CURRENT CONDITIONS INDEX

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February brought some good news: Rhode Island's economy did better this month than it had for the prior two months, as the Current Conditions Index moved back into the expansion range. While this is only one month's result, it is still important, nonetheless. Specifically, one key indicator, **Retail Sales**, resumed its longer-term uptrend, calling into question whether its decline in January was a fluke. Often, as **Retail Sales** goes, so too does the Rhode Island economy.

This uptick in economic activity is also important since it is a welcome change following the revised labor market data that was so weak and disappointing, especially with respect to the **Labor Force**, Resident Employment and the Labor Force Participation Rate. In my report last month, I concluded that Rhode Island *might* be in the early stages of a recession or moving towards a recession, noting that future data and revisions would inform us as to whether this is the case. Barring any negative revisions to the February data, there is no basis to conclude that Rhode Island is in the early stages of a recession, for now at least.

However, ***I am unable to rule out the strong possibility that Rhode Island is continuing to move towards a recession***. The performance of the leading economic indicators contained in the Current Conditions Index continues to be extremely weak. Four of the five shifted to negative trends in October of last year that offer very little likelihood of reversing any time soon. The fifth, **US Consumer Sentiment**, showed a rare improvement in February, for only its first time in well over a year.

Layoffs, in terms of **New Claims**, has now risen every month since November. This might be an indication that employers are becoming less worried about their ability to hire new workers or replacements, possibly ending what had been a prolonged period of "labor hoarding." New home construction, based on **Single-Unit Permits**, has now declined for ten of the last twelve months, falling at double-digit rates since October. This obviously can't be blamed on an extremely cold winter. **Total Manufacturing Hours**, a proxy for manufacturing output, that performed extremely well during the pandemic and afterwards, has now fallen for the past three months. Looking at its components, manufacturing employment remains below its level of last September while the length of the workweek is lower than its level in August. **Employment Service Jobs**, which includes temps and leads future changes in employment, has now declined on a monthly and yearly basis for five consecutive months.

CCI Indicators - % Change		
Government Employment	1.1	Y
US Consumer Sentiment	6.5	Y
Single-Unit Permits	-23.2	
Retail Sales	4.8	Y
Employment Services Jobs	-14.7	
Priv. Serv-Prod Employment	0.8	Y
Total Manufacturing Hours	-3.5	
Manufacturing Wage	2.9	Y
Labor Force	-0.7	
Benefit Exhaustions	-20.1	Y
New Claims	6.6	
Unemployment Rate (change)	-0.1	Y
Y = Improved Value		

The picture painted by these recent performances of the latter four leading indicators is that employment prospects in the coming months may well diminish at the same time that layoffs continue and Rhode Island's manufacturing sector weakens further, and all this with a depressingly long downtrend in new home construction (**Single-Unit Permits**).

This does not imply that everything is doing badly. **Retail Sales** rose by a healthy 4.8 percent versus last February. Its uptrend remains in tact in spite of last month's decline. The **Manufacturing Wage** rose by 2.9 percent versus a year ago, sustaining a well-established uptrend. **Private Service-Producing Employment** remains in an uptrend, increasing by 0.8 percent over the year. **Benefit Exhaustions**, which reflect long-term unemployment, fell at a double digit rate, 20.1, percent in February while **Government Employment** increased by 1.1 percent compared to last February.

Based on Rhode Island's incredible shrinking **Labor Force**, we were able to attain yet another very low official (naïve) **Unemployment Rate**. Rhode Island's Labor Force declined by 0.7 percent versus last February, *its thirteenth consecutive decrease* on a year-over-year basis. This was the continuation of a downward trend that began in June of last year that occurred along with a similar downtrend in the labor force participation rate. Put this all together and what do you get? An official (naïve) **Unemployment Rate** that remained at 3.1 percent for the second consecutive month. For those of us competent enough to understand that labor force participation is a critical element in assessing unemployment, the **Participation-Adjusted Unemployment Rate** for Rhode Island rose from 5.8 percent in January to 5.9 percent in February.

What would cause Rhode Island's economy to strengthen and move beyond its recent weakness? An acceleration in the pace of national economic activity. In light of monetary tightening and fading effects of federal fiscal stimulus, this is an extremely unlikely prospect. The time has come for Rhode Island to begin planning for, and not reacting to, future economic conditions.

LABOR FORCE:	FEB 2023	Peak (1/2007)
Participation Rate	62.8%↑	68.5%
Part Adj Unem %	5.9%↑	
Employment Rate	60.9%	65.1%

JOB CHURN
DLT FEB 2023
(SA,Y/Y)

Gain	10,100
Loss	700
Net Chg	9,400

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	83↑	75	67↓	75↑	75↑	67	75	83↓	83↓	67↓	58↓	50↓
2023	42↑	58										