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Rhode Island Current Conditions Index — May 2008

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CURRENT CONDITIONS Index

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Also available online: <http://members.cox.net/lardaro/current.htm>

Last month, I highlighted the possibility that month-to-month improvements in several indicators, if sustained, *could* signal the very early stages of a possible turnaround for Rhode Island's economy. Unfortunately, May's data put an abrupt end to that possibility. The Current Conditions Index for May reverted back to the value it has been stuck at for almost all of 2008: 8. Yet again, only one indicator, the **Manufacturing Wage**, improved, and even its performance is moderating.

Labor market data for May were, to put it kindly, awful. Our state's **Unemployment Rate** jumped all the way to a 7.2 percent rate, second highest in the country. And, this occurred with a more rapidly declining **Labor Force** (-1.1%), as a number of unemployed exited the **Labor Force** while there

intensified. **Single-Unit Permits**, which reflects new home construction, fell by 33.3 percent compared to last May. **US Consumer Sentiment** declined by 32.2 percent, while **Retail Sales** in Rhode Island fell by 10.7 percent versus a very slight rise last month. The one bright spot here is a fact that is often overlooked — rapidly declining **Single-Unit Permits** helps us reduce our bloated inventory of unsold homes. So this is not as negative of a statistic as it might first seem.

Clearly, though, 2008 is proving to be the worst year of any for which CCI values have been calculated, which goes back over twenty-five years. Oh, for the good old manufacturing days, especially 1984, when the CCI was at 100, its maximum value, almost every month!

Let me conclude by providing *my* interpretation of the very large jump in May's **Unemployment Rate**. I believe that published **Unemployment Rate** data for the months leading up to May had been *understating* the extent of joblessness here somewhat. After such periods, the estimated rate sometimes jumps, as it did in May. So, May's published **Unemployment Rate** probably didn't jump as much as it appears to have. When the revised labor market data are released next February, expect to see higher **Unemployment Rates** prior to May and a downward revision to May's rate.

CCI Indicators - % Change	
Government Employment	-1.1
US Consumer Sentiment	-32.2
Single-Unit Permits	-33.3
Retail Sales	-10.65
Employment Services Jobs	-17.6
Priv. Serv-Prod Employment	-1.9
Total Manufacturing Hours	-8.3
Manufacturing Wage	1.4 Y
Labor Force	-1.1
Benefit Exhaustions	31.9
New Claims	14.3
Unemployment Rate	44.0
Y = Improved Value	

was a sharp drop in resident employment. Payroll employment continued its long decline that began in January of 2007. Our May job growth ranking was 50th nationally. **Employment Service Jobs**, a leading labor market indicator that includes temps, registered its fourth consecutive double-digit decline. **Total Manufacturing Hours** fell at its most rapid rate since September of 2002, as both the workweek and employment continued to fall. While both **New Claims**, which measures layoffs, and **Benefit Exhaustions**, which reflects long-term unemployment both increased sharply in May, with **New Claims** rising by 14.3 percent compared to last May and **Benefit Exhaustions** surging by 31.9 percent, unfortunately, improvement for both consists of *declining* levels. The only favorable month-to-month improvement present in May's data is for **New Claims**, which has now improved on a monthly basis for the past three months.

Sadly, the disappointing economic data didn't end with the labor market. Fallout related to ongoing housing weakness

THE BOTTOM LINE

The year 2008 is proving to be the worst for Rhode Island's economy since values for the CCI have been calculated (back to 1983). Expect economic conditions here to remain weak until the middle of next year. Not only does Rhode Island have to deal with its largely self-imposed budget deficits, but higher energy and food prices, rising electricity costs, and elevated heating bills as well. Suffice it to say that the remainder of this year will be a time period we will remember for quite some time.

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	50↓	50↓	42↓	42	67	50↓	58↑	33	25↓	17↓	17↓	33↓
2008	8	8	8	17	8							