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Rhode Island Current Conditions Index – April 2004

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

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The second quarter began with a whimper. While the April Current Conditions Index rose above its disappointing (and downwardly revised) value of 50 in March, and values this year continue to significantly outpace their year-earlier levels, several worrisome trends have arisen. The good news: The Current Conditions Index for April was 67, as eight of its twelve indicators improved. The bad news: for 2004, on a month-to-month basis, Rhode Island’s payroll employment has continued to fall — at the same time that national job growth has risen dramatically. And, if this isn’t bad enough, April saw Rhode Island’s Unemployment Rate rise above the national rate for the first time since July of 2001. There is some cause for concern about job growth in coming months: the leading job gain category (year-over-year) in April was construction (+2,300), which, with rising interest rates can be expected to slow. In fact, that job gain almost matched the entire job change for Service Producing Employment (+2,500).

The best news about this month’s performance concerns labor demand. Layoffs, as measured by New Claims, fell by 10.3 percent from its value last April, its best showing since January. Layoffs appear to be trending toward a sub-50,000 level on an annual basis. Long-term unemployment, in terms of Benefit Exhaustions, fell at a 20.7 percent rate, its greatest rate of improvement since last June. Unfortunately, Help Wanted Advertising failed to improve in April, tarnishing the improvement in labor demand that occurred.

The growth rate of Single-Unit Permits, a measure of new home construction, slowed to 12.7 percent in April. While this still represents double-digit improvement, the level of Permits remains low (2,078 annual units), ironically a harbinger of our ability to sustain current home price levels in the future.

In the stock market there is a phrase: “The trend is your friend.” I’m afraid that the current trend here, if it continues, might prove to be anything but friendly. What we are seeing is the natural outgrowth of our state’s failing to define its dominant niche in the post-manufacturing era (that began in late 1987!!).