

CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

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

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Rhode Island's economic performance in April, along with what it has been since the second half of 2022, has led me to alter my reading of where our economy is at present. For several months now, following the unveiling of the horrific updated labor market data, I have believed that Rhode Island's economy is moving toward a recession. After looking at this month's data and placing it in context with how things have been going since the second half of last year, ***I now characterize Rhode Island's economy as teetering on a recession.*** This assessment is the result of a very poor performance in April on top of seriously deteriorating momentum since last December.

The April Current Conditions Index value of 33 is very clearly in the contraction range. This follows contractionary readings of 42 in both January and March (with a neutral value of 50 in December). I truly wish it was possible for me to say that this month's reading was a "strong" 33, but I cannot. Only four of the twelve CCI indicators improved in April and a couple of them barely managed to eek out gains, improving at rates far below what we had witnessed over the last year. Clearly, the two "star" indicators throughout the pandemic and post-pandemic period, most notably **Retail Sales** and **Total Manufacturing Hours**, have faltered. While **Retail Sales** barely managed to improve in April (+0.5%), in real (inflation-adjusted) terms, it has been falling for a while. Given its fluctuations of late, it is not clear at this point whether it remains in an uptrend. **Total Manufacturing Hours**, a proxy for manufacturing output, has now declined for the last five months with both the length of the workweek and employment falling.

Worse yet, of the five leading economic indicators contained in the CCI, only one improved in April, **New Claims** for

All of this is entirely consistent with this month's double-digit decline in **Private Service-Producing Employment**. Anecdotally I have observed that locally, where help wanted signs had been offering wages in the range between \$15 to \$17, those offers have now fallen into the \$13 hourly range. Along with this, payroll employment fell in April, perhaps reflecting the end of "labor hoarding" which could be behind the weakening of **New Claims**.

Where were the April improvements? The **Manufacturing Wage** rose by 2.6 percent versus a year ago, sustaining its well-established uptrend. **Government Employment** increased by a 2.5 percent compared to last April, the latest of a long string of improvements, perhaps making it Rhode Island's new "star" indicator at this point in time. As noted earlier, **Retail Sales** improved, albeit barely, even in current dollar terms, and **New Claims** did manage to improve after four months of increases.

Rhode Island's **Labor Force** fell yet again in April (-0.9%), *for a fifteenth consecutive month on a yearly basis*. Look at the bright side: This helped to keep Rhode Island's official (naïve) **Unemployment Rate** very low, at 3.0 percent, even as resident employment fell for the fourth consecutive month! The **Participation-Adjusted Unemployment Rate** declined to 5.7 percent, slightly below where it has been for the last few months (5.9 percent).

Looking at a broad range of economic indicators for Rhode Island over the last year, one sees very few areas of strength in the *aggregate data*. However, aggregate data can and often does mask very different behaviors upon disaggregation. Parts of Rhode Island's economy, those related to the higher end of the income spectrum, continue to do quite well. The same is becoming increasingly less true for average to below-average income Rhode Islanders. If we do have recession here, and I now place the odds of that as being fairly high, it will be one where aggregate activity masks remaining areas of strength. Perhaps it might be called a "recession in a box," or "I can't believe it's not a recovery." Sadly, our current economic performance is entirely consistent with our state's history of being **FILO**.

CCI Indicators - % Change		Unemployment Insurance, a proxy for layoffs. While this did follow four months of improvement, April was the slowest rates at which it has improved in quite a while, well below the consistent double-digit rates of past months. Couple this with Employment
Government Employment	2.5 Y	
US Consumer Sentiment	-2.9	
Single-Unit Permits	-31.8	
Retail Sales	0.5 Y	
Employment Services Jobs	-12.6	
Priv. Serv-Prod Employment	-2.0	
Total Manufacturing Hours	-1.7	
Manufacturing Wage	2.6 Y	
Labor Force	-0.9	
Benefit Exhaustions	48.5	
New Claims	-3.7 Y	
Unemployment Rate (change)	0.1	
Y = Improved Value		

Service Jobs, a leading indicators of future employment (it includes "temps"), which has now fallen for the last seven months at double-digit declines since January, and the picture emerges that layoffs are rising while hiring prospects have dimmed. And let's not forget **Benefit Exhaustions**, which reflect long-term unemployment. They rose at an almost 50 percent rate in April!

