

CURRENT CONDITIONS INDEX

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While Rhode Island's economy has been slowing for the last few months, at this point, year's end, I am becoming increasingly concerned. While the Current Conditions Index this month remained at 67, as eight of twelve indicators improved relative to last December, and it remains in the expansion range, not all 67's are the same. The "best" case for this would be where this value is attained as an increase relative to the last month or months with individual indicators showing healthy amounts of momentum. Better yet, this would be supported by numerous indicators also improving on a month-to-month basis as well.

Clearly, that is not the case at this time. In the present situation, the CCI value represents a falloff from what we witnessed from July through October, and growth for a number of indicators has slowed. Worst of all, for the second consecutive month, all four of the indicators that failed to improve were leading economic indicators, those whose current values foreshadow what we can expect to observe in the future. This calls into question how rapid the pace of economic growth will be through 2023. In addition to this, monthly values of many of the CCI indicators are not improving, resulting in the Monthly Current Conditions Index remaining stuck in negative territory (see chart on right).

As evidence of this, **New Claims** for Unemployment Insurance, a leading indicator of layoffs and the best measure we have of layoffs in this state, rose sharply for the second time since the height of the pandemic, even with a very easy comp. **Single-Unit Permits**, which reflect new home construction, have dramatically weakened, falling by over 40 percent in December, resuming the downtrend that began a year ago. **Employment Service Jobs**, a

CCI Indicators - % Change	
Government Employment	1.3 Y
US Consumer Sentiment	-15.5
Single-Unit Permits	-43.2
Retail Sales	9.2 Y
Employment Services Jobs	-8.0
Priv. Serv-Prod Employment	1.0 Y
Total Manufacturing Hours	0.7 Y
Manufacturing Wage	6.2 Y
Labor Force	0.8 Y
Benefit Exhaustions	-27.5 Y
New Claims	11.3
Unemployment Rate (change)	-1.0 Y

Y = Improved Value

leading indicator of employment, has also fallen now for three consecutive months, as its rate of decline increased, while **US Consumer Sentiment** fell once again this month. **Retail Sales**, the star performer of the twelve CCI indicators, which improved on a current dollar (nominal) basis,

has been declining for several months now on an inflation-adjusted (real) basis. Even **Total Manufacturing Hours**, a leading indicator of manufacturing output, barely managed to rise this month (+0.7%), its worst performance since March of 2021.

Of the indicators just discussed, only two are subject to revision, **Employment Service Jobs** and **Total Manufacturing Hours**. Nonetheless, the upcoming data revisions in a few weeks will be very revealing. If Rhode Island data are revised as was the case

with national data, things might look a bit rosier, and my concerns would diminish. If, however, should we see downward data revisions, then all bets are off.

Moving beyond this, for December, both the Employment Rate (percent of the resident population that is employed) and the Labor Force Participation Rate (percent of the population in the Labor Force) declined. So, while the official (naïve) **Unemployment Rate** fell from 3.6 percent in November to 3.5 percent in December, the participation-adjusted Unemployment Rate, which takes both participation and employment rates into account, rose from 4.9 to 5.2 percent.

So, as the national economy slows, we can at least say that December was the eighteenth consecutive month for which Rhode Island's economy expanded (the CCI was above 50). And several indicators continued to improve, although these are labor-market related and subject to the upcoming revisions. Sadly, most of those are concurrent indicators, informing us of where we are at present, not providing information on future direction.

CCI Indicators - Monthly% Change

Government Employment	-0.9
US Consumer Sentiment	-0.4
Single-Unit Permits	-4.0
Retail Sales	-0.1
Employment Services Jobs	-1.4
Priv. Serv-Prod Employment	0.3 Y
Total Manufacturing Hours	-1.8
Manufacturing Wage	1.8 Y
Labor Force	-0.4
Benefit Exhaustions	16.5
New Claims	-11.7 Y
Unemployment Rate (change)	-0.1 Y

Y = Improved Value

Finally, the Monthly CCI remained well in the contraction range for December, equal to 33, as only four of its twelve indicators improved relative to November.

Might this be the beginning of FI (First In)? The upcoming data revisions will tell.

LABOR FORCE:	DEC 2022	Peak (1/2007)
Participation Rate	63.6%↓	68.5%
Part Adj Unem %	5.2%↑	
Employment Rate	61.3%↓	65.1%



JOB CHURN DLT DEC 2022 (SA,Y/Y)

Gain	10,300
Loss	800
Net Chg	9,500

67		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	92	75	67	67