Current Conditions Index

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Monthly Highlights

The third quarter began with a welcome surprise — the Current Conditions Index jumped above its neutral value of 50 for the first time since October of last year. July's CCI value of 67 is the best in some time, as eight of the twelve indicators improved. While this is only one month's result, it is not likely to be a fluke, especially in light of how the US economy has been improving. While some pockets of weakness continued to exist in July, these were few in number and largely overshadowed by the strong showings of the improving indicators.

Retail Sales continued its impressive long-term performance in July, rising by 6.1 percent on a year-over-year basis. Aside from a one-month decline in March, **Retail Sales** has displayed substantial momentum, as the July rise of 6.1 percent was only the *second highest* growth rate since March (second to 7.4% in May). Unlike past months, **US Consumer Sentiment** rose in July (+3.2%), its first improvement in quite some time. Should this uptick in **Consumer Sentiment** persist, and new home construction continue to rise as it did this month (**Single-Unit Permits** rose 12.2%), **Retail Sales** growth could move forward with an even more substantial basis than it has had up to this point. Higher interest rates, however, have likely made this somewhat less likely to occur than would have been the case just a few months ago.

CCI Indicators - % Change		
Government Employment	-0.2	
US Consumer Sentiment	3.2	**Y**
Single-Unit Permits	12.2	**Y**
Retail Sales	6.1	**Y**
Help Wanted Advertising	-10.5	
Priv. Serv-Prod Employment	1.6	**Y**
Man-Hours Manufacturing*	-3.7	
Manufacturing Wage*	0.9	**Y**
Labor Force	2.9	**Y**
Benefit Exhaustions	-14.5	**Y**
New Claims	-14.1	**Y**
Unemployment Rate	14.3	

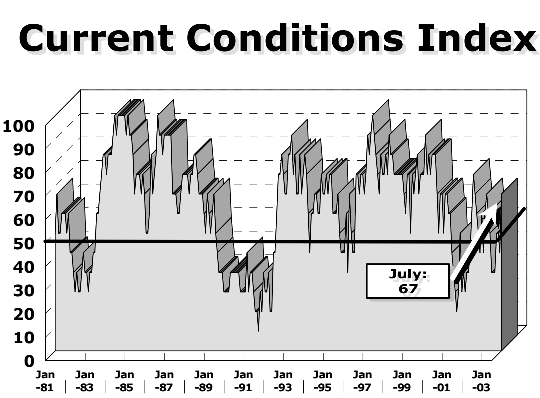
Y = Improved Value
* Denotes not seasonally adjusted

While Rhode Island's **Unemployment Rate** in July was higher than one year ago (5.6% vs. 4.9%), it fell from its June value and remained below the national rate for July.

The biggest surprises among this month's indicators concern the other elements of unemployment: layoffs and long-term unemployment. **New Claims** for UI, the most timely measure of layoffs, fell by 14.1 percent in July, its fifth consecutive decline, while **Benefit Exhaustions**, which reflects long-term unemployment, declined by 14.5 percent, its third decrease in the last four months. This good news was tempered somewhat by the continuation of weak labor demand, as **Help Wanted Advertising** fell by 10.5 percent, the latest in a very long string of declines. Rhode Island's **Labor Force** rose dramatically compared to last July. Unfortunately, as the result of changes to the survey upon which this statistic is based, one-year comparisons are not valid. Compared to June, the **Labor Force** fell slightly.

Rhode Island's manufacturing labor market weakened a bit further in July, most notably in the durable-goods sector, as **Manufacturing Man-hours** fell by 3.7%. In spite of this, the **Manufacturing Wage** rose by 0.9%, continuing its trend of slightly less than one percent annual growth. **Private Service-Producing Employment** continued to rise, up 1.6 percent in July, the most rapid growth in this indicator since March. Finally, ongoing budget difficulties resulted in **Government Employment** decreasing by 0.2% in July, the downside in attempts to balance budgets.

The recent spike in interest rates does not pose as serious a threat to Rhode Island's economic momentum as it might appear. Growth itself raises interest rates. Only if further spikes occur will our recent momentum be in danger.



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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	58	75	67	58	42	33	50	42	50	58	50	33
2003	33	33	33	50	50	42	67					