2005

Rhode Island Current Conditions Index -- June 2005

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/101

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.
What a difference a month makes! Rhode Island’s second quarter economic performance went from mediocre (50 in March, 58 in April) to excellent, as the Current Conditions Index soared above May’s neutral value of 50 all the way to 92 in June. Only one of the twelve CCI indicators failed to improve, Manufacturing Man-hours. No big surprise -- the last time that indicator improved was December of 2000. More importantly, almost all of the improving indicators turned in strong performances.

This month’s changes in our Labor Force and Unemployment Rate were again significant, as we continue in one of those rare periods (for us) where an improving Unemployment Rate coincides with a rising Labor Force. June’s data provided further evidence that the troubling Labor Force declines we witnessed last year have ended. Labor Force growth in June was a healthy 1.1 percent, which along with May’s increase, produced in the most substantial two-month string of Labor Force growth rates since August and September of last year. While our Unemployment Rate rose compared to last month, June’s rate of 4.8 percent was well below last June’s rate of 5.2 percent.

Other elements of the labor market captured by the CCI also provided a bright picture. New Claims, which represent layoffs, fell by 11.3 percent in June, its strongest improvement in well over a year. Benefit Exhausitons, which measure long-term unemployment, declined by a remarkable 24.9 percent in June, which was close to its best rate of improvement in over a year. June was only the fifth time in the last year when both of these indicators improved. Let’s hope that trend continues. Ironically, along with these strong labor market performances, the growth in labor demand slowed in June. Adjusted Help Wanted Advertising, which reflects labor demand, increased by its slowest rate in over a year in June, 0.7 percent. Government Employment rose in June by 0.2%, moving it above a 66,000 level, returning it to levels one year ago. The growth in Private Service-Producing Employment accelerated to 2.1 percent in June, restoring its rate of growth to one of the highest we have witnessed in the last year. The real weakness in June occurred in our goods-producing sector, with continued softness in manufacturing. Manufacturing Man-hours slid by 5.2 percent compared to last June, its most rapid rate of decline since March. The Manufacturing Wage rose by a weak 0.2 percent. At least the one-month slide in this indicator ended.

Retail Sales, which has been one of our strongest indicators for quite a while, surged in June, by 10.2 percent, after declining in May. Accompanying this rise in Retail Sales was an improvement in US Consumer Sentiment, 0.6 percent, its first increase in the last six months. It will be interesting to see how higher energy prices affect these two indicators for the remainder of this year.

New home construction, as measured by Single-Unit Permits, rose sharply in June, by 10 percent, ending its string of nine consecutive declines. This indicator has fallen for all but one month since last August, a strange occurrence in light of the overall strength in housing here and throughout the nation.

The dramatic jump in June’s CCI indicates that the pace of economic activity in Rhode Island may well have bottomed for now. Let’s hope that this month’s CCI performance was not a fluke and that our state’s economy has finally begun to perform more in line with the pace of the national economy.