

Current Conditions Index

LEONARD LARDARO URI

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

Volume VII, Number 3

January 2001

58

NATIONAL RANK:
Job Growth: #30
Labor Force Growth: #38
JI Index: #17

	2001	2000	1999
JAN	58	83	92*↑
FEB		83*↓	83*↑
MAR		83*↓	83
APR		58	83*↓
MAY		33*↓	75
JUN		50*↓	83
JUL		50*↓	75*↓
AUG		42*↓	83*↓
SEP		67	92
OCT		58*↑	75
NOV		67*↑	83*↑
DEC		67*↑	67*↑

*Revised

LABOR MARKET:
Jobs Created: 8,600
Jobs Lost: 700

Monthly Highlights

Forget what you thought about how well Rhode Island's economy performed last year. According to revised labor market data, economic activity in 2000 was weaker than we were originally led to believe. The CCI failed to better its year-earlier value for any month last year. And, as the revised CCI values indicate, our growth rate slowed noticeably from May through August. During that period, the CCI fell below its neutral value of 50 in May, then managed to return to 50 for the next two months before dropping to 42 in August. Had we known what the revised data would show at that time, the inevitable question would have been whether or not Rhode Island was about to fall into a recession.

In fact, during the last quarter of 2000, at least one local forecaster stated that Rhode Island was indeed in the midst what he termed a "mild recession." Fortunately for us and unfortunately for him, this was not the case. CCI values for the fourth quarter were revised upward (see table on left), reflecting an *acceleration* of growth that permitted us to avoid a recession. A consecutive string of sub-50 values for the CCI was nowhere to be found.

The reason why fourth quarter values never fell below 50 on a sustained basis is not difficult to see. **Retail Sales** grew by 4.8 percent, our **Unemployment Rate** finally fell below the 4 percent level on a sustained basis, and *for the year 2000 as a whole, Rhode Island's job growth outpaced the nation for the first time since 1992.*

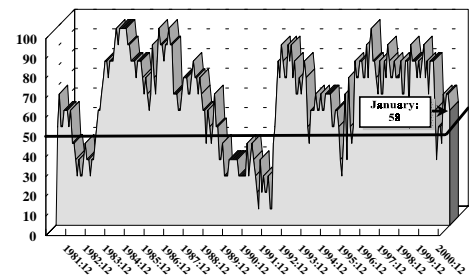
If that's a recession, then the only thing we have to fear is a depression!

As for January of 2001, the CCI value of 58 indicates an expanding economy. But this month's CCI is below the January values for both of the preceding years. **Retail Sales** growth, 0.9 percent, was the slowest for any month since June of 1997. **New Claims** for Unemployment Insurance, which reflect layoffs, declined by a healthy 8.1 percent, at the same time **Benefit Exhaustions** rose, erasing two months of double-digit improvement. The revised **Unemployment Rate** of 3.7 percent showed that Rhode Island remained at full employment for the eighth consecutive month, even though Rhode Island's jobless rate was a full percentage point higher than that of any other New England state. Manufacturing-sector performance was puzzling. While manufacturing at the *national* level is in a recession, **Manufacturing Man-hours** for Rhode Island actually rose at the same time Hourly **Manufacturing Wage** growth slowed to just above zero. Both housing market indicators declined in January: **Existing Home Sales** fell at a 7 percent annual rate while **Single-Unit Permits** fell at a 2.9 percent rate compared to January of 2000, even though their level was the highest since May of 2000.

The CCI has served its purpose again: just as it did in late 1995, it indicates that contrary to local "wisdom," Rhode Island is not in a recession. I expect us to avoid a recession in 2001. The CCI will tell us if my assessment proves to be correct.

CCI Indicators - % Change	
Government	0.0
Existing Home Sales	-7.0
Single-Unit Permits	-2.9
Retail Sales	1.0 Y
Help Wanted	-11.5
Misc. Service Employ	1.7 Y
Man-Hours Manuf	0.2 Y
Manufacturing Wage	0.0 Y
Labor Force	1.0 Y
Benefit Exhaustions	1.0
New Claims	-8.1 Y
Unemployment Rate	-14.0 Y

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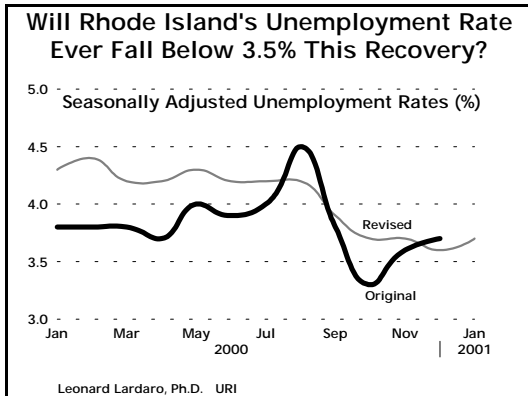
Key Data Changes for Rhode Island in 2000

