

CURRENT CONDITIONS Index

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Leonard Lardaro URI

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The recently revised labor market data paint a somewhat different picture of the way our economy actually performed last year. The acceleration in Rhode Island's economic momentum didn't actually occur until year's end. The time period for sluggish activity, from April through August of last year, remained with the newly revised data. Fortunately, the fourth-quarter momentum has carried into the new year. The Current Conditions Index for January was 58, as seven of the twelve indicators improved. Three of the improving indicators turned in strong performances, while weakness in housing, which has carried over into **Retail Sales**, continued.

The strongest performances in January were for **Employment Service Jobs**, **Private Servicing-Producing Jobs**, and the **Unemployment Rate**. Importantly, the first of these is a *leading* indicator, pointing to some potential strength as we move further into 2007.

Employment Service Jobs, which includes temporary employees, rose by 15.0 percent, its fourth consecutive double-digit increase. Data on this indicator was revised higher for much of last year as well. **Private Service Producing Employment** growth was very healthy, at 2.3 percent in January. This has sustained an above one percent growth rate since September of last year. And, our **Unemployment Rate**

CCI Indicators - % Change	
Government Employment	-0.9
US Consumer Sentiment	6.0 Y
Single-Unit Permits	-8.3
Retail Sales	-5.4
Employment Services Jobs	15.0 Y
Priv. Serv-Prod Employment	2.3 Y
Total Manufacturing Hours	-1.3
Manufacturing Wage	1.2 Y
Labor Force	1.1 Y
Benefit Exhaustions	-4.8 Y
New Claims	1.2
Unemployment Rate	-9.6 Y

Y = Improved Value

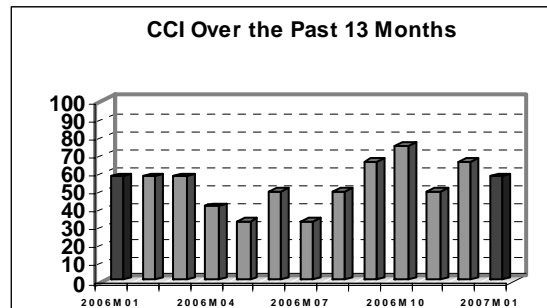
fell sharply, from 5.2 percent last January to 4.7 percent this January. More importantly, the very high jobless rates from the data originally released for last year were largely revised down. The highest **Unemployment Rate** last year was 5.2 percent, not the 5.6 percent rate that was originally reported.

Single-Unit Permits, which reflects new home construction, continued its roller coaster ride, falling by 8.3 percent in

January. And, when housing falters, **Retail Sales** often follows. **Retail Sales** fell by 5.4 percent in January. It should be noted, however, that *the declines in both of these indicators followed atypically strong increases ("comps") last January*. And, **US Consumer Sentiment** grew by 6.0 percent in January, its fifth consecutive monthly increase.

In January, Rhode Island's manufacturing sector turned a mixed performance. The **Manufacturing Wage** rose by 1.2 percent, continuing the slowdown in its rate of growth that began last November, while **Total Manufacturing Hours** fell by (only) 1.3 percent, sustaining its trend of smaller declines of late. The slowing rate of decline in **Total Manufacturing Hours** this month was caused by an increase in the length of the manufacturing workweek which offset the fall in the number of manufacturing employees. The length of the manufacturing workweek has gained momentum of late.

Government Employment fell again, by 0.9 percent, its sharpest decline in over a year. **Labor Force** growth moved back above one percent for the first time since last November. And, a critical labor market "pair" failed to improve for the third consecutive month. **New Claims** for Unemployment Insurance, which measures layoffs, rose by 1.2 percent in January, continuing its recent upward trend, while at the other end of the layoff spectrum, **Benefit Exhaustions**, which reflects long-term unemployment, fell by 4.8 percent.



THE BOTTOM LINE

The recent rebenchmarking of Rhode Island's labor market data didn't bring about major changes to the overall levels of the Current Conditions Index last year, but it did shift the point at which our momentum picked from the first to the fourth quarter. As is so often the case, when the national economy slows, Rhode Island's economy seems to gain momentum.

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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											