

CURRENT CONDITIONS Index

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The Current Conditions Index improved from its sub-par performance in May, rising back to 58 in June. Seven of the twelve CCI indicators improved in June, with four turning in impressive performances. It should be noted, through, that June was the first month in 2006 where the CCI fell below its value one year earlier. This may well be a pattern we see throughout much of the second half of this year.

All of June's noteworthy indicator performances were labor related, reflecting labor demand (**Employment Services Jobs** and the **Manufacturing Wage**), labor supply (**Labor Force**), and long-term unemployment (**Benefit Exhaustions**).

As has been true for the US economy, the pace of economic activity in Rhode Island remains sluggish. Weakness occurred in the same general areas that have been problematic nationally. In June, new home construction, as measured by **Single-Unit Permits**, fell by a whopping 28.7 percent

CCI Indicators - % Change	
Government Employment	0.3 Y
US Consumer Sentiment	-11.6
Single-Unit Permits	-28.7
Retail Sales	1.1 Y
Employment Services Jobs	3.9 Y
Priv. Serv-Prod Employment	0.9 Y
Total Manufacturing Hours	-5.0
Manufacturing Wage	3.3 Y
Labor Force	1.8 Y
Benefit Exhaustions	-7.4 Y
New Claims	2.0
Unemployment Rate	10.0

Y = Improved Value

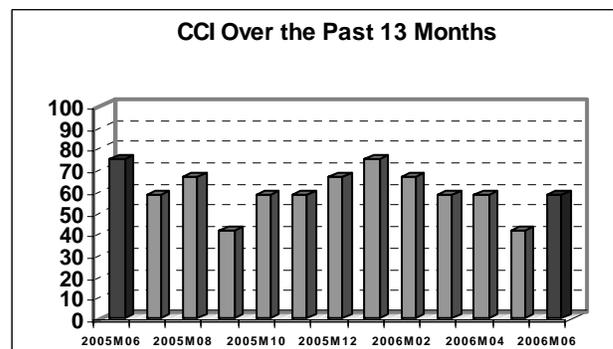
compared to a year ago, the third consecutive month for which this indicator has declined at a greater than 20 percent rate. **Retail Sales** grew slightly, by 1.1 percent (note that this is a preliminary figure), a welcome change after two months of declines. **US Consumer Sentiment** fell once again in June, by 11.6 percent, the twelfth consecutive decline for this indicator.

A manifestation of our current sluggish activity is the tendency for strength in one indicator to be offset by weakness in a related indicator. There were four examples of this in June. **Benefit Exhaustions**, which reflects long-term unemployment, fell by 7.4 percent in June, its eighth consecutive monthly improvement. But, while long-term unemployment continued to improve, layoffs, as measured by

New Claims for Unemployment Insurance, rose once again in June (by 2.0%), the second consecutive time this indicator has failed to improve following a year of declines. Rhode Island's average **Manufacturing Wage** rose by a healthy 3.3 percent compared to last June, the fourth consecutive month for which wage growth has exceeded 3 percent. At \$13.49, our **Manufacturing Wage** remains well above the \$13 level that was so hard for us to surpass last year. Yet **Total Manufacturing Hours** continued to decrease in June, with its rate of decline accelerating to 5 percent as both the workweek and employment fell. Could the accelerated wage growth reflect the early stages of skilled labor shortages?

Employment Service Jobs, which includes the demand for "temps," grew by a strong 3.9 percent in June, its sixth strong performance in the last seven months. But **Private Service-Producing Employment** growth fell below a one-percent rate (+0.9%) in June, its weakest performance in well over a year.

Finally, while **Labor Force** growth remained strong, rising by 1.8 percent in June, our **Unemployment Rate** jumped from 5.0 percent last June to 5.5 percent this June. Perhaps more troubling, Rhode Island's **Unemployment Rate** has remained at or above the national rate since September of last year. Fortunately, this is a *lagging* and not a *leading* indicator.



THE BOTTOM LINE

Rhode Island's economy gained some momentum in June, bettering May's sub-par performance. But June was the first month this year during which we failed to better last year's value. It is very possible that this pattern will persist as we move into the second half of this year.

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	50	67	50	50	42	75	58	67	42	58	58	67
2006	75	67	58	58	42	58						