

CURRENT CONDITIONS INDEX

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Rhode Island's economic performance at the end of 2020 was largely the same as it has been throughout the pandemic: Severe contraction compared to a year ago, sprinkled with a few glimmers of light for the most recent few months. Was this year's performance merely a reflection of what is happening nationally or is there something else at work? While we, like everyone else, were literally dragged into shutting large parts of our state's economy down, where we find ourselves now must also be judged relative to how well our state's economy was performing prior to the pandemic.

As I have noted countless times over the last couple of years, Rhode Island's economy has remained largely stuck at its 2016 level (based on real GDP). Resident employment, even before the pandemic hit, remained below its level of December 2006 - more than a decade earlier! The statistical deceivers in our state hid behind a very low jobless rate, but that was a byproduct of mediocre growth in resident employment coupled with a decade long decline in our state's **Labor Force**. And, while Rhode Island's economy is clearly **FILO**, we were spared the **FI** portion this time (as everyone fell sharply at the same time), but since our elected officials (not to be confused with leaders) have effectively wasted

is not for year-over-year comparisons of the CCI indicators, but a contrast of February with December of 2020. The depth of the decline in our state's economy is shocking. Only three CCI indicators have improved relative to February, the same three that have done so for months now. Look at employment (bottom): Both measures have decline by over 40,000 since February! It seems we don't do terribly well in good times, but manage to fall precipitously when things get bad, same as 2008.

There might be some good news on the horizon. First, we will soon get the revised labor market data for 2020. It might (key word) show that the declines were not as bad as what we are seeing now. Second, the monthly based CCI again reached 58, an expansion value, for the fourth time in the last five months. So maybe we are in or moving towards the early stages of crawling out of the depth of our declines. If so, where are we headed? More slow and lagging growth with our elected officials continuing

	Feb-20	Dec-20	Chg	% Chg	
Government Employment	66.0	62.5	-3.5	-5.3	
Consumer Sentiment	100.6	78.5	-22.1	-22.0	
Single-Unit Permits	1127.2	1180.3	53.1	4.7	Y
Retail Sales	17.7	18.4	0.6	3.6	Y
Employment Service Jobs	9.3	7.5	-1.8	-19.3	
Priv Serv Producing Jobs	446.9	399.8	-47.1	-10.5	
Manufacturing Employment	39.4	38.8	-0.6	-1.5	
Manufacturing Wage	37.5	37.4	-0.1	-0.3	
Manufacturing Wage	19.6	21.1	1.5	7.7	Y
Labor Force	558.5	542.4	-16.1	-2.9	
New Claims for UI	26.5	190.8	164.3	621.2	
Benefit Exhaustions	6.7	31.1	24.4	364.5	
Unemployment Rate	3.4	8.1	4.7	138.2	
Payroll Employment	508.4	461.9	-46.5	-9.1	
Resident Employment	539.8	498.4	-41.4	-7.7	

CCI Indicators - Monthly% Change	
Government Employment	-2.0
US Consumer Sentiment	2.2 Y
Single-Unit Permits	12.6 Y
Retail Sales	0.1 Y
Employment Services Jobs	-7.0
Priv. Serv-Prod Employment	-1.6
Total Manufacturing Hours	1.1 Y
Manufacturing Wage	-0.7
Labor Force	0.1 Y
Benefit Exhaustions	-33.7 Y
New Claims	-7.8 Y
Unemployment Rate (change)	0.8
Y = Improved Value	

to hide behind misleading statistics, telling us always to focus on the positive. That's not leadership, it's denial, a major reason why our economy has continued to do so badly. Let me summarize this state of affairs with two words: **Endogenous Mediocrity**: Rhode Island's economic mediocrity is a logical and predictable outcome of the way things are and are not done here.

this crisis, as they did in 2008, we have failed to reinvent ourselves to make our state's economy more competitive and linked to national growth than it has been in a while. In other words, the **LO** remains. None of our elected officials have yet to define *specifically* what Rhode Island's economic niche is and how to energize and possibly redefine our engines of growth. This would certainly be an opportune time to do so, as our state continues to rank at or near the bottom for all business climate surveys. Perhaps there should be a new show that replaces Hawaii Five-0: **Rhode Island 50**. In the future, we must reinvent our state's economy and business climate. Sadly, this state is run exactly the same it has been for forty years, even though the economic world has changed. For this reason, I continue to believe it will take three to five years for Rhode Island to return to where it was pre-pandemic, and that wasn't all that great!

This month, I am doing something a bit different. The table above

LABOR FORCE:	DEC 2020	Peak (1/2007)
Participation Rate	62.5%	68.6%
Employment Rate	57.4%	65.4%

JOB CHURN	
DLT DEC 2020 (SA,Y/Y)	
Gain	200
Loss	44,000
Net Chg (43,800)	

25		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	8	25↑	25	25	25	17	25	25