

# CURRENT CONDITIONS INDEX

VOL XVIII  
NUMBER 8  
JUL 2011

LEONARD LARDARO, URI

Available Online: <http://members.cox.net/lardaro/current.htm>

Rhode Island started the third quarter on a mixed note. The good news is that the Current Conditions Index for July rose to 67 from its value of 58 in June. That is the highest CCI reading since February of this year. The bad news is that in spite of this higher reading for July, the CCI once again registered a value below its level one year ago. As of July, the Current Conditions Index has failed to beat its year-earlier value for five consecutive months. So, while Rhode Island's present recovery is continuing, the *rate of improvement* in the overall level of economic activity continues to moderate.

Make no mistake about it, though, Rhode Island's economy continues to grow as it has through all of 2011. This recovery will be eighteen months old in August. As I noted last month, the positive economic momentum this has afforded us will provide us with some margin for error in dealing with whatever weakness lies ahead. "The" question, however, continues to be what will happen nationally — will the US experience a double-dip recession?

In July, the trends in several key indicators continued to deviate from what we will need them to be if growth is to re-accelerate. Our **Labor Force** has now declined or failed to improve on a year-over-year basis for the last six months. Worse yet, on a monthly

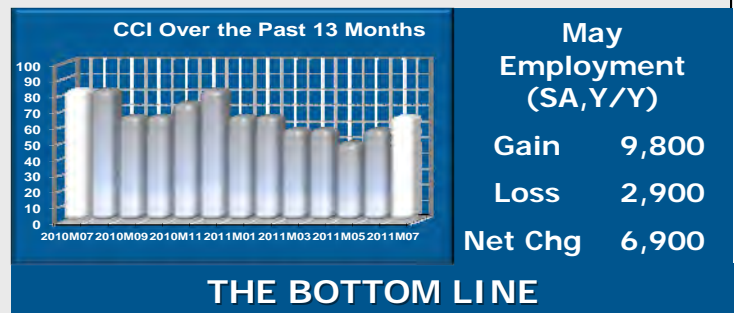
comp last July was very difficult to beat. Along with this, **US Consumer Sentiment** fell by another 5.3 percent versus last July. While much of this is related to the total dysfunction of our nation's legislative branch, its effects are nonetheless spilling over into other elements of economic activity.

Fortunately, not everything is moving toward unfavorable trends. The spectacular and (to me at least) unexpected ongoing strength in our state's manufacturing sector continued in July. **Total Manufacturing Hours** (+3.2% in July) has now improved for the last thirteen months. Both employment and hours rose in July. Growth in the **Manufacturing Wage** went parabolic in July, rising by 12.8 percent compared to a year ago. Clearly, sustaining our state's recent manufacturing momentum will require continued dollar weakness, which, given federal government dysfunction, is likely to continue. **Private Service-Producing Employment** rose by 2.2 percent in July, its highest growth rate since October. Sadly, the benefits of this change were offset by another sharp decline in **Government Employment** (-3.0%).

**Retail Sales** rose by 1.8 percent in July, its fourth improvement in the last five months. **New Claims**, a leading labor market indicator that indicates layoffs, fell by only 0.4 percent this month, but that was its seventh consecutive improvement. **Single-Unit Permits**, which reflects new home construction, rose by 1.4 percent in July, its first improvement in a while, although the number of permits remains extremely low. Finally, **Benefit Exhaustions**, which measures long-term unemployment, declined by 14.4 percent, sustaining its overall downtrend.

CCI Indicators - % Change	
Government Employment	-3.0
US Consumer Sentiment	-5.3
Single-Unit Permits	1.4 Y
Retail Sales	1.8 Y
Employment Services Jobs	-3.8
Priv. Serv-Prod Employment	2.2 Y
Total Manufacturing Hours	3.2 Y
Manufacturing Wage	12.8 Y
Labor Force	-2.1
Benefit Exhaustions	-14.4 Y
New Claims	-0.4 Y
Unemployment Rate (change)	-0.8 Y
Y = Improved Value	

basis, the decline extends all the way back to last December. This, of course, casts doubt on the validity of the "signal" provided by recent declines in our **Unemployment Rate**. At this point, I recommend not attempting to gauge the overall strength of Rhode Island's economy by the behavior of our state's **Unemployment Rate**. Not only is this indicator losing some of its *statistical* meaningfulness, it is a lagging indicator as well. The number of **Employment Service Jobs**, a leading labor market indicator that includes "temps," has fallen for the past five months, although its



## THE BOTTOM LINE

Rhode Island's recovery continued in July, although it has become increasingly apparent that our state's rate of growth is moderating. Not only is this reflected in the overall CCI results, which are geared to indicator performance relative to a year ago, but on a monthly basis as well, as the values of a number of indicators have plateaued over the past five months. Sadly, since Rhode Island never used the past crisis to reinvent itself, a reacceleration of growth here is almost entirely dependent on heightened national and global growth.

67		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2010	42	58	67	67	75	75	83	83	67	67	75	83
	2011	67	67	58	58	50↓	58	67					