

Current Conditions Index

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Monthly Highlights

NATIONAL RANK:
Job Growth: #34
Labor Force Growth: #27
JI Index: #29

For the third consecutive month, the CCI has fallen below its neutral value of 50. The good news for May is that April's CCI was revised down from 42 to 33, making this month an improvement. And, given the prospect of substantial economic stimulus from the series of interest rate cuts and the upcoming tax rebates, this month's CCI might just be signaling that a bottom has been reached. One possible reason: while everyone seems so intent on focusing on the wealth effect as it relates to the stock market, in Rhode Island, housing prices have risen sharply of late, potentially providing large amounts of home equity to

otherwise "tired" consumers. The combination of interest rate cuts and higher home equity is allowing many Rhode Islanders to increase the sizes of their personal lines of credit, giving them access to more credit at very affordable (tax deductible) rates. And, let's not forget the new federal tax rules that allow more home equity to be written off when a property is sold. All told, this might be enough to allow Rhode Island to weather the remaining economic weakness and stave off a recession. Let's hope so!

While housing numbers weren't all that wonderful in May, at least **Existing Home Sales** remained at historically high levels. Their small annual decline can be overlooked in light of the limited supply of homes available for sale and the stimulus the recent home equity is providing. Surprisingly, **Single-Unit Permits** actually rose in May, albeit by less than one percent. And, construction employment has almost reached the 20,000

level. Not quite the "good old days," but the highest in a very long time. Year-to-date, this is up 4.1 percent. Another interest-sensitive indicator, **Retail Sales**, fell for the second time in the last three months. Its level, too, remains strong, sustaining a greater-than \$10 billion annual rate.

Weakness continues to be most evident in the labor market. **New Claims** for Unemployment Insurance, which reflects layoffs, rose at a 21.9 percent rate, its fourth consecutive double-digit increase. The extent of layoffs is also apparent from the behavior of additional claims, which rose by 20.1 percent, pointing to increased difficulties by persons who were re-employed in weeks and months past sustaining employment. This should not come as much of a surprise in light of the continuing double-digit declines in **Help Wanted Advertising**. At least the number of **Benefit Exhaustions** fell by 9.3 percent, so long-term unemployment is not recurring as a problem yet. Like the nation, though, manufacturing weakness is evident. **Manufacturing Man-hours** fell by 4.6 percent compared to last May, and the **Manufacturing Wage** barely rose (+0.3%). The layoff of about 2,000 government Census workers hurt payroll employment, but even with those persons, job growth wouldn't have been much to cheer about.

Continued strength in housing prices here might prove to be decisive in terms of whether Rhode Island falls into a recession this year, buying us time until monetary and fiscal policy effects take hold. Let's hope so. The downside risk in a recession for Rhode Island is greater than many think — much of this self-imposed.

CCI Indicators - % Change	
Government	-2.7
Existing Home Sales	-0.3
Single-Unit Permits	0.9 Y
Retail Sales	-0.5
Help Wanted	-19.0
Misc. Service Employ	1.8 Y
Man-Hours Manuf	-4.6
Manufacturing Wage	0.3 Y
Labor Force	1.6 Y
Benefit Exhaustions	-9.3 Y
New Claims	21.9
Unemployment Rate	4.7

(Y= improvement)

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

*Revised

LABOR MARKET:
Jobs Created: 5,900
Jobs Lost: 5,100

