Rhode Island Current Conditions Index -- June 2004

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Just as the national economy hit a “soft patch” in June, so too did Rhode Island’s economy. The second quarter ended on a sour note, as the June Current Conditions Index fell below its neutral value of 50. June’s CCI reading of 42 was the result of only 5 of the 12 CCI indicators improving. And, two of those, related to labor supply, registered significant weakness. Yet in spite of the recent “soft patch” experienced by the nation, national labor market performance was significantly better during the first half of this year than it was in Rhode Island. June payroll employment for Rhode Island was barely above its January value (by only 600), a far cry from what the nation was witnessing. And our state’s Unemployment Rate fell by 1.1 percent in June (compared to last June), while our Unemployment Rate rose from 5.4 percent to 5.8 percent. While a rising Unemployment Rate accompanied by a rising Labor Force is not necessary problematic, as workers encouraged by economic conditions are generally re-entering the labor force, the combination witnessed here in June has no redeeming value. But is this at all surprising in light of Rhode Island’s poor payroll employment performance in 2004?

Rhode Island’s manufacturing sector performance in June was mixed, as Manufacturing Man-hours fell by 0.6 percent, consistent with rates of decline over the past six months, and our Manufacturing Wage grew by 1.5 percent, part of an uptrend in growth rates which finally moved our Manufacturing Wage above $13.

In the second half we face far more difficult “comps” (comparable year-earlier CCI values). While exceeding CCI values from the first half of 2003 was fairly easy, our slowed economy will make it very challenging to match many of the CCI values from the second half of 2003.