

Current Conditions Index

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Monthly Highlights

The second quarter began with a whimper. While the April Current Conditions Index rose above its disappointing (and downwardly revised) value of 50 in March, and values this year continue to significantly outpace their year-earlier levels, several worrisome trends have arisen. The good news: The Current Conditions Index for April was 67, as eight of its twelve indicators improved. The bad news: for 2004, on a month-to-month basis, Rhode Island's payroll employment has continued to *fall* — at the same time that national job growth has risen dramatically. And, if this isn't bad enough, April saw Rhode Island's **Unemployment Rate** rise above the national rate for the first time since July of 2001. There is some cause for concern about job growth in coming months: the leading job gain category (year-over-year) in April was construction (+2,300), which, with rising interest rates can be expected to slow. In fact, that job gain almost matched the entire job change for Service Producing Employment (+2,500).

CCI Indicators - % Change

Government Employment	1.1 Y
US Consumer Sentiment	9.5 Y
Single-Unit Permits	12.7 Y
Retail Sales	-4.6
Help Wanted Advertising	0.0
Priv. Serv-Prod Employment	0.6 Y
Man-Hours Manufacturing	0.1 Y
Manufacturing Wage	1.1 Y
Labor Force	-0.4
Benefit Exhaustions	-20.7 Y
New Claims	-10.3 Y
Unemployment Rate	3.6

Y = Improved Value

The best news about this month's performance concerns labor demand. Layoffs, as measured by **New Claims**, fell by 10.3 percent from its value last April, its best showing since January. Layoffs appear to be trending toward a sub-50,000 level on an annual basis. Long-term unemployment, in terms of **Benefit Exhaustions**, fell at a 20.7 percent rate, its greatest rate of improvement since last June. Unfortunately, **Help Wanted Advertising** failed to improve in April, tarnishing the improvement in labor demand that occurred.

The growth rate of **Single-Unit Permits**, a measure of new home construction, slowed to 12.7 percent in April. While this still represents double-digit improvement, the level of **Permits** remains low (2,078 annual units), ironically a harbinger of our ability to sustain current home price *levels* in the future.

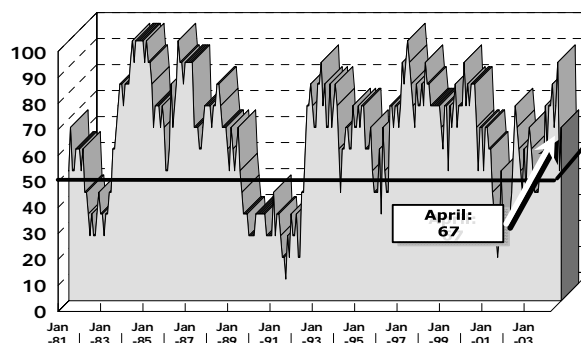
Retail Sales fell (by 4.6%) for the first time since last December, but this follows three consecutive months of double-digit gains. **US Consumer Sentiment** continued to improve in April (+9.5%), which points to ongoing strength in **Retail Sales** even as interest rates rise. **Private Service-Producing Employment** growth continued to decelerate, growing at only 0.6 percent in April, its slowest rate since March of 2002. Surprisingly, despite ongoing budget difficulties, **Government Employment** managed to grow at its fastest rate since June of last year, 1.1%.

Rhode Island's manufacturing labor market showed some strength in April as **Manufacturing Man-hours** rose by a slight 0.1 percent after falling by almost one percent in March (-0.8%). Rhode Island's **Manufacturing Wage** grew by 1.1 percent in April, less than the rates of recent months, leaving our average Manufacturing Wage below \$13 per hour.

In April, Rhode Island's **Labor Force** fell slightly (-0.4%) while its **Unemployment Rate** rose from 5.5 percent last April to 5.7 percent this month, the first time our jobless rate has exceeded the national rate since July of 2001.

In the stock market there is a phrase: "The trend is your friend." I'm afraid that the current trend here, if it continues, might prove to be anything but friendly. What we are seeing is the natural outgrowth of our state's failing to define its dominant niche in the post-manufacturing era (that began in late 1987!!).

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	42	42	42	50	50	50	75	58	75	75	83	67
2004	75	92	50↓	67								