

Current Conditions Index

LEONARD LARDARO URI

Also available on my web site: <http://members.cox.net/lardaro/current.htm>

Volume VIII, Number 6

April 2002

58

Monthly Highlights

Since Rhode Island's recovery began in January, the pace of economic activity has been slowing, as witnessed by the downward trend in the Current Conditions Index. While the CCI remained above its neutral value of 50 for April, the fourth consecutive time this has occurred, values since February continue to move precariously close to this indicator's neutral value.

Significant for April is the fact that the stellar performers of the past few months, most notably housing and retail sales, grew more slowly, while unemployed persons continued to experience difficulties finding jobs.

Single-Unit Permits, which reflect new home construction, rose at a 4.7 percent annual rate in February. While this rate of growth is clearly satisfactory, the level of Permits seems to be settling in at around 2,200 annual units, well below recent-year highs. Along with this, construction employment has fallen for five of the past six months. While some of the recent Permit behavior is weather related, it is *not* the result of higher mortgage rates — these remain below 7 percent. **Retail Sales**, which posted an unbelievable 22.8 percent growth rate (year-over-year) last month, grew by only 1.5 percent in April. Again, not a very bad rate of growth, but there is a question of how much longer retail strength will continue. Happily, **US Consumer Sentiment** rose again in April, its third consecutive year-over-year rise. Continuation of this trend will be very important to sustaining housing and retail trade momentum in the coming months.

Rhode Island's **Unemployment Rate** remained well below the national rate again in April. However, we have now resumed our "traditional" role as having either the highest or second highest jobless rate of any New England state. Only Massachusetts had a higher April jobless rate (4.7%). Consider, though, jobless rates last April: New England rates ranged from 2.9% (CT), to 3.3% (NH and MA), 3.4% in Vermont, 3.9% in Maine, and 4.7 percent in Rhode Island. As I commented last month, jobless rates in the other New England states have now moved to levels comparable to those we have been experiencing for some time.

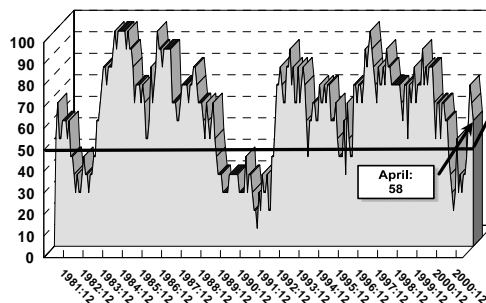
Labor demand difficulties were evident in three indicators. **Help Wanted Advertising** continued to decline at a double-digit rate as it has for every month since last April. **New Claims**, which reflect layoffs, rose slightly in April (+0.6%), breaking its three-month string of consecutive improvements.

And, **Benefit Exhaustions** rose by a whopping 67 percent in April, reflective of difficulties finding jobs and the distorting effects of the added weeks of benefit entitlement now available to the long-term unemployed.

Rhode Island's manufacturing sector continued to experience weakness in April, as **Man-hours** worked fell at a 4.1 percent annual rate. The good news is that this is a far slower rate of decline than what we have been experiencing, so hopefully, national momentum in this sector is filtering down to us as well. The rising trend in **Manufacturing Wage** growth rates (+1.2% in April) is consistent with this.

For April, Rhode Island had the third highest payroll employment growth rate, one of only twelve states that experienced job growth, and a jobless rate well below the national average. Has Rhode Island, as a *paid* optimist recently alleged, "dodged a bullet?" Not really. Our failure to attain much of a viable critical mass in high technology during the

Current Conditions Index



CCI Indicators - % Change	
Government	0.3 Y
US Consumer Sentiment	5.5 Y
Single-Unit Permits	4.7 Y
Retail Sales	1.5 Y
Help Wanted	-23.5
Misc. Service Employ	3.2 Y
Man-Hours Manuf	-4.1
Manufacturing Wage	1.2 Y
Labor Force	-0.1
Benefit Exhaustions	67.1
New Claims	0.6
Unemployment Rate	-4.3 Y
Y = Improved Value	

1990s meant that we were, in effect, "hunched over" from the effects of a self-inflicted stab wound, remaining at our habitually low (and lagging) levels of activity that sadly continue to be our long-run equilibrium. We didn't dodge any bullets. For us to have been "hit" would have required far more of a technology presence than we are likely to have for some time. Recent events, especially cuts in educational funding while at the same time continuing the consumption-oriented auto excise tax phase-out, will only exacerbate our difficulties in making headway into high technology. What are leaders are in effect saying is: "Information age, hold the information." Sadly for Rhode Island, actions speak far louder than words!

	2002	2001
JAN	58	42
FEB	75	33
MAR	67	25
APR	58	17
MAY		25
JUN		50
JUL		25
AUG		33
SEP		25
OCT		33
NOV		33
DEC		42

*Revised