

Current Conditions Index

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Also available on my web site: <http://members.home.net/lardaro/current.htm>

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50

NATIONAL RANK:
Job Growth: #31
Labor Force
Growth: #30
JI Index: #44

Monthly Highlights

In the midst of all the bad economic news we're continually subjected to, the July Current Conditions Index provided us with a bit of good news: the consecutive streak of sub-50 values ended at 4. The July CCI was 50, the neutral value for the CCI, a happy jump from the (downwardly revised) June value of 33.

This does not mean that we are out of the "choppy waters" that have adversely affected Rhode Island and the national economy. It merely provides us with further evidence that Rhode Island, like the nation, has avoided falling into a recession *up to this point*, even in the midst of a manufacturing recession.

The performance of Rhode Island's economy in July was mixed, with mostly negatives to report. Only six of the twelve CCI indicators improved. Ongoing labor market weakness hurt our economy in July, while the interest-sensitive portions of our economy showed surprising strength.

The most glaring weakness at present continues to be the labor market. While the recent upward trend in layoffs appears to be moderating, previously laid off persons are adversely affecting both medium and long-term unemployment. *New Claims* for Unemployment Insurance (UI) fell by 0.1 percent relative to last July, and by a whopping 13.9 percent compared to last month. If this trend continues, layoffs may be abating, at least for the short-term. But, previously laid off persons appear to be experiencing problems sustaining employment or becoming re-employed. Additional Claims (repeat layoffs) rose by 12.9 percent, and the number of persons continuing their UI claims rose by 9.6 percent. While long-term unemployment, in terms of *Benefit Exhaustions*, fell by 6% compared to last July,

it rose by 12.5 percent relative to last month, a trend that might signal an end to recent improvements in that indicator. Labor demand, in terms of *Help Wanted Advertising*, continued to drop at a greater than 20 percent rate in July. And, consistent with the national recession in manufacturing, Rhode Island's *Manufacturing Hours Worked* fell again, at an annual rate of 3.2 percent, its slowest decline in the last six months. This occurred in spite of a slight rise in the length of the workweek. The *Manufacturing Wage* also fell, by 0.2 percent, reflecting the ongoing weakness in that sector.

The surprises occurred in the interest-sensitive indicators: *Retail Sales* rose by 5.5 percent in July, and *Existing Home Sales* increased by 8.7 percent. *Single-Unit Permits* was the exception, falling for the first time in the last three months.

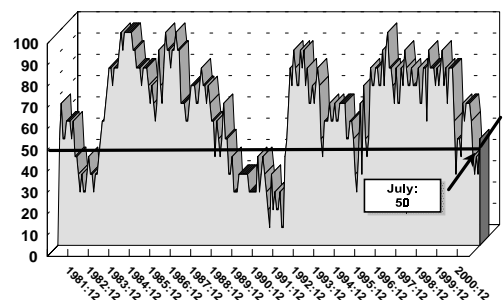
So, Rhode Island appears to have dodged the recession "bullet" for now. The operative phrase is "for now." As those of us who routinely follow Rhode Island's economy are all too aware, whenever the US economy grows at a sub-2 percent rate for several quarters, Rhode Island's recession risk rises dramatically. While we might avoid a recession this year, we might not be so lucky next year. We need an "engine of growth" to appear in the next few months.

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

CCI Indicators - % Change	
Government	-0.8
Existing Home Sales	8.7 Y
Single-Unit Permits	-2.6
Retail Sales	5.5 Y
Help Wanted	-21.7
Misc. Service Employ	1.1 Y
Man-Hours Manuf	-3.1
Manufacturing Wage	-0.2
Labor Force	1.0 Y
Benefit Exhaustions	-6.0 Y
New Claims	-0.1 Y
Unemployment Rate	26.2

Y = Improved Value

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*Revised

LABOR MARKET:
Jobs Created: 5,000
Jobs Lost: 3,500