

# Current Conditions Index

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## Monthly Highlights

For Rhode Island's economy, 2005 began with a whimper, as the Current Conditions Index for January returned to its neutral value of 50. Overall, there was not as much weakness as a value of 50 typically indicates. And, there were several bright spots, as the labor market data revisions showed more payroll employment growth than we had been led to believe, and a couple of indicators were adversely affected by unseasonable weather in January. Overall, it appears that our economy isn't putting on the breaks as much as it is continuing to step on and off of the accelerator.

**Government Employment** rose for only the second time in the past thirteen months (based on data revisions). It is not clear whether this is the beginning of an uptrend in this indicator, as budget tightening at both the federal and state levels will continue. Labor demand, in terms of **Help Wanted Advertising**, rose by a healthy 6.8 percent on a year-over-year, its strongest growth rate in three months. Job prospects also improved in January, as **Private Service-Producing Employment** rose by 2.4 percent, its fastest rate in over a year. Both of these were instrumental in reducing layoffs, as

CCI Indicators - % Change	
Government Employment	0.2 Y
US Consumer Sentiment	-8.0
Single-Unit Permits	-28.5
Retail Sales	-9.4
Help Wanted Advertising	6.8 Y
Priv. Serv-Prod Employment	2.4 Y
Man-Hours Manufacturing	-5.0
Manufacturing Wage	0.8 Y
Labor Force	-0.7
Benefit Exhaustions	8.4
New Claims	-4.8 Y
Unemployment Rate	-20.0 Y

Y = Improved Value

**New Claims** declined by almost 5 percent, its most rapid decline since last September. **New Claims** has now improved for four of the past six months, hopefully moving it toward a sustainable downtrend. In contrast, **Benefit Exhaustions**, which reflects long-term unemployment, rose by 8.4 percent in January. Apparently, the downtrend in this indicator that was present throughout most of 2004 has now ended.

Two of the stronger indicators of late, **Retail Sales** and **US Consumer Sentiment**, both fell in January. **Retail Sales** declined by 9.4 percent compared to last January, partly the result of weather and heavy post-holiday discounting. In light

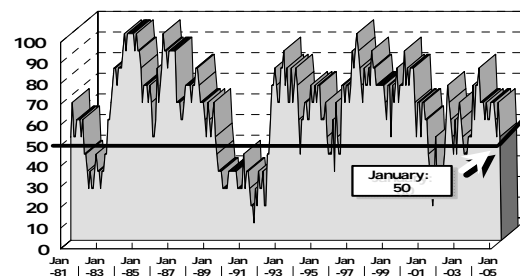
of the recent strength in **Retail Sales**, this is not as negative a statistic as it appears. **US Consumer Sentiment** did decline by 8 percent compared with last January, but its value one year ago was atypically high. Like **Retail Sales**, January's decline should not be taken as an indication of major weakness ahead, but instead, reflective of an adjustment following periods with very high growth.

Rhode Island's manufacturing sector turned in another mixed performance in January, as **Manufacturing Man-hours** fell by 5 percent compared to last January. While this was an improvement over December, it was the second largest decline in over a year. **Manufacturing Wage** growth slowed a bit from December's 1.2 percent to 0.8 percent, keeping Rhode Island's average hourly **Manufacturing Wage** at just under \$13.10 on a seasonally adjusted basis. New home construction fell sharply in January, as **Single-Unit Permits** declined by 28.5 percent compared to last January, largely the result of weather considerations versus one year ago.

Rhode Island's **Labor Force** fell again in January, by 0.7 percent. In light of this decline, the apparently dramatic decline in our **Unemployment Rate**, from 5.5 percent last January to 4.4 percent, should not be viewed as cause for celebration, as it does *not* reflect underlying strength in our economy.

The good news is that 2004, a year with the third largest percentage decline in our **Labor Force**, has ended. The bad news is that our **Labor Force** has continued its decline into 2005, albeit at a slower rate. Rhode Island appears to have a potentially serious structural problem that needs to be addressed. More about this in coming months.

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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											