2009

Rhode Island Current Conditions Index — August 2009

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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 down drafts 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, the Unemployment Rate, 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).

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