

# Current Conditions Index

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

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# 67

## Monthly Highlights

	2002	2001
JAN	58	42
FEB	75	33
MAR	67	25
APR		17
MAY		25
JUN		50
JUL		25
AUG		33
SEP		25
OCT		33
NOV		33
DEC		42

March provided further evidence that Rhode Island's economy is in a recovery. The Current Conditions Index for March was 67, a significant improvement over its value of 25 last March, and the third straight month at an above-50 value. Eight of the twelve CCI indicators improved in March. As was true for February, strength and significant weakness continue to coexist.

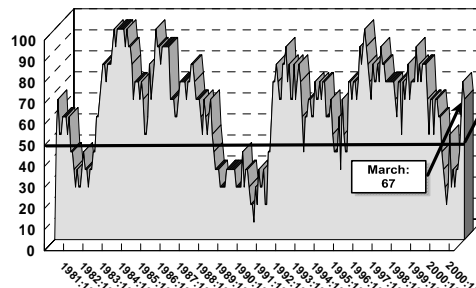
Both **Single-Unit Permits** and **Retail Sales** again posted very strong gains in March, while **Miscellaneous Service Employment** grew by a healthy 2 percent. **Single-Unit Permits**, which reflect new home construction, rose at a 12.9 percent rate compared to last March. And, while construction employment fell for the fourth time in the last five months, it remains comfortably above 18,000, only 15 percent below its peak in the 1980s recovery. Clearly the warm weather and continuing low mortgage rates are helping us to sustain our housing sector momentum. While the existence of a "housing bubble" might indicate an end of our housing sector's momentum is in sight, Fed Chairman Alan Greenspan and others (including myself) do not believe that a bubble exists at present. **Retail Sales** surged by 22.9 percent in March. While Rhode Island's budget situation continues to worsen, it is definitely *not* the result of weakness in our retail sector. Improvement in **US Consumer Sentiment** is helping both housing and retail sales and likely will continue to do so in the near term. Ironically, if Rhode Island mirrors the current national trend of slowing growth in clothing sales, the March growth rate for retail sales might actually be understating retail sales strength here, since the sales tax data used to calculate retail sales excludes clothing sales.

The weakness that continues to coexist with strong retail sales and housing is related to current job prospects for the unemployed. This should come as no surprise, since March's job growth was essentially zero. Labor demand, in terms of **Help Wanted**, remained well below its value a year ago (-18.8%). Along with this, long-term unemployment, as reflected by **Benefit Exhaustions**, rose by 45.8 percent in March, continuing a string of double-digit increases that began last August. The number of persons continuing to collect UI benefits remains high, rising by 11.5 percent above its value last March. While this primarily reflects ongoing problems the unemployed are experiencing with finding employment, it also reflects a "work disincentive effect" of UI, as persons continue current jobless spells in an attempt to qualify for Federal Emergency Unemployment Compensation. The good news about unemployment, once again, is the declining trend in layoffs: **New Claims** fell by 11.6 percent in March.

For March, Rhode Island's **Unemployment Rate** fell from 4.7 percent a year ago to 4.2 percent this month. While our jobless rate remains well below the national rate, at present, the seasonally adjusted rate (used in the CCI) is significantly below the non-seasonally adjusted rate. Severe job contraction continued in Rhode Island's manufacturing sector, as **Manufacturing Man-Hours** fell by 7.1 percent in March, matching its greatest decline in last year's recession. Along with this, the **Manufacturing Wage** rose by one percent, reflecting the continuing loss of "low end" manufacturing wages which tends to raise the overall average wage.

As I noted last month, we continue to witness atypical economic times. For March, Rhode Island's payroll employment growth rate was slightly negative (-0.08%) — *yet this was tied for highest growth rate among the New England states (with Maine)!* And while manufacturing continues to redefine itself, as the employment base in that sector continues its sharp decline, we are in the process of eliminating the current "low end" while bringing about greater average productivity. All of this is good news.

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In gauging Rhode Island's current economic health, though, don't make the mistake of focusing solely or primarily on our Unemployment Rate. While Rhode Island's March rate was comparable to that of all the other New England states with the exception of Connecticut, our current rate is only 0.3 percentage points above the low it attained in the last recovery (of 3.9%). For every other New England state, the March Unemployment Rate is *at least* 0.9 percentage points above its previous recovery low. So, we haven't really improved relative to the other New England states in terms of this statistic — rates in the other New England states have deteriorated to the point that their rates are now comparable to those Rhode Island has experienced for the last few years.

CCI Indicators - % Change	
Government	-0.3
US Consumer Sentiment	4.7 Y
Single-Unit Permits	12.9 Y
Retail Sales	22.9 Y
Help Wanted	-18.8
Misc. Service Employ	2.0 Y
Man-Hours Manuf	-7.1
Manufacturing Wage	1.0 Y
Labor Force	0.6 Y
Benefit Exhaustions	45.8
New Claims	-11.6 Y
Unemployment Rate	-10.6 Y
Y = Improved Value	

\*Revised