

Current Conditions Index

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Monthly Highlights

Rhode Island's economy began the second quarter in much the same way it moved through the first quarter — at a very tepid pace. The Current Conditions Index for April was 58, once again barely in positive activity, and unchanged from the past two months. While seven of the twelve CCI indicators improved, only two of those showed dramatic changes: **Retail Sales** and the **Unemployment Rate**.

After falling by 2 percent in March, **Retail Sales** came roaring back in April, rising by 15.3 percent! The trend in **Retail Sales** is clearly upward, in spite of two monthly declines in the past ten months. Adding to the impressiveness of this indicator's performance is the fact that **US Consumer Sentiment** declined again in April, by 7 percent, its fifth decrease in the past six months. The **Unemployment Rate** fell significantly in April. The sad news is that, contrary to what people here seem to believe, this is a *lagging* indicator. But, while the April rate was an improvement over its value one year ago (4.7% vs. 5.3%), it was higher than its value in March (4.7% vs. 4.5%).

CCI Indicators - % Change

Government Employment	0.8 Y
US Consumer Sentiment	-7.0
Single-Unit Permits	-12.9
Retail Sales	15.3 Y
Help Wanted Advertising	1.6 Y
Priv. Serv-Prod Employment	2.0 Y
Man-Hours Manufacturing	-4.8
Manufacturing Wage	0.4 Y
Labor Force	0.8 Y
Benefit Exhaustions	7.6
New Claims	3.5
Unemployment Rate	-11.3 Y

Y = Improved Value

Ironically, this is not as bad as it sounds. Why? Because our **Labor Force** rose once again in April (by 0.8%), and accompanying our rising **Labor Force** (+1.65% rise since January) has been an increase in our labor force participation rate. Traditionally, significant improvements in the overall pace of economic activity produce these types of changes. While the CCI of 58 indicates that the pace of activity has remained largely unchanged, the overall job picture appears to have brightened more than the overall economy, which likely accounts for this.

The other dimensions of the labor market that are captured by the CCI gave a mixed picture. Labor demand, in terms of **Help Wanted Advertising** rose once again in April, by 1.6 percent.

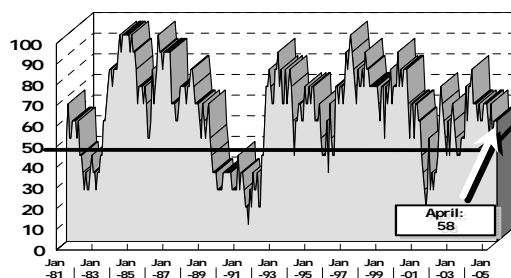
While this is the slowest rate of increase since June of 2003, it does, nonetheless, represent the 28th consecutive month of labor demand growth. After a rare month where both layoffs and long-term unemployment improved simultaneously, things quickly reversed in April. **New Claims**, which represent layoffs, rose in April by 3.5 percent. **Benefit Exhaustions**, a measure of long-term unemployment, rose by 7.6 percent in April, following two months of double-digit declines.

Government Employment rose in April (by 0.8%), moving it back to the 66,000 level, matching its values at the end of last year. **Private Service-Producing Employment** increased by a healthy 2 percent in April, the fourth consecutive month during which growth was at least 2 percent. This statistic is likely the basis for the improving labor force participation we have been witnessing since January. However, the *goods-producing* sector has not been very strong here for some time. **Manufacturing Man-hours** fell by 4.8 percent compared to last April, as manufacturing employment continued its long decline and weekly hours remained well below their levels through November of last year. Along with this, the **Manufacturing Wage** continued to grow slowly, rising by only 0.4 percent in April, remaining barely above \$13 per hour.

Finally, new home construction, as measured by **Single-Unit Permits**, fell sharply once again in March, by 12.9 percent. Since last April, this indicator has fallen every month but three — quite a strange behavior in the midst of such a strong housing boom!

Recently, Fed Chairman Alan Greenspan referred to the behavior of long-term interest rates as a "conundrum." Perhaps Rhode Island's continued mediocre performance in the midst of such a strong national economy is our conundrum.

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	67	67	58	67	58	58	67	67	67	58	50	67
2005	50	58	58	58								