in August, matching its most rapid rate of decline. **Benefit Exhaustions**, which reflects long-term unemployment, almost *doubled* once again in August. Finally, our **Unemployment Rate** rose to 12.8 percent in August but slipped to third nationally (behind Michigan and Nevada).



THE BOTTOM LINE

Our state's economy has regained its pulse. While there is no danger of our state's economic pulse rate racing uncontrollably in coming months, the risk of dramatic slowing persists, especially since our state's large and persistent budget deficits will restrain our growing momentum. And, as the national recovery takes hold, out migration and a declining population will resume unless we fix our state's non-competitiveness.

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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	42				