

Current Conditions Index

LEONARD LARDARO URI

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

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NATIONAL RANK:
Job Growth: #28
Labor Force
Growth: #22
JI Index: #40

Monthly Highlights

In June, the CCI remained below its neutral value of 50 for the fourth consecutive month. While the news isn't exactly upbeat, there is more to be cheerful about than the CCI numbers themselves indicate. First, it is important to keep in mind that the monetary and fiscal policy stimulus to date will continue to extend its influence. Second, this stimulus hasn't yet ended: IRS checks will continue to go out for several more weeks, and the FED has at least one more interest rate cut ahead (in August). Third, there is the ongoing effect of increases in household wealth, which appears to be mitigating possible weakness in

retail sales and Rhode Island's housing market. Consider that **Single-Unit Permits** have *increased* the past two months after posting a disappointing stretch of double-digit declines for about a year. And, even though **Existing Home Sales** continue to fall relative to their value a year ago, home prices, driven by an excess of demand over supply, have continued to rise — to a \$200,000 average price, their highest ever. The interest rate cuts, IRS checks, and growing home equity *in total* is providing many Rhode Islanders with an enhanced ability to sustain consumption spending. Finally, last month's CCI was adversely affected by the layoff of the Census workers, a factor that made **Government Employment** fall when it almost certainly would have increased. In that case, last month's CCI would have been 50, its neutral value, ending the streak of sub-50 values at two. In light of all of this, there is a strong possibility that Rhode Island will be able to avoid a recession this year. Let's keep our fingers crossed!

CCI Indicators - % Change	
Government	-1.9
Existing Home Sales	-5.9
Single-Unit Permits	5.9 Y
Retail Sales	-0.3
Help Wanted	-20.8
Misc. Service Employ	2.2 Y
Man-Hours Manuf	-4.0
Manufacturing Wage	0.5 Y
Labor Force	2.2 Y
Benefit Exhaustions	-8.7 Y
New Claims	18.2
Unemployment Rate	11.9

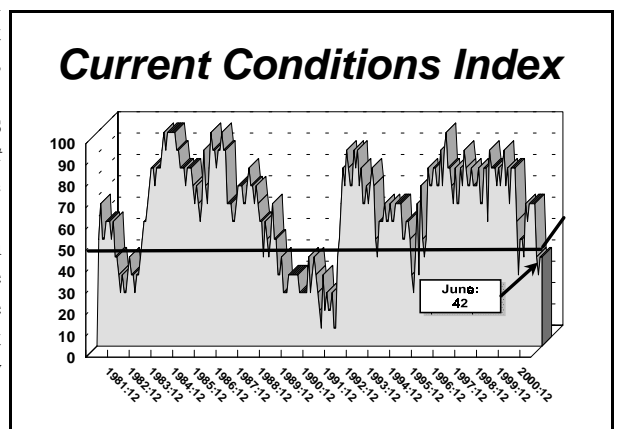
Y = Improved Value

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

The most pressing concern about Rhode Island's current economic performance continues to be weak labor demand. **New Claims** for Unemployment Insurance, which reflects layoffs, rose at a 18.2 percent annual rate, its fifth consecutive double-digit increase, while **Help Wanted Advertising** posted its sixth consecutive double-digit decline. **Manufacturing Man-hours** fell by 4 percent compared to last June, and the **Manufacturing Wage** barely rose (+0.5%). Both of these parallel national manufacturing weakness.

Yet in spite of this bad news, there is some room for optimism. The number of **Benefit Exhaustions** fell by 8.7 percent in June, while Additional Claims declined by 11.8 percent, implying that medium and long-term unemployment appears *not to be* following the same disturbing trend as both layoffs and job listings. And, **New Claims** fell by 9.3 percent *relative to their value last month*, hopefully previewing a reversal of the upward trend for *annual* changes.

Has Rhode Island dodged the recession "bullet" for now? I think it has. I anticipate the pace of economic activity here speeding up as the third quarter ends, extending through the first quarter of next year. Beyond then, let's just say that I'm less sanguine about the outlook.



*Revised

LABOR MARKET:
Jobs Created: 5,500
Jobs Lost: 3,200