Rhode Island Current Conditions Index — June 2009

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At long last, Rhode Island’s economy appears to have burst out of the rut it had been stuck in since mid-2007 when this recession began. The Current Conditions Index for June rose all the way to 42, its highest level since June of 2007, as five indicators improved. After all that this state has been through in this “Great Recession,” it is hard to believe that June’s score is not 4x2 (giving the usual 8)! Clearly, Rhode Island has been able to sustain its short-term economic momentum, allowing the process of recovery to continue. Importantly, the month-to-month indicator changes, which eventually lay the foundation for improvement on a year-over-year basis, remained substantial. For June, eight indicators either improved on a month-to-month basis or were close to improving (this matches the May total).

The bad news is that the CCI indicators that failed to improve relative to last June did so with very discouraging performances, in spite of fairly easy “comps” for a number of them from last year. Hopefully we should now begin to see greater numbers of indicators improving each month, if for no other reason than the “comps” from a year ago will become increasingly easy to beat.

Focusing first on the improving indicators for June, US Consumer Sentiment, rose by 26.3 percent, its second consecutive double-digit improvement on a year-over-year basis and fourth monthly improvement. The manufacturing wage rose by another 3.3 percent in June, as ongoing budget woes continue. Finally, our state’s discouraging employment picture caused Benefit Expirations, which reflects long-term unemployment, to more than double relative to last June. Benefit Expirations rose by 103.4 percent in June and have risen at double-digit rates annually since July of 2007.

Employment prospects moving forward based on Employment Service Jobs are not all that promising, as these fell by 19.2 percent compared to a year ago. They have, however, improved on a monthly basis for the last three months. Total Manufacturing Hours registered yet another sharp decline, falling by 13.6 percent compared to a year ago. These too appear to be leveling off based on changes over the past several months, as national manufacturing activity gains some traction. Private Service-Producing Employment fell by another 3 percent while remaining almost unchanged over the past three months. Government Employment declined by another 3.3 percent in June, as ongoing budget woes continued. Finally, our state’s discouraging employment picture caused Benefit Expirations, which reflects long-term unemployment, to more than double relative to last June. Benefit Expirations rose by 103.4 percent in June and have risen at double-digit rates annually since July of 2007.

Hopefully we will now begin to see greater numbers of indicators improving each month as the national economy regains its footing and the “comps” in our state from last year become increasingly easy to beat. Keep in mind, however, that June’s CCI is just one month’s result. It will still be months before Rhode Island actually reaches a bottom and a recovery begins.