Current Conditions Index

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

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Monthly Highlights

Rhode Island ended the first quarter with a whimper, as the Current Conditions Index remained stuck at a value of 33, which is consistent with economic contraction. Only four of the twelve CCI indicators improved in March. This extended the string of decreases or "contraction" values that began in the fourth quarter of last year. What could possibly be worse? The January CCI was revised down from 42 to 33. And, in March, **Retail Sales**, the last "holdout" among the original list of strongly performing indicators, declined for the first time since November of 2001.

Both the CCI values for 2003 and the declining trend at the end of last year suggest very strongly that Rhode Island may well be in the early stages of a "double-dip" recession. Clearly, though, a longer duration, typically six months of sub-50 values, is required before that determination can officially be made. As I stated last month, however, *I remain unconvinced that Rhode Island is actually in a recession at the present time*. The atypically large amount of "noise" in the available economic data continued in March. And, while the influence of the harsher-than-normal weather diminished somewhat in March, the uncertainties associated with the initiation of hostilities with Iraq remained. Neither the post-war surge in consumer sentiment, the run-up in stock prices, or the substantial declines in gasoline prices are reflected in March's data.

CCI Indicators - % Change		
Government Employment	-0.2	
US Consumer Sentiment	-19.0	
Single-Unit Permits	-13.3	
Retail Sales	-4.8	
Help Wanted Advertising	-15.4	
Priv. Serv-Prod Employment	1.5	Y
Man-Hours Manufacturing*	-3.8	
Manufacturing Wage*	0.7	Y
Labor Force	2.9	Y
Benefit Exhaustions	26.3	
New Claims	-6.5	Y
Unemployment Rate	8.2	

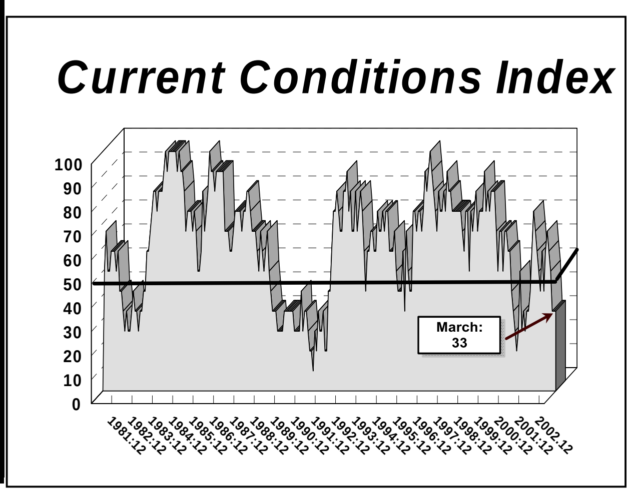
Y = Improved Value

* Denotes not seasonally adjusted

The data for March offers little to cheer about. Our **Unemployment Rate** remained below the national rate once again. Even though it has been rising of late, consider the fact that Rhode Island's **Labor Force** grew at an amazing 2.9 percent in March. An **Unemployment Rate** increase of 0.4 percentage points with such rapid **Labor Force** growth is not necessarily a disappointment, especially if it reflects the return of formerly "discouraged workers" back into the **Labor Force** (i.e., they re-initiate job search in light of improved employment possibilities). Unfortunately, this month's surge in the **Labor Force** is far more likely to be the result of the new population controls initiated by the government which makes last March's data not strictly comparable to the value for this March.

Private Service-Producing Employment rose again in March, by 1.5 percent, a slower growth rate than what had occurred since September of last year. The pleasant surprise was **New Claims** for Unemployment Insurance, which fell by 6.5 percent, its first improvement this year. While the **Manufacturing Wage** rose slightly in March (by 0.7%), manufacturing overall remained weak as **Manufacturing Man-hours** fell by 3.8 percent. Ironically, that was one of the smaller declines in Man-hours for some time (since the new hours data only goes back to January of 2001, I can't say exactly when we did as well, though).

The list of non-improving indicators remains long. One all-too-familiar pattern persisted — weak labor demand. **Help Wanted Advertising** fell again at a double-digit rate (-15.4%). The number of **Benefit Exhaustions,** which reflects long-term unemployment, rose sharply (+26.3%). This was the largest increase since September of 2002. Even **Government Employment** declined, by 0.2 percent. Sadly, **Retail Sales**, which had posted some amazing gains over the past few years, also fell, by 4.8 percent.



My best guess is that Rhode Island's economy is "treading water" at present, perilously close to a recession. Whenever the national economy grows at less than a 2-percent rate for any sustained period, Rhode Island always experiences problems. The present time is no exception. As bad as things here seem, it should be noted that Rhode Island's payroll employment grew by 0.2 percent in March, giving it a national ranking of #12 — second in New England only to Vermont and one of only 20 states to experience positive job growth in March. The real question is whether the spike in national post-war activity becomes an upward trend or just another unsustainable spike. Only time will tell. In the meantime, I will "throw in the towel" and believe that a recession exists only if **Private Service-Producing Employment** begins to decline. Barring that, I will remain cautiously optimistic that recent events are in fact part of a sustainable upward trend unless the data indicate more clearly that a recession exists.