

# CURRENT CONDITIONS INDEX

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VOL XXVIII  
NUMBER 9  
AUG 2021

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Rhode Island's recovery (restoration) continued in August, but its economic momentum slipped a bit. From April through July, the Current Conditions Index continued to rise, moving from 75 to its highest possible value of 100 in July. Not surprisingly, such rapidly improving momentum could not be sustained for terribly long. That was reflected in the recent performance of the *monthly* CCI which was signaling slower forward momentum.

Rhode Island's economy is still experiencing adverse pandemic effects, but a great deal of this is being offset by re-opening parts of our state's economy and the highly stimulative effects of monetary and fiscal policy. Keep in mind, that a recovery does NOT mean returning to "normal" levels of economic activity, as so many presume. Instead, it is a period where economic activity continually expands, although there is no stipulation as to *rates* of improvement. I estimate that Rhode Island is still *at least* two years away from returning to pre-pandemic levels of economic activity since throughout this entire crisis, Rhode Island has done painfully little to improve its longer-term competitiveness, which has relegated our fate largely to the pace of national economic momentum. Worse yet, I expect that in spite of the "sugar high" from all the federal money Rhode Island received, and the intentions of **RI 2030**, we will not make enough of the structural improvements our state needs absent in-house due diligence.

For August, the Current Conditions Index fell from its highest possible value of 100 in July to 67 in August, as only eight of the twelve CCI indicators improved. Part of this decline is attributable to the fact that the "comps" from last August were not as easily

CCI Indicators - % Change	
Government Employment	-0.6
US Consumer Sentiment	-4.6
Single-Unit Permits	-9.1
Retail Sales	16.8 Y
Employment Services Jobs	-0.2
Priv. Serv-Prod Employment	6.3 Y
Total Manufacturing Hours	14.1 Y
Manufacturing Wage	10.1 Y
Labor Force	0.9 Y
Benefit Exhaustions	-76.1 Y
New Claims	-72.1 Y
Unemployment Rate (change)	-6.8 Y
Y = Improved Value	

beaten as had been the case in the previous months. In spite of this, the CCI has remained in expansion territory since April, so activity is still improving but at a slower pace, *this is not a decline in activity*. I fully expect this expansion to continue for the foreseeable future. But it

will be a bumpy ride, as this month's change indicates.

Looking at individual indicator performances for August, **Retail Sales** remained the star CCI performer, rising by 16.8 percent from a year ago, which was its seventh consecutive double-digit increase. Of the five leading indicators present in the CCI, only two improved in August and both had relatively easy "comps." The most impressive of these is **Total Manufacturing Hours**, which increased again at a double-digit rate (+14.1%), its fifth consecutive double-digit improvement. There have been very

large revisions to **New Claims**, as claims determined to be fraudulent have been removed from the totals. Based on this "cleaner" data, **New Claims**, which reflect layoffs, fell by 72.1 percent from their value last August which is not all that impressive since its "comp" was a 566 percent rise!

**Employment Service Jobs** barely declined (-0.2%) after improving each month since April. The same pattern was true for **Single-Unit Permits**, which fell by 9.1 percent this month following a series of increases and a difficult comp. **US Consumer Sentiment** also declined in August, which could signal less future momentum, especially as it pertains to housing and **Retail Sales**.

Rhode Island's **Unemployment Rate** fell in August to about half its level last August at the same time its **Labor Force** declined significantly from a year ago — Rhode Island's "secret sauce" for reducing its **Unemployment Rate**. Finally, the **Manufacturing Wage** rose by 10.1 percent this month, continuing more than a

CCI Indicators - Monthly% Change	
Government Employment	0.0
US Consumer Sentiment	-10.9
Single-Unit Permits	4.2 Y
Retail Sales	1.8 Y
Employment Services Jobs	-3.0
Priv. Serv-Prod Employment	-0.0
Total Manufacturing Hours	-1.2
Manufacturing Wage	1.6 Y
Labor Force	-0.3
Benefit Exhaustions	51.1
New Claims	14.6
Unemployment Rate (change)	0.1
Y = Improved Value	

year of consecutive improvements.

This brings us to the the *Monthly* CCI, which reflects short-term momentum. For August, the Monthly CCI fell below its neutral value of 50 to 25, as only three of twelve indicators improved

relative to July. This was a continuation of a weakening pattern in this index since May of this year.

LABOR FORCE:	AUG 2021	Peak (1/2007)
Participation Rate	61.9%	68.6%
Employment Rate	58.3%	65.4%

  

JOB CHURN	
DLT AUG 2021 (SA,Y/Y)	
Gain	23,100
Loss	2,500
Net Chg	20,600

67		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2020	67↓	67↓	25↓	8	8	25	17↓	25	17↓	17	25	25
	2021	25	17	42	75	83↓	92↑	100	67				