Current Conditions Index

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

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33

NATIONAL RANK:
Job Growth: #25
Labor Force Growth: #37
JI Index: # 9

	2001	2000
JAN	67	83
FEB	58	83
MAR	42	83
APR	33	58
MAY	42	33
JUN	42	50
JUL	42	50
AUG	42	42
SEP	33	67
OCT		58
NOV		67
DEC		67

*Revised

LABOR MARKET:
Jobs Created: 5,000
Jobs Lost: 3,100

Monthly Highlights

Rhode Island's recession continues. The CCI for September was 33, the seventh consecutive month during which it has fallen below its neutral value of 50. Only 4 of the 12 indicators improved in September — and one of those just barely. As has been true for some time, **Miscellaneous Service Employment** is the only indicator that has improved for each of the last 12 months. And, even its rate of growth is slipping, now below a one percent annual rate. The pattern that appears to be emerging is this: *while Rhode Island's economy has not "fallen over the edge" or anything even approaching that up to now, it is weaker than the CCI's monthly value appears to indicate.*

CCI Indicators - % Change		
Government	-0.2	
Existing Home Sales	-7.1	
Single-Unit Permits	1.1	Y
Retail Sales	-5.2	
Help Wanted	-25.0	
Misc. Service Employ	0.9	Y
Man-Hours Manuf	-5.3	
Manufacturing Wage	0.1	Y
Labor Force	0.5	Y
Benefit Exhaustions	17.7	
New Claims	25.2	
Unemployment Rate	0.0	
Y = Improved Value		

Rhode Island's primary economic momentum continues to be derived from its housing sector. While **Existing Home Sales** fell by 7.1 percent in September, the limited supply of existing homes available for sale continues to diminish the potential "upside" of this indicator. **Single-Unit Permits**, which reflect new home construction, rose by a modest 1.1 percent, its fourth increase in the last five months. Along with these, construction employment once again rose at a greater-than 8 percent annual rate (since May). The "wealth effect" from rising home equity continued, as median price of existing homes in September was $161,100 and the average price was just under $200,000. Along with all the refinancings and persons tapping into their home equity, **Retail Sales** remained above a $10 billion annual rate. While this was 5.2 percent below its value last September, clearly the events of September 11 hurt retail sales. *Actually, a less-than double digit decline in retail sales is probably good news in light of September's events*!

Now for the bad news. Layoffs, job loss, and weak labor demand continue to worsen. In August, **New Claims for Unemployment Insurance**, which reflect layoffs, rose at a stunning 25.2 percent compared to last September. **Help Wanted Advertising**, an indicator of labor demand, fell by 25 percent. This indicator has now fallen at double-digit rates for every month this year. **Benefit Exhaustions**, a measure of the flow of persons into long-term unemployment, rose by 17.7 percent in September, also continuing its upward trend for the year. Even medium-term unemployment, as measured by Additional UI Claims, shot up in September, rising by 33.7 percent, as ever–increasing numbers of previously re-employed persons found themselves forced into "repeat" jobless spells. **Manufacturing Man-hours** fell at a 5.3 percent annual rate, their highest rate of decline since July of 1999. This is troubling since it is quite possible that the available data are *over*stating manufacturing employment, and revisions will make this number even worse. The **Manufacturing Wage** barely increased, by 0.2 percent, reflecting the ongoing effects of the national manufacturing recession. While the *published* **Unemployment Rate** remained unchanged in September, even with a slightly rising **Labor Force**, I believe this rate is *under*stated at present based on my own econometric estimates that place September's rate at between 4.4 and 4.7 percent. It is difficult to imagine that as the national rate rose over the past few months, layoffs here accelerated, and job growth slowed, that our rate would fall from 5.3 to 3.9 percent.

Apparently October's jobless rate only rose slightly, as no layoff "spikes" occurred after September 11. Actually, major layoff and jobless spikes had already occurred — earlier this year: February for New Claims (+30.9%); March for Additional Claims (+24.2%); and April for Benefit Exhaustions (+18.4%). Even Help Wanted saw its most recent peak as far back as *April of 2000*. As a result, Continued UI Claims for September attained their highest level since June of 1997, sustaining an upward trend that began in *November of 2000*.

If my conjectures prove to be correct, currently published statistics are overestimating employment and underestimating this state's unemployment rate. Such statistics, *along with the CCI*, are very likely providing a slightly more optimistic picture Rhode Island's current economic performance than they should be.

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