

CURRENT CONDITIONS Index

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At long last, Rhode Island's economy appears to have burst out of the rut it had been stuck in since mid-2007 when this recession began. The Current Conditions Index for June rose all the way to 42, its highest level since June of 2007, as five indicators improved. After all that this state has been through in this "Great Recession," it is hard to believe that June's score is not 4x2 (giving the usual 8)! Clearly, Rhode Island has been able to sustain its short-term economic momentum, allowing the process of recovery to continue. Importantly, the month-to-month indicator changes, which eventually lay the foundation for improvement on a year-over-year basis, remained substantial. *For June, eight indicators either improved on a month-to-month basis or were close to improving (this matches the May total).*

The bad news is that the CCI indicators that failed to improve relative to last June did so with very discouraging performances, in spite of fairly easy "comps" for a number of them from last year. Hopefully we should now begin to see greater numbers of indicators improving each month, if for no other reason than the "comps" from a year ago will become increasingly easy to beat.

Focusing first on the improving indicators for June, **US Consumer Sentiment**, rose by 26.3 percent, its second consecutive double-digit improvement on a year-over-year basis and fourth monthly improvement. The **Manufacturing**

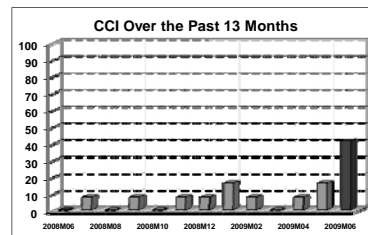
almost everyone knows, increased to 12.4 percent in June, ranking second nationally. **Single-Unit Permits** rose by 5.8 percent compared to a year ago, even though new home construction remained virtually non-existent here (easy comps). Finally, **New Claims**, which tracks layoffs, fell in June by 2.6 percent (we want these to fall), its first yearly improvement since January and its third consecutive monthly improvement. This trend should continue since the volume of layoffs up to this point may well have been overdone as firms lacking sufficient access to capital last year likely laid off more workers than they normally would have.

Employment prospects moving forward based on **Employment Service Jobs** are not all that promising, as these fell by 19.2 percent compared to a year ago. They have, however, improved on a monthly basis for the last three months. **Total Manufacturing Hours** registered yet another sharp decline, falling by 13.6 percent compared to a year ago. These too appear to be leveling off based on changes over the past several months, as national manufacturing activity gains some traction. **Private Service-Producing Employment** fell by another 3 percent while remaining almost unchanged over the past three months. **Government Employment** declined by another 3.3 percent in June, as ongoing budget woes continued. Finally, our state's discouraging employment picture caused **Benefit Exhaustions**, which reflects long-term unemployment, to *more than double* relative to last June. **Benefit Exhaustions** rose by 103.4 percent in June and have risen at double-digit rates annually since July of 2007.

CCI Indicators - % Change	
Government Employment	-3.3
US Consumer Sentiment	26.3 Y
Single-Unit Permits	5.8 Y
Retail Sales	-4.5
Employment Services Jobs	-19.2
Priv. Serv-Prod Employment	-3.0
Total Manufacturing Hours	-13.6
Manufacturing Wage	2.0 Y
Labor Force	0.4 Y
Benefit Exhaustions	103.4
New Claims	-2.6 Y
Unemployment Rate	61.0

Y = Improved Value

Wage rose by 2.0 percent compared to a year ago, moving above \$14 hourly for the first time since February, and its third consecutive monthly increase. Our state's **Labor Force** rose by 0.4 percent in June, its first improvement since June of 2007. An expanding **Labor Force** removes some of the negativity from our rising **Unemployment Rate**, which as



THE BOTTOM LINE

Hopefully we will now begin to see greater numbers of indicators improving each month as the national economy regains its footing and the "comps" in our state from last year become increasingly easy to beat. Keep in mind, however, that June's CCI is just one month's result. It will still be months before Rhode Island actually reaches a bottom and a recovery begins.

42	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						