

Current Conditions Index

LEONARD LARDARO URI

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

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Monthly Highlights

The fourth quarter continues to show the sustaining of recent momentum, as the Current Conditions Index for November was 58, slightly below October's value of 67, but clearly part of an upward trend that has continued since the sub-par performance we experienced earlier this year, starting in May. For November, the CCI was once again in the "expanding" range, with seven of twelve indicators improving. Values of the CCI for 2002 will likely display a U-shape, as the second and third quarters exhibited less economic momentum than either the first or fourth quarters. While it seems redundant to reiterate the fact that at this point, pockets of weakness continue to exist in this slow and uneven recovery, at least it is possible to state conclusively that Rhode Island has not entered into the second dip of a "double-dip" recession, even though we flirted with that possibility in the second quarter.

Retail Sales growth was very strong in November, 10.5 percent on a year-over-year basis. This was the second consecutive month of rapid growth after a weak September (+1.5%). Year-to-date, **Retail Sales** are up a healthy 6.6 percent, remaining above their 12-month average for the past six months. There has been much speculation about a weak Christmas shopping season this year. In the aggregate, retail sales figures in Rhode Island point to a great deal of spending, especially when one considers the fact that retail sales is a *dollar value*, which is affected by markdowns. If, with discounting, the same *number* of goods is sold this year as last, the *dollar value* of sales will actually fall, something that will no doubt be interpreted as a "disaster" by short-sighted analysts. Would retail sales really be a disappointment then? I expect this to be a moot issue, as my projection is for a 2 to 3 percent rise this year for Rhode Island, which, with discounting, actually displays a great deal of strength and momentum. The more pertinent question is thus whether that momentum will be sustained in 2003.

Payroll employment, with revisions, did not suffer the (feared) five month consecutive decline, as jobs increased for both October and November on a month-to-month basis. While this will very likely be revised with January's data release (rebenchmarking) since annualized growth in November was 3 percent, Rhode Island displayed the sixth highest rate of year-over-year growth for all states. The surprising part of the jobs performance relates to **Miscellaneous Service Employment**, whose rate of growth has slowed dramatically of late, to one-third its growth rate last November. The rise in the number of jobs in this category compared to last November was almost identical to that for **Government Employment** (+1,800 vs. +1,600). The last time anything similar to this occurred was back in 1991 as far as I can tell.

Rhode Island's **Unemployment Rate**, 5.1 percent, was slightly higher than its value one year ago, but it remains almost one full percentage point below the national rate (of 6%). This is noteworthy for several reasons, not just that we continue to display a below-national average value, but our jobless rate has remained low or falling as our **Labor Force** is rising. For November, Rhode Island's **Labor Force** was 2.3 percent higher than last November, ranking this 12th nationally. Historically, growth in our **Labor Force** is accompanied by a rising **Unemployment Rate**.

There continue to be areas of weakness, mainly labor demand and manufacturing. **Help Wanted Advertising**, an indicator of labor demand, remained unchanged from a year ago — a major improvement from a long string of double-digit rises. Year-to-date, **Help Wanted Advertising** is 20.3 percent below its average for the first eleven months of last year. While some Unemployment Insurance related indicators have been improving on a year-to-year basis, there is reason to believe this might not be sustained going forward. **New Claims**, the most timely measure of layoffs, fell at a double-digit rate (-14.9%) for the second consecutive month, while additional claims, which reflect repeat jobless spells also declined significantly, as did the number of persons with continuing claims. The bad news for these is that on a sequential (month-to-month) basis, they either rose or improved at a far slower rate. This was especially apparent for **Benefit Exhaustions**, a measure of long-term unemployment, which rose yet again, by 17.5 percent in November. With the renewal of extended federal jobless benefits, this indicator will continue to rise in the coming months.

Manufacturing here, like the nation, remains weak, especially durable goods. **Manufacturing Man-hours** has fallen every month for the last twenty-two months. November's decline of 2.3 percent was not as severe as some recent declines, but year-to-date, this indicator remains 4.1 percent below last year. The **Manufacturing Wage** barely rose in November (+0.2%), and its level (\$12.28) remains very low, in spite of the "clearing out" of low-end manufacturing that has taken place.

Statistically, Rhode Island resembles the nation in terms of the performance of a number of economic indicators, with several above-average performances, most notably payroll employment. Unfortunately, a large part of our relatively strong rankings is the result of past failures: our relative inability to attract high-tech firms has spared us from job loss in more "successful" states, while our high marginal tax rates helped to preserve tax revenues during these weak times. Now that we have a new Governor, we need to define our future path. Since "Hope" is our state motto, we must begin to figure out what to hope for and how to attain it.

CCI Indicators - % Change	
Government	2.6 Y
US Consumer Sentiment	0.4 Y
Single-Unit Permits	-6.0
Retail Sales	10.5 Y
Help Wanted	0.0
Misc. Service Employ	1.1 Y
Man-Hours Manuf	-2.3
Manufacturing Wage	0.2 Y
Labor Force	2.3 Y
Benefit Exhaustions	17.5
New Claims	-14.9 Y
Unemployment Rate	4.1
Y = Improved Value	

	2002	2001
JAN	58	42
FEB	75	33
MAR	67	25
APR	58	17
MAY	42	25
JUN	33	50
JUL	50	25
AUG	50	33
SEP	58	25
OCT	67	33
NOV	58	33
DEC		42

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