2006

Rhode Island Current Conditions Index -- June 2006

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The Current Conditions Index improved from its sub-par performance in May, rising back to 58 in June. Seven of the twelve CCI indicators improved in June, with four turning in impressive performances. It should be noted, though, that June was the first month in 2006 where the CCI fell below its value one year earlier. This may well be a pattern we see throughout much of the second half of this year.

All of June’s noteworthy indicator performances were labor related, reflecting labor demand (Employment Services Jobs and the Manufacturing Wage), labor supply (Labor Force), and long-term unemployment (Benefit Exhaustions).

As has been true for the US economy, the pace of economic activity in Rhode Island remains sluggish. Weakness occurred in the same general areas that have been problematic nationally. In June, new home construction, as measured by Single-Unit Permits, fell by a whopping 28.7 percent compared to a year ago, the third consecutive month for which this indicator has declined at a greater than 20 percent rate. Retail Sales grew slightly, by 1.1 percent (note that this is a preliminary figure), a welcome change after two months of declines. US Consumer Sentiment fell once again in June, by 11.6 percent, the twelfth consecutive decline for this indicator. A manifestation of our current sluggish activity is the tendency for strength in one indicator to be offset by weakness in a related indicator. There were four examples of this in June. Benefit Exhaustions, which reflects long-term unemployment, fell by 7.4 percent in June, its eighth consecutive monthly improvement. But, while long-term unemployment continued to improve, layoffs, as measured by New Claims for Unemployment Insurance, rose once again in June (by 2.0%), the second consecutive time this indicator has failed to improve following a year of declines. Rhode Island’s average Manufacturing Wage rose by a healthy 3.3 percent compared to last June, the fourth consecutive month for which wage growth has exceeded 3 percent. At $13.49, our Manufacturing Wage remains well above the $13 level that was so hard for us to surpass last year. Yet Total Manufacturing Hours continued to decrease in June, with its rate of decline accelerating to 5 percent as both the workweek and employment fell. Could the accelerated wage growth reflect the early stages of skilled labor shortages?

Finally, while Labor Force growth remained strong, rising by 1.8 percent in June, our Unemployment Rate jumped from 5.0 percent last June to 5.5 percent this June. Perhaps more troubling, Rhode Island’s Unemployment Rate has remained at or above the national rate since September of last year. Fortunately, this is a lagging and not a leading indicator.