

Current Conditions Index

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

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50

NATIONAL RANK:
Job Growth: #32
Labor Force Growth: #44
JI Index: #36

| | 2000 | 1999 | 1998 |
|-----|------|------|------|
| JAN | 83 | 83 | 75 |
| FEB | 92 | 75 | 75 |
| MAR | 100 | 83 | 83 |
| APR | 58*↓ | 92 | 75 |
| MAY | 50 | 75 | 75 |
| JUN | | 83 | 75 |
| JUL | | 75 | 83 |
| AUG | | 92 | 67 |
| SEP | | 92 | 67 |
| OCT | | 75 | 83 |
| NOV | | 75 | 83 |
| DEC | | 67 | 58 |

↓ Revised Lower

LABOR MARKET:
Jobs Created: 8,200
Jobs Lost: 1,800

Monthly Highlights

Unlike the first quarter, which ended with a bang, as the Current Conditions Index attained its highest possible score of 100, the second quarter has been a whimper. April's CCI was revised downward from 67 to 58, as only 7 of the 12 indicators improved. At least that indicated an expanding economy! For May, the CCI dropped to a neutral value of 50 — with only 6 of 12 indicators improving from their values last May. It is now clear that Rhode Island has entered a period of slower growth.

The group of indicators failing to improve this month is both long and disconcerting. **Manufacturing Man-hours** fell once again, as it has for ten of the last twelve months. A number of our stellar performers also continued to slide. Both of the CCI's housing market indicators failed to improve in May. **Single-Unit Permits**, a measure of new home construction, fell at an annual rate of 11.7 percent. **Existing Home Sales** declined at a 2 percent rate. While the *levels* of both indicators remain fairly healthy, it is their reversed trends that are a cause for concern. Then there is the labor market. **Help Wanted Advertising**, one measure of labor demand, fell for the first time in quite a while. Two of our standout labor market performers increased at double-digit rates. **Benefit Exhaustions**, rose at a 13.7 percent annual rate, while **New Claims** for Unemployment Insurance, a measure of layoffs, increased at a hefty 12.3 percent rate (note: improvement for each of these is a decrease — we

prefer *fewer* exhaustions or new claims).

One of the most interesting "events" for May concerns the growth in payroll employment. Without seasonal adjustment, and excluding the Census workers included in the May job survey, payroll employment rose at about a 1.1 percent annual rate — hardly cause for celebration, yet consistent with the slowdown detected by the Current Conditions Index. But, the seasonally adjusted rate produced by the Bureau of Labor Statistics indicates 1.9 percent growth relative to last May, which is very good for Rhode Island, even though it lags the national growth rate of 2.6 percent. Apparently, the BLS adjustments that lowered job growth earlier this year are now raising it, diminishing the disparities between the seasonally adjusted and non-adjusted rates.

The good news is that Rhode Island remained at full employment in May with its 4 percent rate of unemployment. While our recent **Jobless Improvement Index** performance also points to diminished growth, at least we are slowing from a position of strength.

As I noted last month, April's performance was a preview of slower *rates* of economic growth that we could expect to see in the coming months. May's CCI is consistent with this. The last time the CCI was 50 was in February of 1996. As we saw then, and what are reminded of now is that when the national economy hiccups, Rhode Island's economy stumbles.

| | Unemp | Job |
|---------------|-------|--------|
| | Rate | Growth |
| Connecticut | 2.4 | 1.6 |
| Massachusetts | 2.5 | 2.1 |
| Vermont | 2.5 | 2.2 |
| New Hampshire | 2.7 | 1.5 |
| Maine | 3.5 | 3.2 |
| Rhode Island | 4.0 | 1.9 |

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