

# CURRENT CONDITIONS Index

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Leonard Lardaro URI

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Rhode Island's economy experienced a bit of a setback in December, as the Current Conditions Index receded from recent levels that had reached as high as 50 (where 6 of 12 indicators improved) back to 33 in December, as only four indicators improved. While this comes as somewhat of a disappointment, it is important to keep in mind that as we continue to move closer to a bottom, there will almost inevitably be occasional setbacks such as the one we witnessed this month. Unfortunately, economies seldom if ever move straight up when improving.

In spite of this setback in terms of the CCI number for December, there was still good news. *December marked the eight consecutive month for which the CCI beat its year-earlier value.* While the CCI value of 33 for December is disappointing, last December's value was only 8! Also, looking at monthly indicator changes, ten of the twelve indicators either improved or were close to improving. So, at the two and

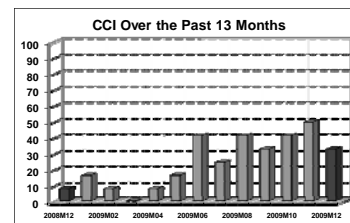
CCI Indicators - % Change	
Government Employment	-2.6
US Consumer Sentiment	20.7 Y
Single-Unit Permits	-40.5
Retail Sales	-6.7
Employment Services Jobs	-6.4
Priv. Serv-Prod Employment	-2.9
Total Manufacturing Hours	-8.6
Manufacturing Wage	2.2 Y
Labor Force	0.9 Y
Benefit Exhaustions	26.8
New Claims	-8.5 Y
Unemployment Rate	37.2
Y = Improved Value	

a half year mark for the current recession facing Rhode Island, our economy continues to have a pulse, we are moving in the right direction, and there is no basis upon which to reject the expectation of a recovery sometime in 2010. I expect a recovery to begin by mid-year. But recovery will mean we have stopped declining; don't take this to mean that we will begin to see a sharply increasing pace of economic activity.

Looking at the December CCI performance, there were four improving indicators. **US Consumer Sentiment**, our "star" performer of late, rose again, by 20.7 in December, its ninth consecutive year-over-year improvement. Our state's **Labor Force** continued its recent growth, increasing by another 0.9 percent compared to a year ago. Growth in the **Manufacturing Wage** remained rapid in December, a 2.2 percent rate, sustaining a string of growth rates above 2

percent since September. The other improving indicator, **New Claims**, a measure of layoffs, improved for the sixth time in the last seven months, falling by 8.5 percent versus last December.

In spite of these positives, it wasn't all that difficult to find negatives in December's performance. Future job prospects based on **Employment Service Jobs**, a leading indicator, remained discouraging, as these fell 6.4 percent compared to a year ago. In spite of this decline, this indicator appears to have stabilized on a monthly basis since March of this year. **Total Manufacturing Hours** fell again but by a less than a double-digit rate. While this indicator fell by (only) 8.6 percent compared to last December, for the first time in a while the length of the workweek rose, a positive indicator. This, along with leveling off in monthly declines provides some evidence that Rhode Island's manufacturing sector weakness may be moderating. **Private Service-Producing Employment** fell again, this month by 2.9 percent, reflecting the grim job prospects here. **Government Employment**, driven largely by budget woes, declined by 2.6 percent in December, part of a recent acceleration in its rate of decline. **Benefit Exhaustions**, which reflects long-term unemployment, rose but didn't surge as they have recently, increasing by just under 27 percent. Along with this, our state's **Unemployment Rate** rose from November but was significantly higher than a year ago (12.9% vs. 9.4%). Finally, the two indicators whose improvement allowed the CCI to reach 50 last month failed to improve in December. **Retail Sales** declined by 6.7 percent, while **Single-Unit Permits** fell by 40.5 percent.



## THE BOTTOM LINE

The disappointing CCI results for December may well be an early warning for disappointing labor market revisions that will be released shortly. It is quite possible that the abysmal payroll employment numbers that were originally published will be revised *downwards*, while **Labor Force** gains that propelled our **Unemployment Rate** to 13 percent, may be moderated, producing some reductions in our **Unemployment Rate** as well.

33	2008	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		8	8	8	8	8	0	8	0	8	0	8	8
2009	17	8	0	8	17	42	25	42	33	42	50	33	