

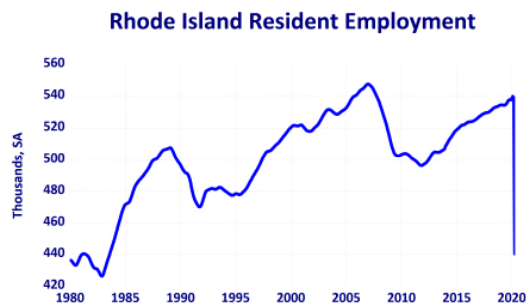
CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

Available Online: <http://www.lardaro.com/current.htm>
Twitter: @ladardo

VOL XXVII
NUMBER 5
APR 2020

April is hopefully the *absolute* bottom for the US and Rhode Island economies. Things here have been carefully managed with the implementation of numerous measures related to isolation and self-distancing, not the least of which has been the closing of a large number of the businesses. As I have reiterated in the last couple of CCI reports, what we are witnessing is *not* a cyclical phenomenon. It is **THE** definition of an exogenous shock (one that nobody could predict or see coming) negatively impacting the economy. While I never include graphs in these reports, the sheer magnitude of the impact the COVID virus is having on Rhode Island's resident employment can best be visualized this way - literally falling off a cliff:



Prior to the pandemic, Rhode Island's resident employment (the number of employed Rhode Island residents, no matter where they are employed) had failed to meet its prior high of late 2006. With the COVID crisis, and the recession it caused, this has fallen to levels not seen since the early 1980s! Does this mean all that we gained since then has been lost? Only temporarily. As Rhode Island begins to reopen in phases, we will quickly move from these depressed levels. Will the magnitude of the regained employment be commensurate with the speed at which Rhode Island's businesses reopen? At first, yes, especially since the industries most hurt by this crisis, travel, tourism and hospitality, are a large part of Rhode Island's economy. After some point, gains will become increasingly limited, given the likelihood that many restrictions (for customers, etc.) will persist for some time.

The primary determinants of how far Rhode Island employment recovers are whether (and if) there is a second wave of infections and how long it takes before an effective vaccination is discovered. In addition to this, *Rhode Island is burdened with major structural issues associated with its business climate that were not meaningfully dealt with in the most recent recovery (or several earlier ones, for that matter).*

A crisis is a terrible thing to waste. One thing is abundantly clear: Rhode Island has to reinvent its economy and adapt its economic policy making to the 21st century if it is to succeed in this new environment. Fortunately (or not), there has never been a greater opportunity for us to do this. The days of running our

state as we have for the past forty years and hiding behind an artificially low **Unemployment Rate** are behind us. If we continue as we have, policy decisions will be less effective and more costly than it they have been in the last few recoveries!

The Current Conditions Index for April fell to a rock-bottom level of 8 as only one indicator improved (**Manufacturing Wage**). The last time the CCI was this low was April of 2009, ironically, around the time of the stock market bottom following The Great Recession. Because of the data distortions caused by the COVID crisis, I will only discuss the non-survey based indicators.

Retail Sales, once the CCI's star performer, fell by 17.4 percent compared to last April. This follows a 13.7 percent decline in

CCI Indicators - % Change	
Government Employment	-1.8
US Consumer Sentiment	-26.1
Single-Unit Permits	-11.8
Retail Sales	-17.4
Employment Services Jobs	-44.2
Priv. Serv-Prod Employment	-22.8
Total Manufacturing Hours	-12.6
Manufacturing Wage	1.5 Y
Labor Force	-4.3
Benefit Exhaustions	8.9
New Claims	1,623.4
Unemployment Rate (change)	13.4
Y = Improved Value	

March. **US Consumer Sentiment** fell by 26.1 percent, no surprise, while **Benefit Exhaustions**, which reflect long-term unemployment, rose by 8.9 percent and **New Claims**, the timeliest measure of layoffs, "improved" a bit, rising by only 1,623.4 percent in April.

LABOR FORCE:	APR 2020	Peak (1/2007)
Participation Rate	M↓ Y↓ 61.3%	68.6%
Employment Rate	M↓ Y↓ 50.8%	65.4%

CCI Over the Past 13 Months						
2019M04	2019M06	2019M08	2019M10	2019M12	2020M02	2020M04
~60	~60	~75	~75	~85	~75	8

DLT APR 2020 Employment (SA,Y/Y)	
Gain	1,400
Loss	95,200
Net Chg	(93,800)

8		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2019	58↓	50↑	58	50↓	50↓	58↓	75↓	67	50↓	75↓	58↓	83↓
	2020	75	75	33	8								