

Current Conditions Index

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

Volume IX, Number 6

April 2003

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Monthly Highlights

2003 2002

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

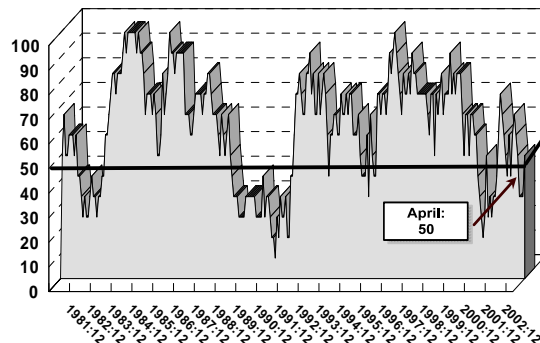
April's Current Conditions Index value of 50, while the "neutral" value for this index, is the cause for some celebration. While it had appeared that Rhode Island's economy may well have fallen into the second dip of a double-dip recession, based on a neutral value of 50 in December followed by three consecutive contraction values of 33, April's rise out of the contracting range indicates that we are close to but *not* in a recession at present. This is welcome news since it confirms the conjectures I made in the past few CCI reports about our not relapsing into recession and because future months' economic data will not be subject to the distortions of either unseasonable weather or the progression of war with Iraq.

The data for April, unlike that of any other month this year, contains some very positive elements. Like past months, our **Unemployment Rate** continued to remain below the national rate, although it has been rising slightly of late. This is *not* necessarily bad news in light of the fact that our **Labor Force** has been growing at rather amazing rates for us (this month by 2.9 percent, *national rank #4*), which reflects some unknown combination of a return of formerly "discouraged workers" back into the **Labor Force** and the new population controls initiated by the government. The most striking changes are the re-emergence of rising **Retail Sales** (+3.2%), and very significant declines in layoffs and long-term unemployment. Our sustaining of **Retail Sales** growth is impressive in light of a rising **Unemployment Rate** and weak **Consumer Sentiment** (-7.5% in April). It indicates that last month's decline may well have been a one-month phenomenon. **New Claims** for Unemployment Insurance, our most timely measure of layoffs, fell by 27.6 percent compared to last April. While this is only the second consecutive decline in this indicator, it is nonetheless a welcome contrast to the double-digit increases that dominated the past few years. **Benefit Exhaustions**, a measure of long-term unemployment, fell by 14.4 percent compared to last April, its first decline since last October and only the second decrease since July of 2001. Unfortunately, labor demand remains weak: **Help Wanted Advertising** fell by 20.5 percent in April, which sustains a long trend of double-digit declines in that indicator; **Private Service Producing Employment** growth slowed to less than one percent (+0.7% in April, its slowest growth in over a year); **Government Employment** fell (by 0.8%), only its second decline since May of 2001; and **Manufacturing Man-Hours** fell by 3.9 percent. Ironically, the April decline in **Manufacturing Man-hours** was one of the slower decreases in a while (mainly the past three months). It appears that Rhode Island, like the nation, finds its manufacturing sector moving into and out of recession (of course, rising productivity has a lot to do with declining man-hours as well). As this has been occurring, **Manufacturing Wage** growth has slowed to consistent rates below one percent. Gauging the long historical pattern of this indicator is complicated by the fact that the new NAICS data show Rhode Island having a much higher Manufacturing Wage than it did under the SIC classification data that preceded it. Finally, new home construction here, as measured by **Single-Unit Permits** fell by 14.1 percent in April, the continuation of decreases that began in the second quarter of last year.

CCI Indicators - % Change	
Government Employment	-0.8
US Consumer Sentiment	-7.5
Single-Unit Permits	-14.1
Retail Sales	3.2 Y
Help Wanted Advertising	-20.5
Priv. Serv-Prod Employment	0.7 Y
Man-Hours Manufacturing*	-3.9
Manufacturing Wage*	0.7 Y
Labor Force	2.9 Y
Benefit Exhaustions	-14.4 Y
New Claims	-27.6 Y
Unemployment Rate	8.2

Y = Improved Value
* Denotes not seasonally adjusted

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I continue to believe that Rhode Island's economy is "treading water" at present, perilously close to a recession and highly dependent on the pace of national economic activity. The most important question concerning Rhode Island's economy in the next several months is whether there will be a meaningful and *sustained* spike in national post-war economic activity. While the stock market appears to be signaling this, the recent upward trend in stock market prices could be quickly reversed by disappointing corporate profits.

As all of this is occurring, Rhode Island's position relative to other states is the best it has been in quite some time. I would be far more sanguine about Rhode Island's relative standing *in the future* if we were spending this time *re-inventing* ourselves instead of devoting most of our energies merely to surviving, presuming (incorrectly I believe) that our state's relative performance at present is where it will remain in the long-term.