CURRENT CONDITIONS Index

Vol. XIII
Number 7
Apr 2006

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

Rhode Island began the second quarter on a positive note, as the Current Conditions Index for April rose to 67, returning to February's value. Overall, eight of the twelve CCI indicators improved. While there were several strong indicator performances in April, most notably those relating to layoffs, long-term unemployment, and manufacturing wages, Rhode Island's overall performance for April was only mildly encouraging, in that it moved us beyond the doldrums we experienced at the end of the first quarter.

April's strongest indicators by far related to the labor market. **Benefit Exhaustions**, which reflects long-term unemployment, fell by 16.9 percent in April, its strongest performance since last November. **New Claims** for Unemployment Insurance, a measure of layoffs, also continued to improve, falling by 10.9 percent, its most rapid decline since November. **Benefit Exhaustions** have now improved for ten of the last eleven months, while **New Claims** have improved for each of the last twelve months. An important factor underlying the strong performances of these two indicators has been labor demand, measured by **Employment Services Jobs**. After faltering in March, **Employment Service Jobs**, which includes the demand for "temps," resumed its upward trend. It has now risen for nine of the last twelve months.

CCI Indicators - % Change

	% Change	
Government Employment	0.2	Y
US Consumer Sentiment	0.1	Y
Single-Unit Permits	-24.1	
Retail Sales	-0.1	
Employment Services Jobs	1.0	Y
Priv. Serv-Prod Employment	0.9	Y
Total Manufacturing Hours	-5.6	
Manufacturing Wage	3.8	Y
Labor Force	1.9	Y
Benefit Exhaustions	-16.9	Y
New Claims	-10.9	Y
Unemployment Rate	8.0	

Y = Improved Value

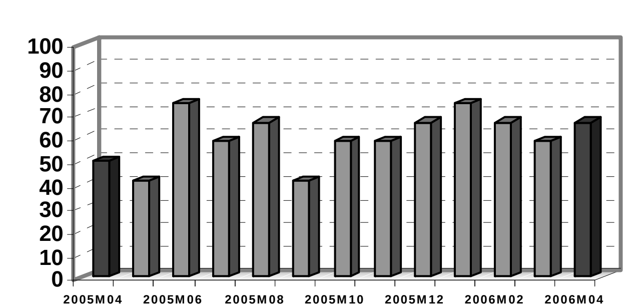
The other strong indicator performance in April was the **Manufacturing Wage**, which rose by 3.8 percent compared to last April. April's value was not a fluke — wage growth was 3.7 percent in March, 2.7 percent in February, and 2.0 percent in January. At $13.52, April's **Manufacturing Wage** was well above the $13 level that was so hard for us to surpass last year. Ironically, as wage growth has accelerated, **Total Manufacturing Hours** has begun to decline at more rapid rates. For April, **Total Manufacturing Hours** fell by 5.6 percent compared to one year ago. Could this be reflecting the early stages of skilled labor shortages?

Our **Labor Force** continued its rapid growth, rising by 1.9 percent in April. While the recent rapid growth in this indicator has been the result of weak "comps," starting next month the comps get more realistic. Our **Unemployment Rate** rose from 5 percent last April to 5.4 percent this April. Don't expect much improvement as the national economy continues to slow and energy prices and balancing our state's budget take a toll.

Speaking of slowing, **Private Service-Producing Employment** grew at a sluggish 0.9 percent rate, its slowest rate of increase since last May. **Government Employment** rose slightly (by 0.2%), in spite of the effects of budget tightening. **Single-Unit Permits**, which measure new home construction, fell by over 24 percent in April, ending a string of four consecutive monthly increases. As interest rates rise and the housing sector continues to weaken, new home construction will likely fail to regain much of its earlier momentum. **Retail Sales** declined slightly (by 0.1%) in April, for only the third time in the last seven months. This occurred as **US Consumer Sentiment** rose very slightly (0.1%), although this was its first increase since June of 2005.

If the past is any guide, Rhode Island's *relative* performance should *improve* as the national economy slows in the second half of this year. Just look back to 2001 and 2002. But there is a major difference this time — we have a major budget deficit to confront, which will unleash a host of negative macroeconomic effects. Will we still improve in relative terms? Only time will tell.

CCI Over the Past 13 Months



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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	50	67	50	50	42	75	58	67	42	58	58	67
2006	75	67	58	67								