

Current Conditions Index

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Monthly Highlights

Rhode Island's economy ended the second quarter on a down note, as the Current Conditions Index fell below its neutral value of 50 in June, with only five of twelve indicators showing improvement. Rhode Island's economic momentum is almost non-existent at the present time. While there were several very good indicator performances in June, the fairly long list of "laggards" remains, reflective of the pockets of weakness that persist.

In general, the list of indicators that continue to boost our economy has remained unchanged. **Retail Sales** grew by a healthy 3.2% in June, in spite of the fact that **US Consumer Sentiment** fell once again. The good news on sentiment is that June's decrease was its smallest in a while. Rhode Island's **Labor Force** sustained its recent rapid growth. Its 3.5% growth rate in June (#4 in the US) marked

sign. Labor demand remained low, as **Help Wanted Advertising** fell by 16.2% in June and **Benefit Exhaustions**, which measure long-term unemployment, rose by 22.1%, following two months of improvement. Rhode Island's manufacturing sector weakened a bit further in June, most notably in the durable-goods sector, as **Manufacturing Man-hours** fell by 3.6%. Fortunately, the **Manufacturing Wage** rose by 0.9%. Wages have continued to grow by just under one percent annually. New-home construction (**Single-Unit Permits**) fell once again, by 15.8% in June. The string of double-digit declines in this indicator has persisted even after the winter thaw. This is a potential cause for some concern, especially since interest rates have begun to rise. Construction employment, however, increased by 2.6% in June, surpassing the 20,000 level. Finally, budget difficulties caused **Government Employment** to decrease by 0.9% in June, the downside in attempts to balance budgets.

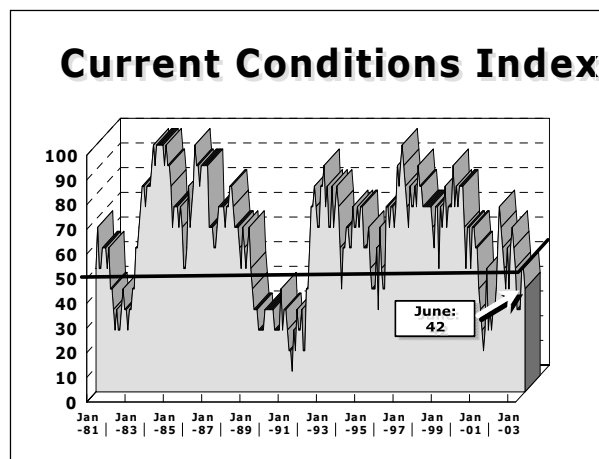
Like the nation, Rhode Island finds its economy taking two steps forward and one step back. As we move forward, I strongly suspect that our forward steps will continue to outnumber the backward steps. However, economic activity for the remainder of this year, while stronger than what it is been up to this point, will not be straight uphill. We will continue to witness periods of strength accompanied by occasional bouts of weakness. Let's hope that what we are witnessing isn't the blueprint for economic recoveries in the

| CCI Indicators - % Change | |
|----------------------------|---------|
| Government Employment | -0.9 |
| US Consumer Sentiment | -3.1 |
| Single-Unit Permits | -15.8 |
| Retail Sales | 3.2 Y |
| Help Wanted Advertising | -16.2 |
| Priv. Serv-Prod Employment | 1.0 Y |
| Man-Hours Manufacturing* | -3.6 |
| Manufacturing Wage* | 0.8 Y |
| Labor Force | 3.5 Y |
| Benefit Exhaustions | 22.1 |
| New Claims | -10.3 Y |
| Unemployment Rate | 18.8 |

Y = Improved Value
* Denotes not seasonally adjusted

the sixth consecutive month with three percent or higher growth. **New Claims** for unemployment insurance fell by 10.3%, their fourth consecutive large decrease. Clearly, the flow of persons into unemployment through layoffs has begun to slow. Finally, **Private Service-Producing Employment**, which accounts for just about all of our job growth, rose by one percent.

Rhode Island's **Unemployment Rate** continued its upward trend in June, reaching 5.7%. The good news is that Rhode Island's rate remains below the national rate, and the dramatic increases in our **Labor Force** signal the return of formerly discouraged workers to the labor force, a positive



| 42 | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 2002 | 58 | 75 | 67 | 58 | 42 | 33 | 50 | 50 | 58 | 67 | 58 |
| 2003 | | 33 | 33 | 33 | 50 | 50 | 42 | | | | | | |