

CURRENT CONDITIONS Index

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Just when you thought things couldn't get worse here, guess what? As 2008 has been a year of (rather dubious) firsts for our state's economy, June set an all-time record: *for the first time ever, the Current Conditions Index registered a value of 0.* Not one of the twelve CCI indicators improved relative to last June! And, eleven of the twelve indicators weren't even close to showing improvement. Sadly, the performance of the **Manufacturing Wage**, the only consistently improving indicator in 2008, bid us a fond farewell in June, falling by 0.1 percent. It was the only indicator that was even close to improving.

The bad news doesn't end there. Even the boost provided by the federal rebate checks was unable to produce higher **Retail Sales**. For June, **Retail Sales** in Rhode Island fell by 2 percent versus last June. So, even though the rebates *by themselves* would have improved sales, the ongoing negatives of our state's economic weakness were more than enough to offset this positive. While there was a month-to-month improvement in **Retail Sales**, it was a paltry 0.1 percent.

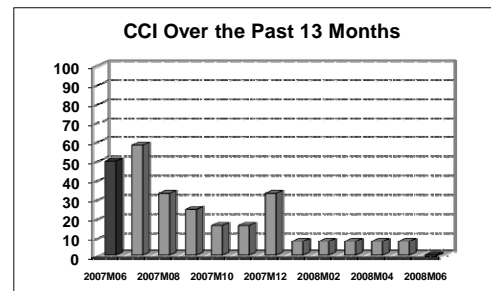
CCI Indicators - % Change	
Government Employment	-0.5
US Consumer Sentiment	-33.5
Single-Unit Permits	-54.5
Retail Sales	-2.0
Employment Services Jobs	-16.3
Priv. Serv-Prod Employment	-2.3
Total Manufacturing Hours	-7.0
Manufacturing Wage	-0.1
Labor Force	-1.0
Benefit Exhaustions	43.4
New Claims	12.7
Unemployment Rate	50.0
Y = Improved Value	

June labor market data continued to be highly disappointing. Our state's **Unemployment Rate** jumped all the way to a 7.5 percent rate from 5 percent a year ago. And, it isn't finished rising. In light of the extended unemployment insurance benefits, expect the jobless rate to move closer to an 8 percent rate — very soon. Our **Labor Force** fell for the sixth consecutive month, by 1 percent, as a number of unemployed exited the **Labor Force** and there was a sharp drop in resident employment once again. Payroll employment continued its long decline that began in January of 2007. **Employment Service Jobs**, a leading labor market indicator that includes temps, registered its fifth consecutive double-digit decline (a fall of -16.3%). **Total Manufacturing Hours** fell at sharply

again (-7.0%), as both the workweek and employment continued to fall. Both **New Claims**, which measures layoffs, and **Benefit Exhaustions**, which reflects long-term unemployment both increased sharply in June, with **New Claims** rising by 12.7 percent compared to last June and **Benefit Exhaustions** surging by 43.4 percent. Unfortunately, as I noted last month, improvement for both consists of *declining* levels. The only favorable month-to-month improvement in these for June is for **New Claims**, which has now improved on a monthly basis for the past three months.

The disappointing economic data didn't end with the labor market. Fallout related to ongoing housing weakness intensified. **Single-Unit Permits**, which reflects new home construction, fell by 54.5 percent compared to last June. **US Consumer Sentiment** declined by 33.5 percent.

Clearly, 2008 is proving to be the worst year *statistically* of any for which CCI values have been calculated. Let me end with three positive notes. First, while **Single-Unit Permits** and new home construction continue to fall sharply, this is fundamental to our ability to reduce the inventory of unsold homes here. Second, in 1991, at the height of our state's banking crisis, employment fell by 6.7 percent. So, as bad as our labor market is now, it was once much worse. Finally, it appears that Rhode Island's four-year population decline is finally coming to an end. More data is needed to confirm this.



THE BOTTOM LINE

Rhode Island's recession may be entering a troublesome third phase. *For the first time ever*, the CCI registered a value of 0. I prefer to think of this as a long-run equilibrium: at long last, we have gotten from Rhode Island's economy precisely what we have always demanded from our state's government: absolutely nothing! Fasten your seat belts, this is going to be a rough fall and winter.

O		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		2007	50↓	50↓	42↓	42	67	50↓	58↑	33	25↓	17↓	17↓
2008		8	8	8	17	8	0						