

Current Conditions Index

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Monthly Highlights

There is good news and bad news for July. First, the good news. The Current Conditions Index for July rose to 58, back into the expansion range, after June's below-neutral value of 42. Seven of the CCI's indicators showed improvement, with three turning in very strong performances. Now for the bad news: the CCI failed to exceed its year-earlier value for the second consecutive month. Expect this trend to continue through the rest of this year, as the upsurge at the end of 2003 will not likely be repeated. More moderate growth is in our future. At least the "soft patch" of June has ended.

Rhode Island's payroll employment increase this year has finally begun to catch up to the national rise after lagging well behind through May. Unfortunately, our state's **Unemployment Rate** has now matched or exceeded the national rate for the last four months, following a long period with below-national-average rates. Perhaps more troubling is the joint behavior of our **Labor Force** and **Unemployment Rate**: Rhode Island's **Labor Force** fell by 0.6 percent in July (compared to July 2003), while our **Unemployment Rate** rose from 5.3 percent to 5.7 percent. Not a happy combination! Ironically, the strongest performance by any CCI indicator in July concerned long-term unemployment: the number of **Benefit Exhaustions** fell by an amazing 23

months. **Help Wanted Advertising** fell by 5.9 percent in July, reflecting ongoing weakness in the demand for labor. In spite of ongoing budget difficulties, **Government Employment** continued its upward trend, rising by 0.2 percent.

The uneven pace of new home construction continued in July. **Single-Unit Permits** barely rose (by 1.1 percent), but this follows a 13 percent rise in June. The good news is that the number of Permits stayed above the 2,000 level at an annual rate once again. **Retail Sales** grew by 3 percent in July, more than erasing its decline last month, and remaining above its twelve-month average. **US Consumer Sentiment** rose again, by 6.5 percent in July, compared to the same month last year.

Rhode Island's manufacturing sector performance in July was mixed once again, as the decline in **Manufacturing Man-hours** accelerated to a 0.8 percent rate, consistent with rates of decline over the past six months, but far better than the declines experienced during the July-October period in 2003. Rhode Island's **Manufacturing Wage** grew by 1.7 percent, a continuation of the recent uptrend in wage growth rates, moving our **Manufacturing Wage** to \$13.11.

We now enter a "slippery" period, with a host of uncertainties whose resolution will ultimately determine the pace of economic activity here for the remainder of this year. As I noted last month, it will be difficult for us to beat comparable ("comps") CCI values from the second half of last year. What Rhode Island needs most right now is a viable "engine" of job growth so that we aren't once again left behind when pace of national economic activity re-accelerates.

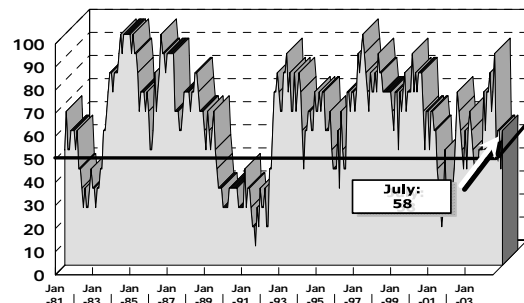
CCI Indicators - % Change	
Government Employment	0.2 Y
US Consumer Sentiment	6.5 Y
Single-Unit Permits	1.1 Y
Retail Sales	3.0 Y
Help Wanted Advertising	-5.9
Priv. Serv-Prod Employment	1.1 Y
Man-Hours Manufacturing	-0.8
Manufacturing Wage	1.7 Y
Labor Force	-0.6
Benefit Exhaustions	-23.0 Y
New Claims	1.4
Unemployment Rate	7.5

Y = Improved Value

percent compared to last July, its fourth double-digit improvement in a row. But, while long-term unemployment continues to improve, the number of layoffs, as measured by **New Claims**, continued to worsen slightly, rising by 1.4 percent in July.

Private Service-Producing Employment continued to experience more rapid growth, as July's growth rate of 1.1 percent was an improvement over the rates of the past two

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2003

2004

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	42	42	42	50	50	50	75	58	75	75	83	67
2004	75	92	50	58	58	42	58					