

5-2006

Rhode Island Current Conditions Index – May 2006

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

Follow this and additional works at: <https://digitalcommons.uri.edu/ricci>



Part of the [Econometrics Commons](#)

[Terms of Use](#)

All rights reserved under copyright.

Recommended Citation

Lardaro, Leonard, "Rhode Island Current Conditions Index – May 2006" (2006). *The Rhode Island Current Conditions Index*. Paper 78.

<https://digitalcommons.uri.edu/ricci/78>

This Article is brought to you by the University of Rhode Island. 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-group@uri.edu. For permission to reuse copyrighted content, contact the author directly.

CURRENT CONDITIONS Index

Vol. XIII
Number 8
May 2006

Leonard Lardaro URI

Also available online: <http://members.cox.net/lardaro/current.htm>

For the past few years, May has not been a kind month for Rhode Island's economy. Last year, the Current Conditions Index for May fell below its neutral value after two months at 50. This year, while the CCI has performed at least as well as it did for each month last year, in May it once again dropped below its neutral value to 42. Overall, only five of the twelve CCI indicators improved in May. The noteworthy indicator performances in May were **Manufacturing Wages** and **Benefit Exhaustions**, which reflect recent manufacturing momentum and improvement in long-term unemployment.

Like the US economy, Rhode Island's economic momentum is dissipating. Weakness occurred in the same general areas that have become problematic for the national economy. In May, new home construction, as measured by **Single-Unit Permits**, fell by a whopping 26.8 percent compared to a year ago. May marked the second consecutive month for which this indicator has fallen by over 20 percent. Related to this was

CCI Indicators - % Change	
Government Employment	-0.5
US Consumer Sentiment	-8.1
Single-Unit Permits	-26.8
Retail Sales	-0.4
Employment Services Jobs	0.1 Y
Priv. Serv-Prod Employment	1.2 Y
Total Manufacturing Hours	-2.8
Manufacturing Wage	3.3 Y
Labor Force	1.8 Y
Benefit Exhaustions	-11.8 Y
New Claims	5.1
Unemployment Rate	10.0

Y = Improved Value

weakness in **Retail Sales**. While **Retail Sales** only fell by 0.4 percent in May, this was its fourth decline in the last six months. Not surprisingly, **US Consumer Sentiment** also fell again in May, by 8.1 percent, the eleventh consecutive decline for this indicator.

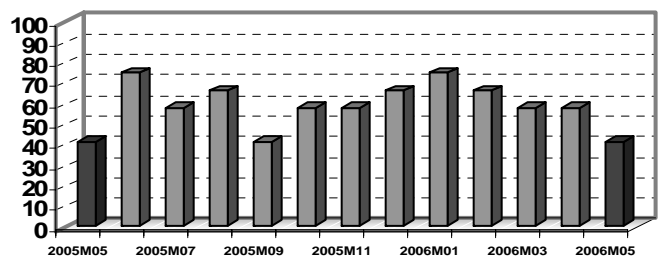
May's strongest indicators were related to the labor market. **Benefit Exhaustions**, which reflects long-term unemployment, fell by 11.8 percent in May, its seventh consecutive monthly improvement. Rhode Island's average **Manufacturing Wage** rose by 3.3 percent compared to last May. At \$13.45, May's **Manufacturing Wage** was well above the \$13 level that was so hard for us to surpass last year. Could this recent strength be reflective of the early stages of skilled labor shortages?

While long-term unemployment continues to improve, labor demand and layoffs are showing diminished momentum. **New Claims** for Unemployment Insurance, a measure of layoffs, rose in May (by 5.1%), its first increase in well over a year. **Employment Service Jobs**, which includes the demand for "temps," barely grew in May, continuing a loss of momentum since that began last December.

Private Service-Producing Employment grew at a 1.2 percent rate in May, slightly better than its rate of growth rate last month and consistent with growth rates since last June. **Government Employment** fell in May, by 0.5 percent, its first decline in six months. Falling **Government Employment** will most likely be the rule rather than the exception as we move into the new fiscal year. **Total Manufacturing Hours** continued to decline, but at a diminished rate. For May, **Total Manufacturing Hours** fell by (only) 2.8 percent, less than half its rate of decrease last month.

Labor Force growth remained strong, rising by 1.8 percent in May. At the same time, our **Unemployment Rate** jumped from 5 percent last May to 5.5 percent this May, well above the national rate. Ironically, improvement in future jobless rates will likely come at the expense of labor force growth as the national economy continues to slow in coming months.

CCI Over the Past 13 Months



THE BOTTOM LINE

Rhode Island's economy weakened in May. Like the nation, diminished momentum in housing has carried over to **Retail Sales** and **US Consumer Sentiment**. Labor demand here also appears to be slowing. At this point, let's not read too much into one month's set of numbers and await more data.

42

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	50	67	50	50	42	75	58	67	42	58	58	67
2006	75	67	58	58	42							