

Current Conditions Index

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

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NATIONAL RANK:
Job Growth: #31
Labor Force Growth: #34
JI Index: #24

	2001	2000	1999
JAN	67	83	92
FEB	67* ↑	83	83
MAR	42	83	83
APR		58	83
MAY		33	75
JUN		50	83
JUL		50	75
AUG		42	83
SEP		67	92
OCT		58	75
NOV		67	83
DEC		67	67

*Revised

LABOR MARKET:
Jobs Created: 7,400
Jobs Lost: 1,800

Monthly Highlights

The Current Conditions Index fell below its neutral value of 50 in March, as only 5 of the 12 indicators showed improvement. March's results provide further evidence of a noticeable weakening in the pace of economic activity here. **New Claims** for Unemployment Insurance (UI), the most timely measure of layoffs, jumped a lofty 32.8 percent relative to its value last March. The number of Additional Claims for UI, which reflects "repeat" jobless spells, climbed 36.9%. Along with this, **Help Wanted Advertising** dropped to its lowest level since December of 1999, and growth in **Manufacturing Wages** was non-existent in March. While the manufacturing sector of the US economy continues to be mired in a recession, this status is not reflected in employment data for Rhode Island.

Manufacturing Man-hours declined at a 3.6 percent annual rate, an *improvement* from the 5 percent decline in February. While Rhode Island has shed much of its manufacturing job base over the past two decades, the pace of the decline in manufacturing labor utilization here appears to be understated based on the currently released data.

The performance of the interest-sensitive portion of Rhode Island's economy also showed ongoing weakness in March. **Retail Sales** declined at a 2.9 percent rate, continuing the dramatic deceleration in growth relative to the past year. New home construction, as measured by **Single-Unit Permits**, fell by 26.5 percent, *its eleventh double-digit decline in the last twelve*

months. The bright spot in the housing market, so to speak, was **Existing Home Sales**, which fell at a 5.4 percent rate, but this was largely the result of a continued lack of supply, not economic weakness.

In spite of all these negatives, it is important to keep in mind that Rhode Island is *not* in a recession at present. Its **Unemployment Rate** rose to 4 percent in March, once again the highest rate of any New England state, but below the national rate for March, consistent with full employment for the ninth consecutive month. Unfortunately, the Unemployment Rate is a lagging indicator. So, as Rhode Island's economy continues to slow, this rate will rise, very soon to a level above that consistent with full employment.

One potentially disturbing possibility, which concerns gauging actual job growth, might provide ammunition to those (i.e., all but me, it seems) who think Rhode Island is in a recession. Historically, the CES monthly payroll employment data for Rhode Island, which is based on a somewhat limited sample, have misstated changing trends. When job growth rose noticeably last year, the monthly data substantially understated the increase. In 1992, when the recovery had already begun, monthly job data indicated an ongoing recession. Given the recent spikes in layoffs, the current employment data might actually be overstating employment. Enough for us to be in recession? I doubt it! The reason I created the CCI was to address this very question. If the sub-50 CCI values continue, I will join the recession club.

CCI Indicators - % Change	
Government	0.5 Y
Existing Home Sales	-5.4
Single-Unit Permits	-26.5
Retail Sales	-2.9
Help Wanted	-21.3
Misc. Service Employ	1.5 Y
Man-Hours Manuf	-3.6
Manufacturing Wage	0.0
Labor Force	1.3 Y
Benefit Exhaustions	-7.6 Y
New Claims	32.8
Unemployment Rate	-4.8 Y

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