

CURRENT CONDITIONS INDEX

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Rhode Island ended 2021 on a high note, as the Current Conditions Index remained in expansion territory for the ninth consecutive month, ending with a strong value of 92 (compared to 25 last December) as all but one indicator improved relative to a year ago. The pandemic-based contraction was very severe, but not terribly long, ending just before mid year. At this point, many areas of Rhode Island's economy have come back strongly, I think. My equivocation is related to the fact that we know much of the currently released labor market data contains substantial "noise" and seasonal adjustment-related distortions, which has been most visible in the claims data. The good news is that this uncertainty will be removed next month when the revised (rebenchmarking) labor market data are released. While I expect a number of the employment changes to be upward revisions, there is no way to be certain at this time. It is not inconceivable that the early pandemic months will be revised lower but the more recent months shown to contain higher employment. What happens to the **Labor Force** and **Unemployment Rate** are of particular interest, since we know there has been a great deal of self-employment, which raises resident employment and has distorted the existing data. Will all of this somehow paint a different picture? We will have to wait to see. Please note that whatever data revisions occur will affect both the regular and monthly Current Conditions Index values. Hopefully, the recent deterioration reflected in the monthly CCI will not be as severe or consistent. One thing is for sure: As we move farther into 2022, the "comps" will become increasingly difficult, so don't expect CCI values as high as those we have seen to date as 2022 unfolds.

As December data are the farthest from known values and the most likely to be altered by the upcoming data rebenchmarking, let me reflect on what the existing data show for the various CCI indicators, extending from January through December of 2021. The star performer by far and away has been **Retail Sales**. It

CCI Indicators - % Change	
Government Employment	4.9 Y
US Consumer Sentiment	-12.8
Single-Unit Permits	0.1 Y
Retail Sales	9.9 Y
Employment Services Jobs	1.1 Y
Priv. Serv-Prod Employment	6.2 Y
Total Manufacturing Hours	14.1 Y
Manufacturing Wage	9.1 Y
Labor Force	2.5 Y
Benefit Exhaustions	-77.6 Y
New Claims	-78.8 Y
Unemployment Rate (change)	-3.1 Y
Y = Improved Value	

increased 12 times, ten of which were by double-digits. The **Manufacturing Wage** also rose 12 times, but its values are related to compositional monthly changes in the various sub categories for that industry. **Total Manufacturing Hours** was next

with 10 improvements, most of which were double-digit increases occurring since April. What is impressive here is that both the workweek and employment have been rising throughout this period, reflecting manufacturing strength during some of the periods when the service sector weakened. Several indicators

improved 9 times, **Private Service Providing Employment**, which may ultimately be revised, the **Unemployment Rate**, **New Claims**, which are in the midst of massive revisions as fraudulent claims are removed, and **Single-Unit Permits**, whose momentum clearly faded in the later parts of the year. **Benefit Exhaustions** rose 8 times as did the **Labor Force**, which began rising relative to a year ago in May. Will its increases be reversed as so often has happened in Rhode Island? **Government Employment** rose by 5 times, ending the year several thousand higher than it began the year after it resumed an upward trend starting in July. The "worst" performer was **US Consumer Sentiment**, which rose only 4 times (April through July) before returning to deteriorating values. The combination of weak sentiment and very strong **Retail Sales** is a very atypical combination.

All of this contrasts greatly with the picture that has been painted by the weak performances of the Monthly CCI. Since July, its values have been disappointing. How will the upcoming labor market revisions alter this? Possibly a great deal as there may well be a smoother set of monthly data changes in the revised data compared to those that exist with the current data and along

CCI Indicators - Monthly % Change

Government Employment	-0.2
US Consumer Sentiment	-0.0
Single-Unit Permits	-2.3
Retail Sales	-2.2
Employment Services Jobs	0.8 Y
Priv. Serv-Prod Employment	0.6 Y
Total Manufacturing Hours	1.4 Y
Manufacturing Wage	-0.5
Labor Force	-0.3
Benefit Exhaustions	-28.2 Y
New Claims	6.3
Unemployment Rate (change)	-0.3 Y
Y = Improved Value	

with these, elimination of the explosion in resident employment from the current data.

At any rate, I remain confident that Rhode Island's economy will continue to move forward, unevenly, powered far too much by the "sugar high" of massive federal funds.

	DEC 2021	Peak (1/2007)
LABOR FORCE:		
Participation Rate	63.9%	68.6%
Employment Rate	60.8%	65.4%



JOB CHURN DLT DEC 2021 (SA,Y/Y)

Gain	28,600
Loss	600
Net Chg	28,000

92		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	75↑	83	83	83	92