LABOR FORCE:	APR 2023	Peak (1/2007)
Participation Rate	62.9%	68.5%
Part Adj Unem %	5.7%	
Employment Rate	61.0%	65.1%



JOB CHURN	
DLT APR 2023 (SA,Y/Y)	
Gain	4,000
Loss	4,800
Net Chg	- 800

33		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2022	83↑	75	67↓	75↑	75↑	67	75	83↓	83↓	67↓	58↓	50↓
	2023	42↑	58	42	33								

What to Look Forward to in May



Len Lardaro @ladardo · 4h

RI's May Unemployment Rate is the same as it was a year ago (3.0%). Only in RI: Resident Employment fell by 4,100 yet we have an unchanged jobless rate! You can thank our declining labor force. Our elected officials hide behind this rate knowing nobody looks at employment!

Labor Force - Unemployment Data

RHODE ISLAND

Seasonally Adjusted
(in thousands)

	May 2023	Apr 2023	May 2022	Year-Over Year Change
Civilian Labor Force	568.4	566.7	572.7	-4.300
Resident Employment	551.6	549.7	555.7	-4.100
Unemployment	16.8	17.0	17.0	-0.200
Seasonally Adjusted Rate	3.0%	3.0%	3.0%	

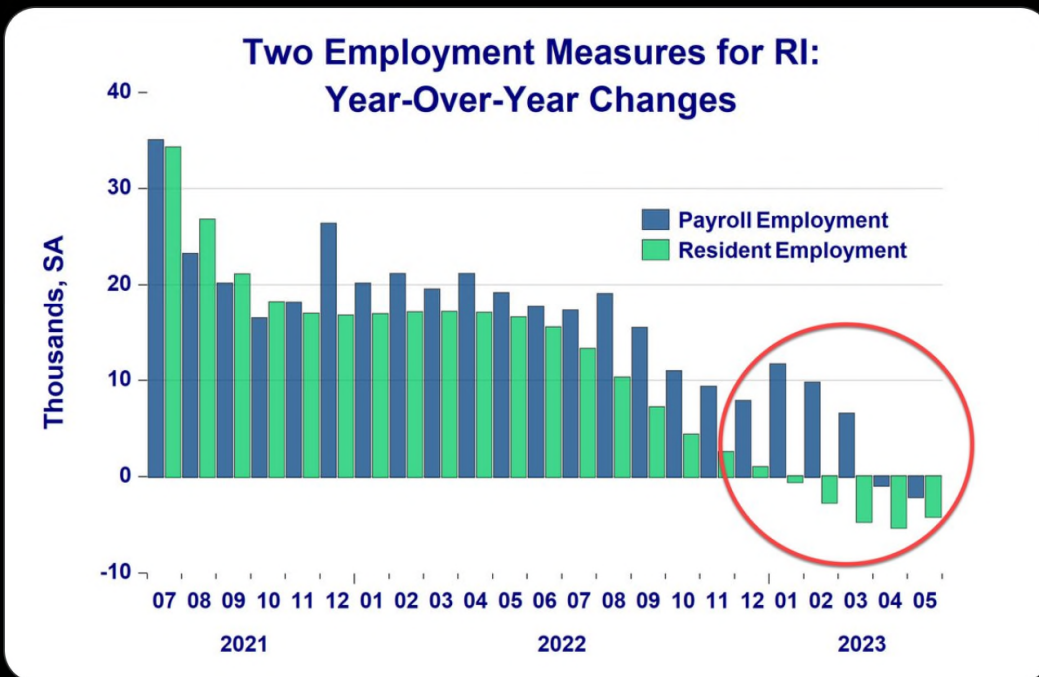
SOURCE: Rhode Island Department of Labor and Training

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Len Lardaro @ladardo · 3h

Only in Rhode Island: A sustained unemployment rate of around 3% when both employment measures are declining relative to a year ago.

