

8-2007

Rhode Island Current Conditions Index – August 2007

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

Follow this and additional works at: <https://digitalcommons.uri.edu/ricci>



Part of the [Econometrics Commons](#)

[Terms of Use](#)

All rights reserved under copyright.

Recommended Citation

Lardaro, Leonard, "Rhode Island Current Conditions Index – August 2007" (2007). *The Rhode Island Current Conditions Index*. Paper 63.

<https://digitalcommons.uri.edu/ricci/63>

This Article is brought to you by the University of Rhode Island. It has been accepted for inclusion in The Rhode Island Current Conditions Index by an authorized administrator of DigitalCommons@URI. For more information, please contact digitalcommons-group@uri.edu. For permission to reuse copyrighted content, contact the author directly.

CURRENT CONDITIONS Index

Vol. XIV
Number 9
Aug 2007

Leonard Lardaro URI

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

August was a difficult month for both the nation and Rhode Island. Fears of significant financial weakness permeated markets that were already feeling the effects of the recession in the housing sector. Nationally, overall economic activity that had been fairly good in July clearly deteriorated in August. That wasn't the case here. For Rhode Island, July was a month of mediocre economic activity, as the Current Conditions Index value only reached 50, its neutral value. Not only did Rhode Island's economic performance deteriorate in August, it fell significantly into its contracting range. The Current Conditions Index for August dropped all the way to 33, with only four of the twelve CCI indicators improving — its lowest value in over a year.

There is very few positive things that can be said about Rhode Island's August performance. In some months, the existence of difficult "comps" lead me to conclude that things are stronger than they appear. Not this month! *The most accurate description of Rhode Island's overall economic performance in August is horrible.* Weakness was generally spread across all of

CCI Indicators - % Change	
Government Employment	-0.5
US Consumer Sentiment	2.0 Y
Single-Unit Permits	-18.8
Retail Sales	-3.6
Employment Services Jobs	-0.8
Priv. Serv-Prod Employment	2.0 Y
Total Manufacturing Hours	-1.1
Manufacturing Wage	3.8 Y
Labor Force	-1.0
Benefit Exhaustions	19.1
New Claims	13.2
Unemployment Rate	-1.9 Y

Y = Improved Value

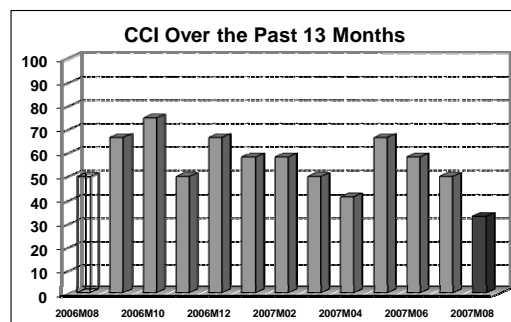
the sectors the Current Conditions Index tracks. What is more troubling, a number of non-improving indicators will likely retain that status for some time to come.

The best performers in August were **Private Service Producing Employment** and our manufacturing sector, which like most months, turned in a mixed performance. Even though our **Unemployment Rate** fell in August, that decline was accompanied by a falling **Labor Force**, which nullified the jobless improvement.

Private Service-Producing Employment sustained a two percent rate of annual growth, part of an acceleration from the

second quarter. **Total Manufacturing Hours** fell by less than it has in a while (-1.1%), while the **Manufacturing Wage** grew by 3.8 percent from last August, approaching the \$14 hourly level. But even with this diminished manufacturing weakness, **Employment Service Jobs**, which includes "temp" positions, a leading labor market indicator, fell by 0.8 percent for its first decline in a year. And the other leading labor market indicator included in the CCI, **New Claims**, rose again for the ninth time in the last ten months (even after adjusting for a recent change in Unemployment Insurance eligibility by senior citizens). **Benefit Exhaustions**, which reflects long-term unemployment, surged to a level 19.1 percent higher than its value last August. All of this bodes badly for our Unemployment Rate, currently at 5.1 percent, but rising of late. A declining **Labor Force** (-1.0%) in August made the jobless rate lower than it would have been with more favorable economic activity.

Single-Unit Permits, which reflects new home construction, dropped sharply in August (by 18.8 percent), continuing its recent roller coaster behavior. In light of the backlog of unsold homes, don't much improvement from this indicator any time soon. **Retail Sales**, which is influenced by housing weakness, also fell significantly in August, by 3.6 percent, while **US Consumer Sentiment** rose by 2 percent. Finally, Government Employment fell again in August, by 0.5 percent.



THE BOTTOM LINE

There's an old saying among technical analysts of the stock market: "The trend is your friend." Based on national trends and Rhode Island's recent weakness, "the trend" promises to be highly unfriendly to Rhode Island for the remainder of this year. There is no obvious basis upon which to anticipate improvement in many CCI indicators, especially as we wrestle with deficits.

33

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	58	58	58	42	33	50	33	50	67	75	50	67
2007	58	58	50	42	67	58	50	33				