

CURRENT CONDITIONS Index

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In June, a dubious anniversary occurred for Rhode Island: the third year of its current recession. Rhode Island has truly been through a great deal over the last three years, as its longer-term structural deficiencies, which caused it to move into recession well ahead of the nation, were exacerbated by the national and global downturn. The result, as we know, has been this state's most severe recession period since 1991. The worst occurred in 2008, as the Current Conditions Index fell to *sustained* levels it had never experienced before (0's and 8's), as Rhode Island's economy literally had no cyclical momentum whatsoever. Our state's economy regained its pulse in mid-2009, as signs of economic life began to return. Since February of this year, we have continued to move ever-closer to the end of this recession, in spite of massive flooding in April. June's Current Conditions Index reading, 58, is consistent with the CCI's having now plateaued at its neutral value of 50, as we have been experiencing some months

workweek rose again, returning to a more "normal" level. **Manufacturing Wage** growth remained close to 5 percent for the fourth consecutive month. **US Consumer Sentiment** continued to be our "star" performer, rising by 7 percent in June, its fifteenth consecutive year-over-year improvement. **Single-Unit Permits** soared by 38.9 percent compared to a year ago, as the number of *monthly* permits came as close to 100 as it has been in some time here. In spite of falling mortgage rates, it is not clear whether such building momentum will be sustained in coming months because of the slowing pace of national economic activity.

Our state's **Labor Force** rose again, increasing by 2 percent, while our **Unemployment Rate** fell slightly to 12 percent. **Benefit Exhaustions**, which reflects long-term unemployment, fell sharply again, dropping by almost 30 percent in June, its fourth consecutive improvement. Is Rhode Island running out of persons with regular benefit entitlement?

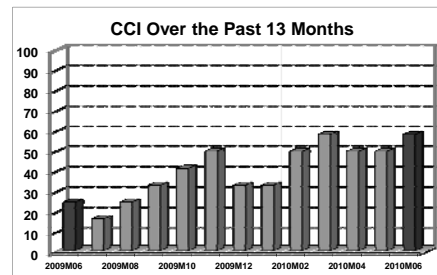
New Claims, a leading indicator that measures layoffs, rose by 2.4 percent versus last June, its third consecutive rise, perhaps signaling another wave of layoffs coming. **Employment Service Jobs**, another leading labor market indicator, fell by 8.2 percent, as its rate of decline has been accelerating over the past three months. **Private Service-Producing Employment** fell again, by 1.9 percent. Finally, **Government Employment** rose again in June, barely so (+0.2%), assisted to some extent by Census hiring.

CCI Indicators - % Change	
Government Employment	0.2 Y
US Consumer Sentiment	7.0 Y
Single-Unit Permits	38.9 Y
Retail Sales	4.4 Y
Employment Services Jobs	-8.2
Priv. Serv-Prod Employment	-1.9
Total Manufacturing Hours	-1.9
Manufacturing Wage	4.5 Y
Labor Force	2.0 Y
Benefit Exhaustions	-29.6 Y
New Claims	2.4
Unemployment Rate (change)	0.9

Y = Improved Value

slightly above and below that value. When the CCI moves consistently above 50, the next recovery will have begun. The recent slowdown in the national economy may well postpone recession's end here, or make a recovery more anemic than it might otherwise have been.

June's economic data once again paint a mixed picture, in spite of a number of relatively easy "comps" from a year ago. On a monthly basis, ten of the twelve CCI indicators either improved or were close to improving, while June's CCI value handily beat that of a year ago (33). For now, at least, **Retail Sales** is sustaining its recent momentum, rising for the fifth consecutive month (by 4.4%), while our state's manufacturing rebound is being sustained. **Total Manufacturing Hours** fell by 1.9 percent in June, a bit worse than May, but the



THE BOTTOM LINE

In June, the CCI moved into its expansion range for the second time in 2010. Were it not for the recent national slowdown, this might have marked an end to this recession. For now, we will have to wait and see. Either way, next year at this time there will no longer be any federal bailout funds to "rescue" us. Whatever economic momentum we have then will certainly dissipate. Double dip for RI in 2011? I give it a 60% chance.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
58	2009	17	8	0	8	17	33	17	42	33	42	50	33
	2010	33	50	58	50	50	58						