2008

Rhode Island Current Conditions Index — May 2008

Leonard Lardaro
University of Rhode Island, llardaro@uri.edu

Follow this and additional works at: http://digitalcommons.uri.edu/ricci
Part of the Econometrics Commons

Terms of Use
All rights reserved under copyright.

Recommended Citation
http://digitalcommons.uri.edu/ricci/56

This Article is brought to you for free and open access by the Economics at DigitalCommons@URI. It has been accepted for inclusion in The Rhode Island Current Conditions Index by an authorized administrator of DigitalCommons@URI. For more information, please contact digitalcommons@etal.uri.edu.
Last month, I highlighted the possibility that month-to-month improvements in several indicators, if sustained, could signal the very early stages of a possible turnaround for Rhode Island's economy. Unfortunately, May’s data put an abrupt end to that possibility. The Current Conditions Index for May reverted back to the value it has been stuck at for almost all of 2008: 8. Yet again, only one indicator, the Manufacturing Wage, improved, and even its performance is moderating.

Labor market data for May were, to put it kindly, awful. Our state’s Unemployment Rate jumped all the way to a 7.2 percent rate, second highest in the country. And, this occurred with a more rapidly declining Labor Force (-1.1%), as a number of unemployed exited the Labor Force while there was a sharp drop in resident employment. Payroll employment continued its long decline that began in January of 2007. Our May job growth ranking was 50th nationally. Employment Service Jobs, a leading labor market indicator that includes temps, registered its fourth consecutive double-digit decline. Total Manufacturing Hours fell at its most rapid rate since September of 2002, as both the workweek and employment continued to fall. While both New Claims, which measures layoffs, and Benefit Exhustions, which reflects long-term unemployment both increased sharply in May, with New Claims rising by 14.3 percent compared to last May and Benefit Exhustions surging by 31.9 percent, unfortunately, improvement for both consists of declining levels. The only favorable month-to-month improvement present in May’s data is for New Claims, which has now improved on a monthly basis for the past three months.

Sadly, the disappointing economic data didn’t end with the labor market. Fallout related to ongoing housing weakness intensified. Single-Unit Permits, which reflects new home construction, fell by 33.3 percent compared to last May. US Consumer Sentiment declined by 32.2 percent, while Retail Sales in Rhode Island fell by 10.7 percent versus a very slight rise last month. The one bright spot here is a fact that is often overlooked — rapidly declining Single-Unit Permits helps us reduce our bloated inventory of unsold homes. So this is not as negative of a statistic as it might first seem.

Clearly, though, 2008 is proving to be the worst year of any for which CCI values have been calculated, which goes back over twenty-five years. Oh, for the good old manufacturing days, especially 1984, when the CCI was at 100, its maximum value, almost every month!

Let me conclude by providing my interpretation of the very large jump in May’s Unemployment Rate. I believe that published Unemployment Rate data for the months leading up to May had been understating the extent of joblessness here somewhat. After such periods, the estimated rate sometimes jumps, as it did in May. So, May’s published Unemployment Rate probably didn’t jump as much as it appears to have. When the revised labor market data are released next February, expect to see higher Unemployment Rates prior to May and a downward revision to May’s rate.

Let me conclude by providing my interpretation of the very large jump in May’s Unemployment Rate. I believe that published Unemployment Rate data for the months leading up to May had been understating the extent of joblessness here somewhat. After such periods, the estimated rate sometimes jumps, as it did in May. So, May’s published Unemployment Rate probably didn’t jump as much as it appears to have. When the revised labor market data are released next February, expect to see higher Unemployment Rates prior to May and a downward revision to May’s rate.