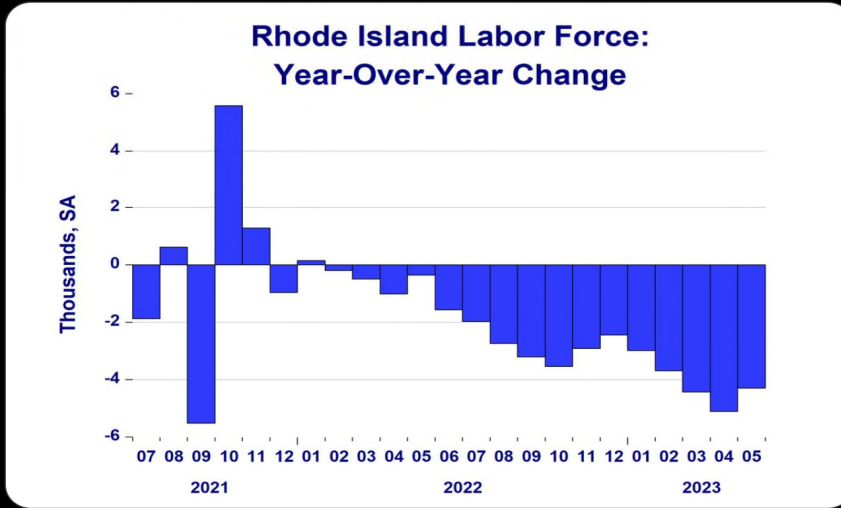


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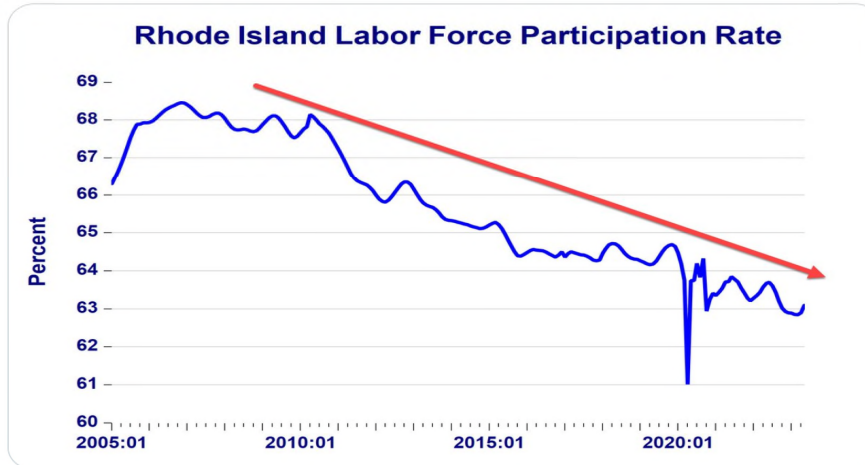
Len Lardaro @ladardo · 11m

In other states, a declining labor force during a recovery is a cause for concern. Not in RI. Our elected officials actually benefit from this - they hide behind the artificially low unemployment rate it creates as people presume it is job gains that are causing the low rate.



Len Lardaro @ladardo · 3h

1/ Rhode Island's enabler: A secular downtrend in its labor force participation rate (percentage of the population in the labor force). This explains how we went from double-digit unemployment rates to values below the national average.



Len Lardaro @ladardo · Jun 17

2/ To some extent this is influenced by the rising average age of our population. How much so? Is that the whole story? I tested this econometrically and found the downtrend still exists even after controlling for changes in the average age of the RI population.

