

Current Conditions Index

LEONARD LARDARO URI/NEEP

Also available on my web site: <http://members.home.net/lardaro/current.htm>

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May 1999

75

NATIONAL RANK:
Job Growth: #41
Unemployment Rate: #20
JI Index: #6 (tie)

	1999	1998
JAN	83	75
FEB	75	75
MAR	83	75
APR	92	75
MAY	75	75
JUN		75
JUL		83
AUG		67
SEP		67
OCT		83
NOV		83
DEC		67

* Revised

LABOR MARKET:
Jobs Created: 4,900
Jobs Lost: 1,300

Monthly Highlights

The economic picture for Rhode Island remained positive in May, although the overall performance of our state's economy was a bit less impressive than it had been in March and April. The May CCI of 75 indicates that our economy continued to grow, but at a somewhat slower rate than it had during the first four months of this year. Does this signal the early stages of the long-awaited slowing in our rate of economic growth that has, until now, failed to materialize? It probably does.

Why do I use the word "probably"? In spite of the fact the May marked the second month this year when the CCI failed to exceed its year-earlier value, there were several mitigating factors to consider. First, as always, we should never read too much into a single month's number. *This is especially true for Rhode Island economic data.* Second, **Benefit Exhaustions**, one of our star performers for years now, rose sharply in May (+17.1%). While technically this signals weakness (it failed to improve), Rhode Island has made tremendous inroads into reducing its number of benefit exhaustees. We simply could not continue with the double-digit rates of improvement in exhaustions indefinitely. But, **Benefit Exhaustions** is not a survey-based estimate — it is an actual value, deserving of our attention. Add to this the fact that the

number of continuing UI claims has apparently bottomed out and that **Help Wanted** failed to improve for only the second time in the last year, and there is corroborating evidence for the exhaustion trend. **New Claims** improved again in May, at an almost double-digit rate (-9.2%). But, as the number of announced layoffs seems to be increasing of late, New Claims may now be close to their trough as well.

Third, our **Unemployment Rate** remained below the 4.2% threshold of my econometric estimate of full employment for Rhode Island. This coincided with a strong rise (for RI) in its resident **Labor Force**, a 1.2% annual increase. But, a highly disturbing recent trend continues: many Rhode Islanders have found it necessary to secure jobs in other states (% change in resident employment is about *three times* the growth in payroll employment). When the rate of growth in our neighboring states slows, watch how quickly we move back towards 5%!

Finally, our interest-sensitive housing market performed very well in May: **Existing Home Sales** rose at a 12.7% annual rate and **Single-Unit Permits** grew at an incredible 27.5% rate. But interest rates began to inch up in June, which should ultimately slow housing momentum.

So, I expect slower growth in our future.

STANDOUT STATS

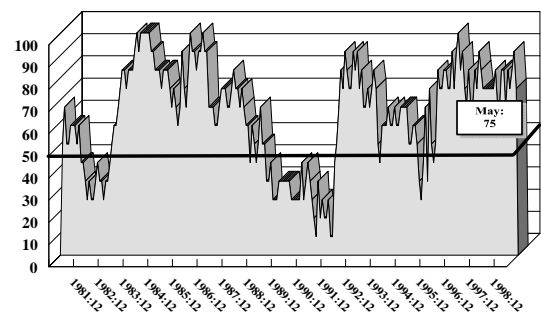


Unemployment Rate: 3.7%
Resident Employment: +2.8%
Labor Force: +1.3%
Existing Home Sales: +12.7%
Single-Unit Permits: +27.5%



Manufacturing Man-hours: -4.2%
Benefit Exhaustions: +17.1%
Help Wanted: -flat-

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