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Rhode Island Current Conditions Index – January 2004

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Recommended Citation

Lardaro, Leonard, "Rhode Island Current Conditions Index – January 2004" (2004). *The Rhode Island Current Conditions Index*. Paper 132.

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Current Conditions Index

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

Volume X, Number 4

January 2004

Monthly Highlights

Rhode Island started 2004 in much the same way it ended 2003 — on a very positive note. It is clear from the Current Conditions Index that economic activity here picked up in the second half of last year and that the breadth of this recovery has been sustained moving into 2004. In January, the CCI returned to 75, as nine of twelve indicators improved. The areas that failed to improve relate to labor demand and reflect the difficulties being experienced by the unemployed as they attempt to find jobs. The negative indicators were **Help Wanted Advertising**, which fell at a 6.3 percent rate compared to last January, **Manufacturing Man-hours**, which declined by 1.1 percent, and our **Labor Force**, which fell slightly (by 0.3%).

Happily, not all of the statistics relating to labor demand were negative in January. This was especially true for job growth. When was the last time that Rhode Island ranked #7 among all states in terms of its rate of job growth?

CCI Indicators - % Change

Government Employment	0.5 Y
US Consumer Sentiment	26.1 Y
Single-Unit Permits	33.7 Y
Retail Sales	12.0 Y
Help Wanted Advertising	-6.3
Priv. Serv-Prod Employment	1.7 Y
Man-Hours Manufacturing	-1.1
Manufacturing Wage	1.5 Y
Labor Force	-0.3
Benefit Exhaustions	-1.7 Y
New Claims	-11.1 Y
Unemployment Rate	-3.7 Y

Y = Improved Value

Retail Sales grew strongly in January, fueled in part by strongly improving **US Consumer Sentiment** (+26.1%) which broke above 100 in January. Volatility in new home construction continued in January, as **Single-Unit Permits** rose by an amazing 33.7 percent compared to last January, returning to an annual rate above 2,000 annual units.

New Claims for Unemployment Insurance, the most timely measure of layoffs, fell by 11.1 percent in January, resuming its trend of improvement. Long-term unemployment, as measured by **Benefit Exhaustions**, fell by 1.7 percent, remaining well below a 20,000 annual rate. Finally, Rhode Island's **Unemployment Rate**, 5.2 percent, was the highest it

has been since September, but lower than last January's 5.4 percent rate. It continues to remain below the national rate. The negative here is this decline in our **Unemployment Rate** occurred at the same time our **Labor Force** was falling, which suggests (as is true nationally) that some "discouraged workers" who are currently unemployed have dropped out of the labor force. This is also consistent with the resumption of the downward trend in **Help Wanted Advertising**.

Rhode Island's manufacturing labor market showed strength once again in January, in spite of the fact that **Manufacturing Man-hours** fell by 1.1%. The rate of decrease for this indicator over the past three months has been noticeably slower than it was for the past several years. Rhode Island's **Manufacturing Wage** finally reached \$13 per hour (+1.5%), as wage growth appears to have accelerated since October of last year. **Private Service-Producing Employment** grew more rapidly in January (+1.7), posting its strongest rate of growth since August of 2003. And, in spite of ongoing budget difficulties, **Government Employment** continued to rise in January (+0.5%). This upward trend is a clear divergence from what we were led to believe based on the labor market data prior to this rebenchmarking.

Since the second half of 2003, Rhode Island's economic performance has been very encouraging. I expect this to continue through the second quarter of 2004, at which time the US economy will begin to grow more slowly. Our performance relative to the US continues to be a pleasant surprise. Let's see how long we can sustain this.

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	42	42	42	50	50	50	75	58	75	75	83	67
2004	75											