

CURRENT CONDITIONS Index

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Rhode Island's economy ended the second quarter on a somewhat positive note, as we sustained a pace of activity well above that during the March — April slowdown. For June, the Current Conditions Index was 58, with seven of twelve indicators improving. For the second consecutive month, the CCI surpassed its year-earlier value. This month's improving indicators turned in good but not spectacular performances. And, some trends, both good and bad, have become better defined.

The strongest indicator performances occurred for **Manufacturing Wages**, which grew at a 3 percent rate compared to last June, and our **Unemployment Rate**, which fell from 5.2 percent one year ago to 4.7 percent this June. As for the **Manufacturing Wage**, its performance was part of an ongoing mixed performance by Rhode Island's manufacturing sector. In June, **Total Manufacturing Hours** fell by 2.9 percent, the most recent contribution to a string of accelerating declines. The performances by the two manufacturing indicators points to the likelihood of labor

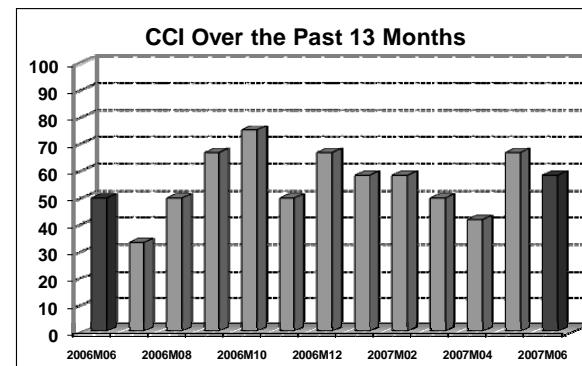
declined by 28.6 percent). Accompanying weakness in new home construction was another decline in **Retail Sales**. For June, **Retail Sales** fell by 3.2 percent compared to a year ago. Along with this, **US Consumer Confidence** barely grew in June, rising by only 0.6 percent. But this was its second consecutive improvement.

Looking at labor market indicators, **Private Service Producing Employment** grew by 1.6 percent in June, a rate of growth well below its first-quarter values. **Employment Service Jobs**, a classification that includes "temps," rose by 3 percent. Historically that would be a very good rate of growth, but it is well below the double-digit rates we experienced from last October through March of this year. To absolutely nobody's surprise, **Government Employment** fell once again, by 0.2 percent in June, its ninth consecutive decline. And finally, the performance of a critical labor market pair turned in a mixed performance in June. **New Claims** for Unemployment Insurance, which measures layoffs, fell by 3.2 percent, while at the other end of the layoff spectrum, **Benefit Exhaustions**, which reflects long-term unemployment, rose by 4.2 percent, its fourth consecutive increase. This points to the likelihood that the longer-term unemployed in our state are having greater difficulty finding jobs.

CCI Indicators - % Change	
Government Employment	-0.2
US Consumer Sentiment	0.6 Y
Single-Unit Permits	-4.4
Retail Sales	-3.2
Employment Services Jobs	3.0 Y
Priv. Serv-Prod Employment	1.6 Y
Total Manufacturing Hours	-2.9
Manufacturing Wage	3.0 Y
Labor Force	0.1 Y
Benefit Exhaustions	4.2
New Claims	-3.2 Y
Unemployment Rate	-9.6 Y
Y = Improved Value	

shortages occurring in manufacturing. And, keep in mind that declining **Total Manufacturing Hours** partly reflects rising productivity, a positive factor. Also on a positive note, our **Unemployment Rate** declined at the same time our **Labor Force** rose, albeit by a very small amount (+0.1%). **Labor Force** growth has slowed dramatically since earlier p this year.

Single-Unit Permits continued its recent roller coaster performance, falling by 4.4 percent in June. This decline occurred on top of an extremely weak value last June (it



THE BOTTOM LINE

The second quarter ended on a positive note. National and global uncertainties surrounding the spread of sub-prime mortgage weakness combined with a generally slowing national economy pose a challenge to Rhode Island's economic momentum in coming months. And required budget cuts will only exacerbate the effects of national and global weakness.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	58	58	58	42	33	50	33	50	67	75	50	67
	58	58	50	42	67	58						
2007	58	58	50	42	67							