

CURRENT CONDITIONS INDEX

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The improved pace of economic activity in Rhode Island that began in July not only carried over to August, the pace actually improved. This marks the seventeenth month of expansion (or restoration) for Rhode Island which now has clearly moved well beyond its pandemic decline. While several of the "comps" from a year ago were difficult, we are beginning to see others becoming easier to exceed. The Current Conditions Index for August rose from 75, which was a move above where it had been stuck for several months, to 92 as eleven of the twelve CCI indicators improved. Not only did the sustained or rising strength in a number of key indicators remain, especially the two "star" indicators, **Retail Sales** and **Total Manufacturing Hours**, but a key leading indicator, **Employment Service Jobs** may well have

ended its downturn as it improved for a second month.

CCI Indicators - % Change	
Government Employment	4.5 Y
US Consumer Sentiment	-17.1
Single-Unit Permits	0.2 Y
Retail Sales	8.7 Y
Employment Services Jobs	4.7 Y
Priv. Serv-Prod Employment	3.5 Y
Total Manufacturing Hours	6.1 Y
Manufacturing Wage	5.0 Y
Labor Force	0.1 Y
Benefit Exhaustions	-65.4 Y
New Claims	-35.0 Y
Unemployment Rate (change)	-3.0 Y
Y = Improved Value	

Retail Sales growth accelerated in August to just under a double-digit rate (+8.7%) and has improved on a yearly basis every month since May of 2020, virtually the entire span of the pandemic.

Total Manufacturing Hours increased by 6.1 percent in August as both the workweek and employment rose, although August saw a slight deceleration in growth. It has now improved for eighteen consecutive months, since February of 2021. The **Manufacturing Wage** also improved again, but its rate of growth also continued to slow. So, retail and manufacturing strength are continuing to propel Rhode Island through this recovery.

As has been the case for some time, two labor supply measures improved dramatically in August. **Benefit Exhaustions**, a reflection of long-term unemployment, fell by 65.4 percent in August, the continuation of a trend that began in May of 2021. **New Claims**, which reflects layoffs, declined by 35 percent in August and has decreased at double-digit rates since July of 2021, although the massive amounts of fraud Rhode Island experienced with this indicator make that statement somewhat uncertain.

The best news of indicator improvement in August was that for **Employment Service Jobs**, a leading labor market indicator that includes temps. It rose for a second time after having fallen for six consecutive months (of annual declines). Its August improvement reflected a substantial rate of growth (4.75 vs 1.5% in July). Should this uptrend be sustained, it would strongly suggest a sustained trend of rising employment. Resident employment, the number of employed RI residents (in state or out-of-state), rose again in August and continues to move above its pre-pandemic level. Better yet, the percentage of our

population that is employed (the *Employment Rate* — see table on right) rose in August, although it remains well below its level from early 2007. Payroll employment also improved in August, but it still has quite a ways to go to return to its pre-pandemic level.

Two indicators that have performed badly of late showed a slightly better outcome in August. **US Consumer Sentiment** fell once again. It has failed to improve for thirteen consecutive months, declining by 17.1 percent versus last August. **Single-Unit Permits**, which reflect new home construction, rose for the first time since November of 2021, even as mortgage rates have been rising, the result of monetary tightening.

Our state's **Labor Force**, which was in a downtrend since March, actually rose (on a yearly basis) in August. While the labor force participation rate (see table below) rose slightly in August, it too remains well below its level of 2007. Low participation and sluggish job growth are, of course, responsible for much of Rhode Island's recent low **Unemployment Rates**. While the naive (official) **Unemployment Rate** rose a bit to 2.8 percent in August, when labor force participation is taken into account, the participation adjusted rate for August remained at 4.4 percent.

CCI Indicators - Monthly % Change	
Government Employment	1.9 Y
US Consumer Sentiment	17.7 Y
Single-Unit Permits	6.5 Y
Retail Sales	1.9 Y
Employment Services Jobs	-3.7
Priv. Serv-Prod Employment	-0.6
Total Manufacturing Hours	-2.1
Manufacturing Wage	1.1 Y
Labor Force	0.3 Y
Benefit Exhaustions	-6.3 Y
New Claims	-0.2 Y
Unemployment Rate (change)	0.1
Y = Improved Value	

The monthly CCI improved to 67 in August, a move beyond its neutral value of 50 it had been stuck at, its highest since April.

The biggest risk ahead continues to be the extent to which Rhode Island's economy slows due to monetary tightening in the coming months.

LABOR FORCE:	AUG 2022	Peak (1/2007)
Participation Rate	63.7%	68.5%
Part Adj Unem %	4.4%	
Employment Rate	61.9%	65.1%



JOB CHURN	
DLT AUG 2022 (SA,Y/Y)	
Gain	17,800
Loss	1,800
Net Chg	16,000

92		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2021	17↓	17	58↑	92↑	92↑	100	100	67↑	83	92↑	92↑	92
	2022	75	75	75	67	67	67	75	92				