

Current Conditions Index

LEONARD LARDARO URI

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

Volume VIII, Number 1

November 2001

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Monthly Highlights

November marked the ninth month of Rhode Island's current recession. The Current Conditions Index for November fell to 25 from October's 42, as only 3 of the 12 CCI indicators improved. **Miscellaneous Service Employment** has now become the only consistently improving indicator, albeit by ever-diminishing amounts. New home construction, boosted by a series of interest rate cuts has sustained its recent momentum, rising for six of the last seven months. Other than these, the only indicator to improve in November was **Government Employment**, driven by increases in local education employment.

The performance of the interest-sensitive portion of Rhode Island's economy was mixed. **Single-Unit Permits**, which reflect new home construction, rose by an impressive 8.8 percent in November, its fourth consecutive increase. Accompanying this was an 11.2 percent rise in construction employment, keeping it above 20,000 for the third consecutive month. **Retail Sales** fell by 2.5 percent, remaining just above a \$10 billion annual rate. Such a decline is not necessarily a sign of more widespread weakness in the retail sector, as October's retail sales results were clearly unsustainable and, while **US Consumer Sentiment** declined once again at a double-digit rate in November, it was only slightly lower than September's value.

The worst news continues to be related to layoffs and labor demand. **New Claims for Unemployment Insurance**, the most timely measure of layoffs, rose by 24.5 percent compared to last November. Even more disturbing is the fact that November's **New Claims** were only 1.5 percent lower than October's levels, which were inflated by the terrorist events in September. **Help Wanted Advertising**, an indicator of labor demand, fell by 38 percent. This indicator has now fallen at double-digit rates every month since

December of 2000. **Benefit Exhaustions**, a measure of the flow of persons into long-term unemployment, rose by 26.6 percent in November, making them 35 percent higher than their value when the present recession began in March. Even medium-term unemployment, as measured by Additional UI Claims, shot up by 22.9 percent in November, as ever-increasing numbers of previously re-employed persons continue to find themselves forced into "repeat" jobless spells. Rhode Island's manufacturing sector continued its recession as **Manufacturing Man-hours** fell at a 5.5 percent annual rate, virtually unchanged from its October level while the average **Manufacturing Wage** remained unchanged, below its recent peak in August of this year. Clearly both of these indicators reflect the ongoing national manufacturing recession. If my suspicion is correct, Manufacturing Man-hours is presently *understating* the severity of Rhode Island's manufacturing sector contraction.

Rhode Island's **Unemployment Rate** rose again in November, to 4.4 percent according to published data, while its **Labor Force** declined by 0.7 percent. Based on my own econometric estimates, I continue to believe that the published unemployment rate is *understated*. My estimates place the November jobless rate at 4.8 percent, the continuation of a gradual upward trend that began in July of this year (my estimates do not see the 5.3 percent "spike" for that month in currently available data). We will have to wait for the January 2002 data to see if my conjectures prove to be correct.

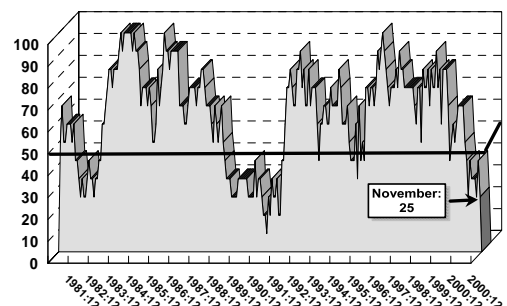
While the stock market appears to have bottomed out in late September, any inference that this signals the beginning of either a national or state recovery as of the present time is at best premature. Rhode Island's economy remains weak. The end of 0% financing for autos and some durable goods will be the equivalent of a short-term raising of interest rates by the Federal Reserve. And, even when the national manufacturing recession ends, Rhode Island will not benefit as much as one might think, since manufacturing man-hours here have been declining for years. What Rhode Island will need is a viable engine of growth to propel us out of this recession. In light of this, expect the current recession to continue well into 2002 and possibly beyond that time.

2001 2000

JAN	67	83
FEB	50	83
MAR	42	83
APR	25	58
MAY	42	33
JUN	33	50
JUL	33	50
AUG	33	42
SEP	25	67
OCT	42	58
NOV	25	67
DEC		67

CCI Indicators - % Change	
Government	1.2 Y
US Consumer Confid	-22.0
Single-Unit Permits	8.8 Y
Retail Sales	-2.5
Help Wanted	-38.0
Misc. Service Employ	0.6 Y
Man-Hours Manuf	-5.5
Manufacturing Wage	-0.0
Labor Force	-0.7
Benefit Exhaustions	26.6
New Claims	24.6
Unemployment Rate	18.9
Y = Improved Value	

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*Revised

LABOR MARKET:
Jobs Created: 5,900
Jobs Lost: 4,000