Leonard Lardaro

Professor of Economics, URI

UNEMPLOYMENT RATE

According to the newly revised labor market data, Rhode Island's seasonally adjusted unemployment rate fluctuated in the range between 4.0 and 4.4 percent throughout the first three quarters of last year, higher than the sub-4 percent values prior to July that the original data had indicated. In September of 2000, Rhode Island's seasonally adjusted unemployment rate finally dropped below the 4 percent level. According to the revised data, though, it has yet to fall below 3.5 percent (see graph). As of January 2001, Rhode Island's rate edged up slightly from 3.6 percent to 3.7 percent. It remained the highest rate of any New England state by a full percentage point.



According to the revised labor market data, Rhode Island has now been at full employment (i.e., at or below a 4.2 percent level based on my econometric estimate of this magnitude) for *eight consecutive months*.

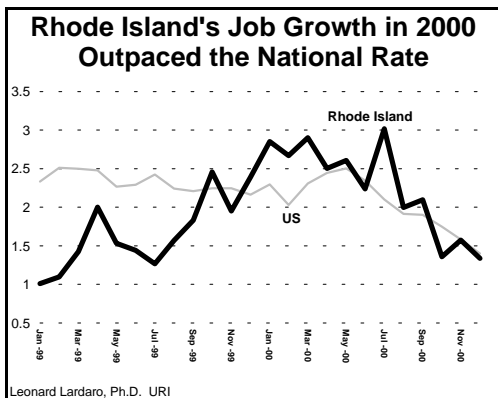
Based on the newly revised data, the Jobless Improvement Index (JI Index) for Rhode Island only improved from its year-earlier values in the last three months of 2000. From January through August of 2000, JI Index values were

consistently positive, indicating that in total, Rhode Island's unemployment rate and its change were worse than the national averages for those measures in each of those months.

PAYROLL EMPLOYMENT

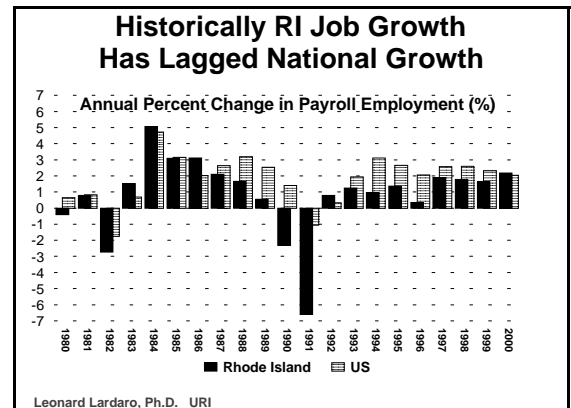
This was the area with the greatest surprise: the newly rebenchmarked labor market data indicate that Rhode Island's rate of job

growth surpassed a 2 percent rate for the first time this entire recovery! Not only did Rhode Island finally break through the 2% "barrier" that had alluded it for so long, in 2000, Rhode Island's payroll employment growth exceeded the national rate as well (2.2% for RI versus 2.0% for the US). The last time Rhode Island's job growth outpaced national job growth was in 1992, following a mind-



boggling decline of 6.6 percent in 1991, Rhode Island's "year from hell."

The rate of job growth for Rhode Island actually began to slow a couple of months after the national rate slowed (see graph). As the graph shows, both Rhode Island and the nation experienced dramatically slower rates of job growth in the last half of 2000.



POPULATION

The 2000 census revealed yet another pleasant surprise. The last Census Bureau estimate of Rhode Island's population prior to the new census, that for July of 1999, indicated a resident population of 990,819. Based on this figure, just about everyone expected the April 2000 census estimate to be below the last census value of 1,003,464 and a virtual "lock" on the last place national rankings for inter-censile population growth. Happily, the new census value for Rhode Island, 1,048,319 far exceeded expectations. While our population growth since the last census was 4.5 percent, we barely escaped a ranking of 50th in terms of the ten year population growth, attaining a rank of #45.

The implications of this new census figure are critically important. First, annual estimates provided by the Census Bureau for the 1990s showed Rhode Island losing population for *seven consecutive years*. When new estimates are completed in about a year, I expect the upward revisions to our population to indicate declines for at most three of those years. Thus, Rhode Island's demographics were far more favorable for housing growth than anyone had been led to believe. Second, in about a year, expect "household survey" labor market data, especially resident labor force, resident employment, and the number of unemployed to be revised higher. As a result of this, I anticipate the gap between resident and payroll employment to be greater, indicating a somewhat higher number of Rhode Islanders working out-of-state than we could have inferred based on previously available data.