

CURRENT CONDITIONS Index

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Rhode Island's economic performance has been improving, albeit gradually, over the past several months. Along the way, a "base" of indicators displaying sustained improvement has emerged. Reflecting this, the Current Conditions Index began to move into the expanding range (above 50) with more than half of the indicators improving on several occasions. The first such instance occurred in March, when the CCI value reached 58. This was not sustained, however, as the next two months saw the CCI return to its "neutral" value of 50. Clearly, though, Rhode Island's economy was shifting gear.

August marked the third consecutive month for which the CCI value has now reached a value of 58, an expansion value, as seven of twelve indicators improved. To put this into perspective, the last time the CCI registered three consecutive expansion values was *at the end of 2006*. Clearly, Rhode Island's economic performance has come a very long way from the depths it experienced in 2008. *At this point I feel reasonably confident in stating that I believe Rhode Island is now in the earliest stages of an economic recovery.* The potential downside to this assessment is the pace of national economic activity. But the national "growth blip" appears to have passed (for now), which adds to my confidence in making the recovery call for Rhode Island.

August's economic data were somewhat mixed. On a monthly basis, nine of the twelve CCI indicators either improved or

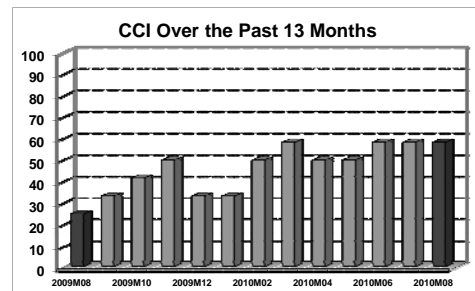
seventeenth consecutive year-over-year improvement. Rhode Island's manufacturing rebound also continued in August, as **Total Manufacturing Hours** rose again (+1.3%), powered by a sharp 1.6 hour increase in the length of the workweek, as the **Manufacturing Wage** rose by an amazing 4.9 percent. Our state's **Labor Force** rose again, increasing by 0.7 percent compared to a year ago. While our **Unemployment Rate** fell slightly to 11.8 percent from July's value, this was at least partially the result of a declining **Labor Force**. **Benefit Exhaustions**, which reflects long-term unemployment, fell sharply again, dropping by 33.1 percent in August, its sixth consecutive improvement. **New Claims**, a leading indicator that measures layoffs, fell by 2.9 percent versus last August, further erasing the effects of three prior consecutive increases. While **Employment Service Jobs**, another leading labor market indicator, fell by 9.4 percent in August, on a monthly basis, this indicator appears to have plateaued since February, more potentially good news.

Private Service-Producing Employment fell again, but by its smallest rate of decline since February of 2008 (0.4%). **Single-Unit Permits** continued its roller coaster behavior, dropping 9.5 percent compared to a year ago. Finally, **Government Employment** fell in August, by 0.5 percent, fueled largely by a decrease in local non-education employment and some added declines in the number of Census-related jobs.

CCI Indicators - % Change	
Government Employment	-0.5
US Consumer Sentiment	4.6 Y
Single-Unit Permits	-9.5
Retail Sales	4.4 Y
Employment Services Jobs	-9.4
Priv. Serv-Prod Employment	-0.4
Total Manufacturing Hours	1.3 Y
Manufacturing Wage	4.9 Y
Labor Force	0.7 Y
Benefit Exhaustions	-33.1 Y
New Claims	-2.9 Y
Unemployment Rate (change)	0.1

Y = Improved Value

were close to improving. **Retail Sales**, a critical part of the ongoing base of improving indicators that has formed, sustained its recent momentum, rising for the seventh consecutive month (by 4.4%), fueled by improving **US Consumer Sentiment** (+4.6%), which registered its



THE BOTTOM LINE

Based on another month of expanding economic activity, the third consecutive time this has occurred, and the performance of a number of other indicators, I now believe that Rhode Island is in the earliest stages of an economic recovery. I date the beginning of this recovery as June of 2010. Clearly, a base of indicators that has been improving and is likely to continue doing so in the coming months has emerged - at long last!

58	2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		17	8	0	8	17	33	17	42	33	42	50	33
58	2010	33	50	58	50	50	58	58	58				