

Current Conditions Index

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Monthly Highlights

Rhode Island began the fourth quarter on a high note, sustaining last quarter's improved performance. The October Current Conditions Index remained at 67, well above its neutral value of 50, as eight of twelve indicators improved. In contrast to the tepid performances of several indicators in early 2003, the October data show continued improvement for a number of indicators with significant strengthening of several labor market indicators.

Retail Sales, which has been a stellar performer throughout this recovery, grew more slowly in October. Calculation difficulties caused by the recording of meals tax receipts might have made this month's improvement appear to be smaller than it actually is. **US Consumer Sentiment** rose sharply in October, by 11.5 percent, finally exceeding a value of 90, as the improving stock market and brightening job prospects have finally allowed this indicator to move out of its earlier doldrums. Volatility in new home construction continued in October, as **Single-Unit Permits** surged by 32.3 percent compared to last October. This indicator has now risen at double-digit rates for three of the last four months.

CCI Indicators - % Change	
Government Employment	-0.6
US Consumer Sentiment	11.5 Y
Single-Unit Permits	32.3 Y
Retail Sales	0.2 Y
Help Wanted Advertising	-9.7
Priv. Serv-Prod Employment	1.1 Y
Man-Hours Manufacturing*	-2.8
Manufacturing Wage*	0.7 Y
Labor Force	1.2 Y
Benefit Exhaustions	2.1
New Claims	-10.0 Y
Unemployment Rate	-18.5 Y

Y = Improved Value
* Denotes not seasonally adjusted

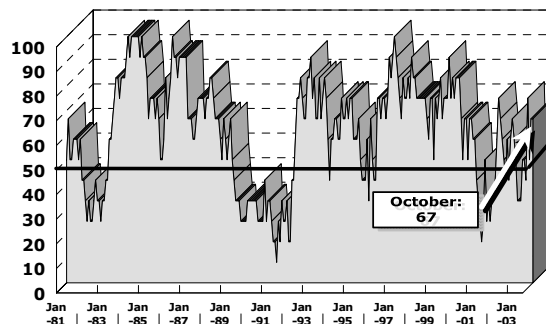
Labor demand overall appears to have strengthened in October, in spite of yet another fall in **Help Wanted Advertising** and a slight rise in **Benefit Exhaustions**. October's decline in **Help Wanted Advertising** was the only single-digit decrease (other than August) in a year. **Benefit Exhaustions**, a reflection of long-term unemployment, rose by only 2.1 percent in October, far less than that for September. Hopefully this slowing signals the return of this

indicator to a declining (improving) trend. **New Claims** for Unemployment Insurance, the most timely measure of layoffs, fell at a double-digit rate for the second consecutive month (September by 21.8%), continuing an improving trend that began in March. Rhode Island's **Unemployment Rate** sustained the sharp drop it registered in September, moving from 4.5 percent to 4.4 percent. As I noted last month, the full percentage-point decline in this indicator below its value a year ago is far larger than what is justified based on "fundamentals." Enjoy this low value while you can, it will be revised upward to around 5 percent when data revisions are published in February.

Rhode Island's manufacturing labor market remained weak in October, as **Manufacturing Man-hours** fell (again) by 2.8% and the **Manufacturing Wage** rose at its lowest rate in over a year (0.7%), sustaining a trend of sub-one percent annual growth. **Private Service-Producing Employment** grew at slightly above one percent (+1.1%), continuing a weak stretch that began in April. Finally, ongoing budget difficulties resulted another fall in **Government Employment** (-0.6%), the downside in attempts to balance state and local budgets.

While October's CCI is not as high as it has been in the early stages of past recoveries, it does indicate that we have continued to gain breadth and momentum during the second half of 2003. It is reasonable to expect similar performances in upcoming months as the pace of national economic activity continues to improve. Expect sustained growth through at least through the first half of 2004.

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67	2002	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		58	75	67	58	42	33	50	42	50	58	50	33
67	2003	33	33	33	50	50	42	75	50	67	67		