

# Current Conditions Index

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# 50

## Monthly Highlights

2003 2002

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

This month's Current Conditions Index contains good news and bad news. The good news is that the Rhode Island economy is not contracting — for the second consecutive month the CCI attained its neutral value of 50. The bad news is that we have yet to begin a sustained period of expansion — statistically, at least, Rhode Island's economy remains flat. But, a careful look at the performance of individual indicators leads me to believe that this month's value of 50 is the best neutral value I have seen in quite some time. It appears to be signaling a "breakout" period where we will soon move to a period of expansion (starting next month, I suspect).

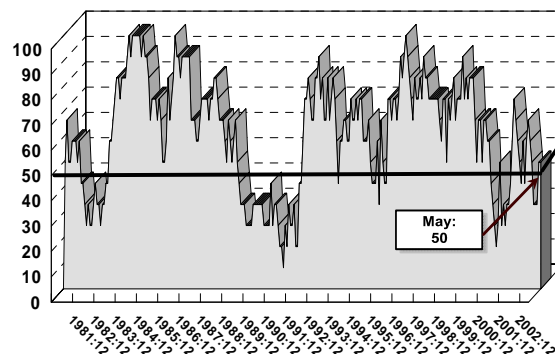
The area of Rhode Island's economy that has been its weakest, the labor market, is showing improvement in almost every category. Layoffs, as measured by **New Claims** for Unemployment Insurance, fell sharply (by 24.6%), its second consecutive double-digit improvement. Long-term unemployment, in terms of **Benefit Exhaustions**, also fell for the second consecutive month, in May by 7 percent. Payroll employment, the number of jobs in Rhode Island, rose by a historically small 0.5 percent compared to last May, but, this gave Rhode Island a national rank of #12. The other employment measure, resident employment, the number of Rhode Islanders who are working, jumped by 2.7 percent versus last May, a rise of 14,400! While these two employment figures show a rather large divergence (payroll employment rose by 2,400 since last May), resident employment reflects areas of gain such as self-employment that are not picked up in the other number. Even Rhode Island's rising **Unemployment Rate** is good news. Why? The rise in the **Unemployment Rate** to 5.4 percent in May was accompanied by a significant rise in the labor force participation of persons in this state, which means that as job prospects here improve (either actual or as perceived by the unemployed), persons begin looking for jobs again. While these persons are still unemployed, their official status changes from "Not in the Labor Force" (and omitted from the monthly jobless number), to "Unemployed" and in the labor force, ironically, causing the **Unemployment Rate** to rise. As evidence supporting this, consider that Rhode Island's **Labor Force** rose by 18,400, compared to last May, a 3.3 percent increase, which gave us a national rank of #4.

Some labor market weakness remains, though. **Manufacturing Man-hours** fell by 3.3 percent in May, a continuation of weakness in Rhode Island's manufacturing sector that mirrors national trends. Happily, the **Manufacturing Wage** rose by 0.9 percent, extending a trend of approximately one-percent growth that began in January. **Government Employment**, reflecting budget woes, fell once again, by 0.9 percent in May. This indicator has been either stagnant or declining for five consecutive months now. **Help Wanted Advertising**, one measure of labor demand, fell again at a double-digit rate (-11.4%). At least **Private Service-Producing Employment** rose again, this month by 1.2 percent.

So, in the labor market, the flow of persons into unemployment through layoffs appears to be slowing, while unemployment resulting from renewed job search is rising. While this results in a rising **Unemployment Rate**, it does not indicate as much weakness as many might think.

**Retail Sales** remained very brisk, growing by 7.3 percent compared to last May, sustaining their long-term upward trend. This is impressive in light of the fact that **US Consumer Sentiment** fell again in May compared to one year ago, but by at a smaller rate than what we have seen of late, indicating that overall sentiment may well be leveling off, hopefully about to improve, reflecting recent stock market momentum and other factors. Now that the ground is no longer frozen, new home construction in Rhode Island, in terms of **Single-Unit Permits**, continues to fall at far slower rates than we witnessed in the first few months of this year.

### Current Conditions Index



CCI Indicators - % Change	
Government Employment	-0.9
US Consumer Sentiment	-5.2
Single-Unit Permits	-2.3
Retail Sales	7.3 Y
Help Wanted Advertising	-11.4
Priv. Serv-Prod Employment	1.2 Y
Man-Hours Manufacturing*	-3.3
Manufacturing Wage*	0.9 Y
Labor Force	3.3 Y
Benefit Exhaustions	-7.0 Y
New Claims	-24.6 Y
Unemployment Rate	10.2
Y = Improved Value	
* Denotes not seasonally adjusted	

As we move to the end of the first half of 2003, there is reason for guarded optimism concerning Rhode Island's economic prospects. We appear to have made the first steps toward improved activity. And, with the ongoing effects of monetary easing and the recent enactment of a fiscal stimulus package, things appear to be brighter here than they have been for months. Of course, all of this stimulus takes time to work, so don't expect the third quarter to be "straight up;" expect some "bumps" along the way. Wouldn't it be nice if those were speed bumps? Let's keep our fingers crossed.