

CURRENT CONDITIONS Index

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Rhode Island's economic momentum remained somewhat muted in February as the Current Conditions Index was unchanged from its January value of 58, with seven of twelve indicators improving. One reason for the CCI's apparent mediocre performance was weather — there was very cold weather and some snow in February that adversely affected some indicators. The indicator most adversely affected by weather was **Single-Unit Permits**, which reflect new home construction. Yet there were some very strong indicator performances in February, especially **Employment Service Jobs**, a leading employment indicator. And, like recent months, housing weakness carried over into **Retail Sales**.

The strongest performances in February were **Employment Service Jobs**, **Private Servicing-Producing Employment**, and the **Unemployment Rate**. **Employment Service Jobs**, which includes temporary employees, rose by 14.6 percent, its fifth consecutive double-digit increase. **Private Service**

February, falling by 43.7 percent compared to a year ago. Clearly, this large decline was substantially influenced by weather conditions. **Retail Sales** declined by 1.5 percent compared to last February, its third decline in the last four months. This too, was adversely affected by February's weather. But **US Consumer Sentiment** grew by 5.0 percent in February, its sixth consecutive monthly increase.

In February, Rhode Island's manufacturing sector turned in yet another mixed performance. The **Manufacturing Wage** rose by 1.3 percent, continuing the slowdown in its rate of growth that began last November, while **Total Manufacturing Hours** fell by 2.7 percent. This occurred even as the workweek rose. Unfortunately, the increase in hours per employee was more than offset by a decline in manufacturing employment.

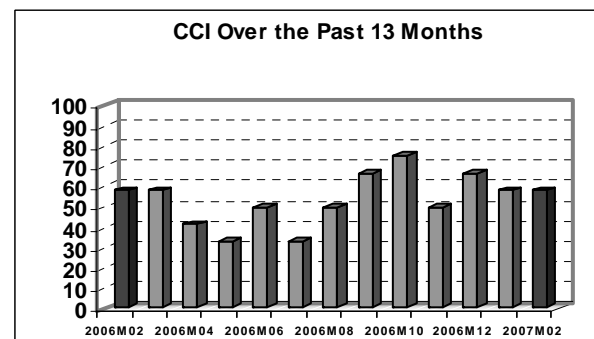
Government Employment fell again in February, by 1.4 percent, its sharpest decline in well over a year. Expect declines in this indicator to be a regular occurrence in light of our state's budget woes. Finally, a critical labor market "pair" failed to jointly improve for the fourth consecutive month. **New Claims** for Unemployment Insurance, which measures layoffs, surged by 11.6 percent in February, continuing its recent upward trend, while at the other end of the layoff spectrum, **Benefit Exhaustions**, which reflects long-term unemployment, fell by 5.2 percent.

CCI Indicators - % Change	
Government Employment	-1.4
US Consumer Sentiment	5.0 Y
Single-Unit Permits	-43.7
Retail Sales	-1.5
Employment Services Jobs	14.6 Y
Priv. Serv-Prod Employment	2.5 Y
Total Manufacturing Hours	-2.7
Manufacturing Wage	1.3 Y
Labor Force	0.9 Y
Benefit Exhaustions	-5.2 Y
New Claims	11.6
Unemployment Rate	-15.4 Y

Y = Improved Value

Producing Employment growth was very healthy, at 2.5 percent in February. This indicator has sustained a growth rate in excess of one percent since September of last year. And, our **Unemployment Rate** fell sharply in February, down from 5.2 percent last February. This is very significant since our labor market performance remains consistent with the downward revisions to last year's data. And, for Rhode Island, it is always important that a declining **Unemployment Rate** coincide with a rising **Labor Force**. For February, Rhode Island's **Labor Force** rose by 0.9 percent compared to last February. However, since last October, the **Labor Force** has struggled to surpass a one-percent rate of growth.

Single-Unit Permits continued its roller coaster ride in



THE BOTTOM LINE

February's data paints a mixed picture of Rhode Island's economic performance. While there were strong and weak indicator performances, some of the weakness was weather related. This fact along with the solid indicator performances leads me to conclude that Rhode Island's economic momentum was stronger in February than what the CCI value indicates.

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	58	58	58	42	33	50	33	50	67	75	50	67
2007	58	58										