

Current Conditions Index

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42

NATIONAL RANK:
Job Growth: #21
Labor Force Growth: #42
JI Index: #28

Monthly Highlights

Amid ongoing weakness in the pace of national economic activity, Rhode Island's economy entered into a recession in August, *prior* to the terrorist attacks that occurred on September 11. August marked the sixth consecutive month during which the CCI fell below its neutral value of 50, a period of sustained contraction that is indicative of the onset of a recession. As of August, the magnitude of the recession was not severe — the Current Conditions Index has remained at 42 throughout all but one month since April, indicating that only 5 of 12 indicators *on average* have been showing improvement. However, the 5 improving indicators are constantly changing: only **Miscellaneous Service Employment** has improved every month during this period, and its rate of

growth in August was only half of what it was one year ago. Examination of the performance of individual indicators, both those that have improved and those failing to improve, points to a greater degree of weakness than a CCI value of 42 appears to indicate.

The strength in our state's economy, like that of the nation, continues to be derived from the housing sector. **Existing Home Sales** rose by 11.7 percent in August, remaining above a 9,500 annual unit rate. As has been true for some time, the limited supply of existing homes available for sale has diminished the "upside" of this indicator. **Single-Unit Permits**, which reflect new home construction, shot up by 21.6 percent in August, its third increase in the last four months. Along with these, construction employment has been rising at 8 percent annual rates or higher since May. The "wealth effect" from rising home equity continued as well, as median and average home prices remained at their highest levels ever. This helped **Retail Sales** remain at a fairly high level in August, a \$10.4 billion annual rate, but even this was 1.1 percent below its value last August.

CCI Indicators - % Change	
Government	0.8 Y
Existing Home Sales	11.7 Y
Single-Unit Permits	21.6 Y
Retail Sales	-1.1
Help Wanted	-23.6
Misc. Service Employ	1.3 Y
Man-Hours Manuf	-3.4
Manufacturing Wage	0.4 Y
Labor Force	-0.2
Benefit Exhaustions	17.5
New Claims	9.2
Unemployment Rate	7.1
Y = Improved Value	

Now for the bad news. Layoffs and job loss continue to pose major problems for Rhode Island. In August, **New Claims for Unemployment Insurance**, which reflect layoffs, rose by 9.2 percent, continuing its upward trend over the past year. **Help Wanted Advertising**, an indicator of labor demand, fell by 23.6 percent. This indicator has fallen at a double-digit rate for every month this year. And, unlike a year ago, it's safe to say that these declines are not the result of employer frustration finding qualified employees. Economic weakness is the primary force at work now. **Benefit Exhaustions**, a measure of the flow of persons into long-term unemployment, rose by 17.5 percent in August, continuing its upward trend over the past year. Unfortunately, medium-term unemployment, as measured by Additional UI Claims, has also continued to rise, which points to an ever-increasing number of re-employed persons being forced into "repeat" unemployment spells. **Manufacturing Man-hours** fell at a 3.4 percent annual rate, tied for their best rate of decline since February. It is quite possible that available data are *overstating* manufacturing employment, so revisions may well make this number even worse. While the **Unemployment Rate** was lower in August than July, largely the result of a falling **Labor Force**, it rose relative to last August. And, it gets worse: at times of rising unemployment, official figures tend to miss increases in *underemployment*—where persons are forced to work fewer than desired hours.

While August was problematic, it will pale in comparison to September. Since so much of Rhode Island's economic momentum has been tied to tourism, retail trade, and rising passenger traffic at T.F. Green Airport, the near-term consequences of the terrorist attacks of September 11 will prove to be severe for our state's economy. In coming months, even as the "interrupted" activities continue to move toward pre-attack levels, the "normal" pace of activity will largely be defined by the forces prevailing in the recessionary period that Rhode Island has now entered into.

	2001	2000
JAN	67	83
FEB	58	83
MAR	42	83
APR	33	58
MAY	42	33
JUN	42* ↑	50
JUL	42* ↓	50
AUG	42	42
SEP		67
OCT		58
NOV		67
DEC		67

*Revised

LABOR MARKET:
Jobs Created: 6,000
Jobs Lost: 1,900

