

CURRENT CONDITIONS Index

Vol. XIV
Number 6
May 2007

Leonard Lardaro URI

Also available online: <http://members.cox.net/lardaro/current.htm>

As we move toward the end of the second quarter, there is good news for Rhode Island: the Current Conditions Index emerged from its two month slump (with a neutral and a declining value) all the way back to 67, its highest level since last December. Eight of the twelve CCI indicators improved in May. And unlike April, there was very little in terms of mitigating circumstances behind these indicator performances.

Five indicators turned in very strong performances in May. **Retail Sales** grew sharply above its value last May, as did **US Consumer Confidence**, **Employment Service Jobs**, and **Single-Unit Permits**. The **Unemployment Rate** was significantly lower than its level last May, accompanied by a rising **Labor Force**. Only two of these, **Employment Service Jobs** and **Single-Unit Permits** had qualifications. For **Employment Service Jobs**, its May growth of 3.0 percent was very good historically, but well below both April's rate and

Rhode Island's **Unemployment Rate** dropped from 5.2 percent last May to 4.8 percent this May. And, in terms of what matters a great deal in gauging any improvement in this indicator for Rhode Island, this was accompanied by a rising **Labor Force**. For May, Rhode Island's resident **Labor Force** rose by 0.2 percent compared to a year ago. One precautionary note, however, is that **Labor Force** growth continues to less than it was since October of last year.

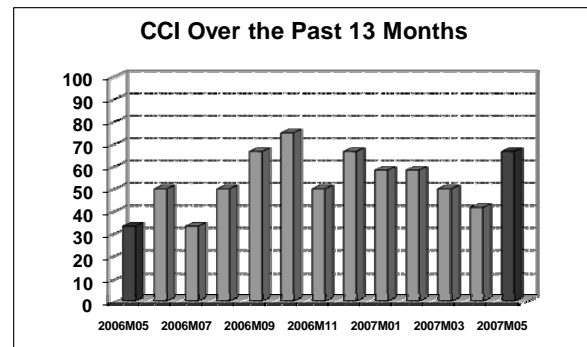
Looking at the other labor market indicators, **Private Service Producing Employment** grew by 1.9 percent in May, a noticeable improvement over April, and more consistent with what had been a trend of about 2 percent growth. Rhode Island's manufacturing sector turned in a mixed performance. **Total Manufacturing Hours** fell by 2.9 percent, its worst performance since last September. As this occurred, **Manufacturing Wage** growth accelerated sharply to 2.5 percent in May, its strongest growth since last June. **Government Employment** fell once again, by 0.2 percent in May, its eighth consecutive decline. And finally, the performance of a critical labor market pair deteriorated in May. **New Claims** for Unemployment Insurance, which measures layoffs, rose by 3.9 percent, while at the other end of the layoff spectrum, **Benefit Exhaustions**, which reflects long-term unemployment, rose by 9.3 percent.

CCI Indicators - % Change	
Government Employment	-0.2
US Consumer Sentiment	12.0 Y
Single-Unit Permits	9.6 Y
Retail Sales	6.3 Y
Employment Services Jobs	3.0 Y
Priv. Serv-Prod Employment	1.9 Y
Total Manufacturing Hours	-2.9
Manufacturing Wage	2.5 Y
Labor Force	0.2 Y
Benefit Exhaustions	9.3
New Claims	3.9
Unemployment Rate	-7.7 Y

Y = Improved Value

the string of double-digit growth rates we saw from October through March. As this is a leading economic indicator, its May performance may be pointing to sluggish job growth ahead. **Single-Unit Permits** grew by 9.6 percent compared to last May, but its value last May was extremely low, making May's growth more of a move off of an extremely weak "comp." Clearly, the recent behavior of this indicator has been extremely volatile, making its overall trend difficult to discern.

Now for the really good news. **Retail Sales** turned in a very strong performance in May, growing by 6.3 percent, rising to its highest level since December. Along with this, **US Consumer Confidence** moved out of its recent doldrums, increasing by a very healthy 12 percent in May, its first improvement in three months.



THE BOTTOM LINE

What a difference a month makes! Rhode Island moved out of a "soft patch" with significant improvement in May. Acceleration at this juncture is critical, as our sizeable budget deficits will soon begin to slow our rate of economic growth, not only hurting tax revenue growth, but causing our deficit to get worse before it gets better.

67

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	58	58	58	42	33	50	33	50	67	75	50	67
2007	58	58	50	42	67							