

Current Conditions Index

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Monthly Highlights

Rhode Island ended the third quarter with its strongest quarterly performance since the first quarter of 2002, as the September Current Conditions Index rose from its neutral reading of 50 in August to 67 in September. In contrast to the tepid performances of several indicators in August, the September data displayed considerably more strength overall. Rhode Island's recovery continues to be uneven, but the improving breadth of economic activity here is becoming more apparent. And, with acceleration in the pace of national economic activity, third quarter strength here should continue through the end of this year — at least.

Retail Sales continued its impressive long-term performance in September, rising by 7.3 percent on a year-over-year basis. This indicator continues to remain well above the \$11 billion level (on a seasonally adjusted annualized basis), a trend that began in April. Retail strength was accompanied by the third

CCI Indicators - % Change	
Government Employment	-0.9
US Consumer Sentiment	2.1 Y
Single-Unit Permits	25.8 Y
Retail Sales	7.3 Y
Help Wanted Advertising	-14.3
Priv. Serv-Prod Employment	0.7 Y
Man-Hours Manufacturing*	-2.6
Manufacturing Wage*	1.0 Y
Labor Force	1.5 Y
Benefit Exhaustions	6.8
New Claims	-21.4 Y
Unemployment Rate	-15.1 Y
Y = Improved Value	
* Denotes not seasonally adjusted	

consecutive rise in **US Consumer Sentiment**, which increased by 2.1% in September, buoyed in part by the improving stock market and brightening job prospects. Volatility in new home construction continued in September. **Single-Unit Permits** rose at a double-digit rate (+25.8%) after falling by 14.6 percent in August. This indicator has now risen for two of the last three months, hopefully ended a long string of declines (most of which were double digit). Based on our recent experience, higher interest rates have yet to hurt either **Retail Sales** or **US Consumer Sentiment** as much as historical relationships would imply.

Some weakness in Rhode Island's labor demand persists. **Help Wanted Advertising** continued its long string of declines in September, falling by 14.3 percent relative to its value last

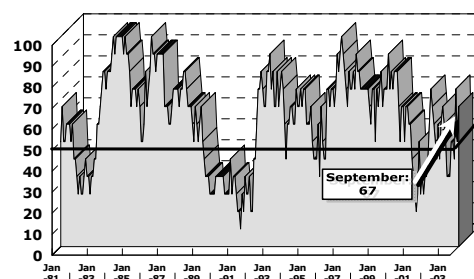
September. **Benefit Exhaustions**, a reflection of long-term unemployment, rose by 6.8 percent in September, potentially ending a string of improvements (i.e., declines).

Fortunately, other elements of Rhode Island's labor market showed strength. Our **Unemployment Rate** fell sharply in September (to 4.5 percent), placing it almost a full percentage point below its values in August or last September. This decline is larger than is justified based on "fundamentals," however, so it is preferable to view the *direction* rather than the *magnitude* of this change. And, **New Claims** for Unemployment Insurance, the most timely measure of layoffs, fell at a double-digit rate in September (by 21.4%), its fifth such decline in the last six months, reversing the one-month rise in August.

Rhode Island's manufacturing labor market weakened a bit less in September than in past months, as **Manufacturing Man-hours** fell by (only) 2.6%. In spite of this, the **Manufacturing Wage** rose by 1.0%, continuing its trend of slightly less than one percent annual growth since October of last year. **Private Service-Producing Employment** growth slowed, up by only 0.7 percent in September, the continuation of a weak stretch that began in April. Finally, ongoing budget difficulties resulted in **Government Employment** decreasing by 0.9%, the downside in attempts to balance state and local budgets.

As the US economy continues to improve, expect Rhode Island to follow, albeit at slower growth rates. This welcome uptick in the pace of economic activity should generate many benefits, not the least of which will be improvement in our state's budget.

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