

CURRENT CONDITIONS Index

Vol. XVI
Number 6
May 2009

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Also available online: <http://members.cox.net/lardaro/current.htm>

In May, Rhode Island sustained the short-term economic momentum that began three months ago. The good news is that we continue to progress in the *process of recovery*. In spite of the fact that the May value for the Current Conditions Index was only 17, as two indicators improved, ironically, this matched the CCI's best score since the beginning of 2008 (from January of this year). Perhaps more importantly, month-to-month indicator changes, which must eventually lay the foundation for improvement on a year-over-year basis, remained substantial. *For May, eight indicators either improved on a month-to-month basis or were close to improving (this matches the April total).*

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

Focusing first on the two improving indicators for May, the **Manufacturing Wage** rose by 0.3 percent compared to a year ago, its first such increase in the last three months. Note that its May value (seasonally adjusted) of \$13.96 places it at around the national level for *August of 1999*. The other

CCI Indicators - % Change	
Government Employment	-3.1
US Consumer Sentiment	14.5 Y
Single-Unit Permits	-22.2
Retail Sales	-5.6
Employment Services Jobs	-21.2
Priv. Serv-Prod Employment	-3.4
Total Manufacturing Hours	-14.6
Manufacturing Wage	0.3 Y
Labor Force	-0.3
Benefit Exhaustions	97.8
New Claims	18.8
Unemployment Rate	63.5

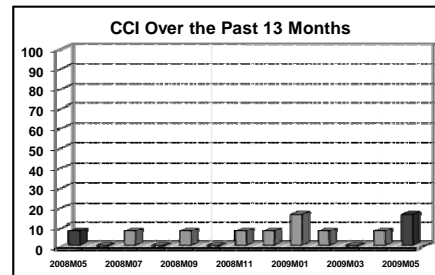
Y = Improved Value

improving indicator, **US Consumer Sentiment**, rose by 14.5 percent, a very strong showing, which was its second consecutive improvement.

This month, there was no ambiguity in the performances of the CCI's leading indicators. **Single-Unit Permits** dropped by 22.2 percent compared to a year ago, as new home construction remained virtually non-existent here. One could say this indicator surged relative to last month, but the

extremely small number of permits magnifies such relatively small changes. **Employment Service Jobs** fell sharply again (relative to last May) by 21.2%, but was unchanged compared to April. **Total Manufacturing Hours** registered its worst decline in a while, falling by 14.6 percent compared to last May, and even 4.2 percent relative to last month. **New Claims**, which tracks layoffs, rose again in May (+18.8%), but actually improved relative to April. Finally, as noted earlier, **US Consumer Sentiment** improved, compared to last May and has risen on a monthly basis for three straight months.

Economic weakness continued to be readily apparent in our state's labor market. **Private Service-Producing Employment** fell by another 3.4 percent, but it posted only a small monthly decrease. The lack of job opportunities here has pushed this indicator to annual rates of decline of around 3 percent since the end of last year. **Government Employment** fell by 3.1 percent in May, as ongoing budget woes continued. Our state's discouraging employment picture caused **Benefit Exhaustions**, which reflects long-term unemployment, to almost double relative to its value last May, rising by 97.8 percent (we want this to decline). **Benefit Exhaustions** has now risen at annual rates of 38 percent or higher since August of 2008! Based on all of this, Rhode Island's **Unemployment Rate** rose to 12.1 percent, a full percentage point increase from April. Finally, **Retail Sales** continued to deteriorate sharply, falling by 5.6 percent in May, ironically, its "best" rate of decline in the last three months.



THE BOTTOM LINE

Amid a discouraging performance relative to last May, signs of hope continued, as our state's economy once again registered and sustained *monthly* improvements in a majority of its indicators. Thus, *the process of recovery* continues. **IF** this monthly momentum continues, expect recovery sometime around the end of Q1 in 2010, or during Q2 of that year.

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2008

2009

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	8	8	8	8	8	0	8	0	8	0↓	8	8
2009	17	8	0	8	17							