

# CURRENT CONDITIONS Index

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The early fourth quarter doldrums we witnessed in October were erased somewhat as the Current Conditions Index moved from its neutral value of 50 last month back to its "first gear" value of 58 in November. While Rhode Island's economy continues to grow, it does so without a great deal of momentum. The underlying story should be all too familiar by now: the forces generating positive momentum continue to be offset by negative factors. As a result, Rhode Island's economy continues to lag the pace of national economic activity.

That's not to say that there was no good news in November. Rhode Island's **Labor Force**, **New Claims**, and **Benefit Exhaustions** all turned in very strong performances. The one-month decline in labor demand that we witnessed in October also ended. And **Retail Sales** continued to grow at a healthy pace, in spite of weak **Consumer Sentiment**.

**Retail Sales** growth (+2.1%) was below its longer-term average, reflective of a modest holiday shopping season. Keep in mind that this measure, which is derived from sales tax

CCI Indicators - % Change	
Government Employment	-0.3
US Consumer Sentiment	-12.1
Single-Unit Permits	-17.9
Retail Sales	2.1 Y
Help Wanted Advertising	0.7 Y
Priv. Serv-Prod Employment	2.2 Y
Total Manufacturing Hours	-5.3
Manufacturing Wage	1.7 Y
Labor Force	3.4 Y
Benefit Exhaustions	-21.8 Y
New Claims	-15.7 Y
Unemployment Rate	8.3

Y = Improved Value

revenue, excludes clothing purchases, which have done well of late. So, the November rate understates the growth of total **Retail Sales** somewhat. November also witnessed another sharp drop in **US Consumer Sentiment** (12.1 percent), its eleventh decline since last November.

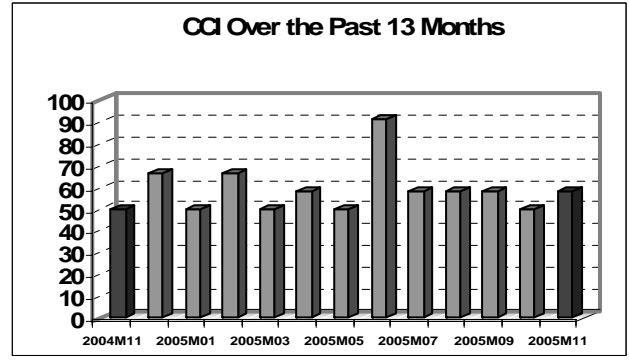
The demand for labor, in terms of **Help Wanted Advertising**, rose in November by 0.7 percent, ending its one-month decline. Along with this improvement, there were dramatic declines in both **Benefit Exhaustions**, which reflect long-term unemployment (-21.8%) and **New Claims**, which mirrors layoffs (-15.7%). For **Benefit Exhaustions**, this was its best performance since June. The decline in **New Claims** was its

sharpest in over a year. Hopefully, the trend of monthly improvements in *both* of these indicators has resumed.

November saw yet another dramatic rise in our **Labor Force** (+3.4%), but the "comp" from last November was weak. At any rate, our **Labor Force** has now risen every month since March, reversing last year's string of persistent declines. In view this continued **Labor Force** growth, the rise in our **Unemployment Rate** from 4.8 percent last November to 5.2 percent this November is less problematic than it appears.

**Government Employment** fell again in November (by 0.3%), keeping it below 66,000. As this was occurring, the rate of growth in **Private Service-Producing Employment** accelerated back to 2.2 percent, which has been its highest rate of growth in the last year. Weakness in our goods-producing sector continued. **Total Manufacturing Hours** fell by 5.3 percent, its most rapid rate of decline since August. Yet in spite of this decline, the **Manufacturing Wage** grew by 1.7 percent in November, which matches its most rapid rate of growth in the last year. Unfortunately, new home construction, in terms of **Single-Unit Permits**, fell by 17.9 percent in November, continuing the roller coaster ride of monthly changes.

November's economic performance provided the uptick in the CCI that I anticipated in last month's report. While the pace of economic activity in Rhode Island is not as rapid as we would like, I believe that our performance is a bit stronger than the 58 indicated by this month's CCI. Let's be thankful the winter thus far has been relatively mild and that energy prices have remained at levels that have not threatened the pace of national economic activity.



58		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2004	67	67	58	67	58	58	67	67	67	58	50	67
	2005	50	67	58	58	50	92	58	58	58	50	58	