

CURRENT CONDITIONS INDEX

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VOL XXVIII
NUMBER 2
JAN 2021

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The revised labor market data we were waiting for has finally arrived. The picture it portrays of the Rhode Island labor market is anything but flattering. Both measures of employment were even lower than we were led to believe while the **Unemployment Rate**, with mixed revisions, remains well above where we need it to be. Worse yet, if one contrasts the pandemic-related employment numbers with those of The Great Recession, it is immediately obvious that the pandemic-related effects make the last recession look like a minor blip (see tables next page).

It has been difficult for me to write these reports over the past year since the numbers have been so depressing. The data revisions, if anything, have made this situation even worse. I have found it difficult and often depressing to describe individual indicator performances since these are, to be quite honest, awful and doing so would give the appearance of "piling on." If I were to describe the performances of individual CCI indicators this month, for example, there would be an uncomfortably large number of indicators that have failed to improve for over a year,

employers have 30 or fewer employees, why this emphasis wasn't adopted in deed, not word, for so long is a sad testament to how poorly this state has been run. As we begin to move from the pandemic, it is imperative that we stop striving for "home runs" with large firms. All too often we have either struck out, or as with 38 Studios, gotten hit in the face by the "ball." Our state's ability to thrive in this period of recovery will be determined by whether we are able to cast off our image as **Rhode Island 5-0**. We can begin by setting a goal of returning resident employment back to its prior peak of almost a decade and a half ago! The time is right to shed our modus operandi of **Endogenous Mediocrity**.

While the CCI based on year-over-year change remains stuck in the range of 17 to 25, with only two or three indicators improving, the monthly CCI (see below) is performing considerably better. For January, the monthly CCI was 75, as nine of the twelve indicators improved relative to December. While none of the monthly growth rates were particularly impressive, at least we are moving in the right direction. Our ability to sustain this will ultimately be determined by our ability to implement improvements to our state's structural baggage.

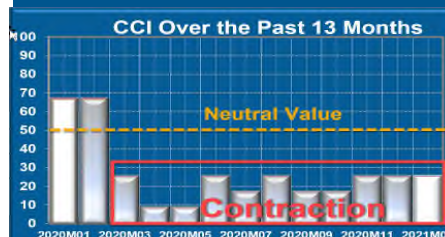
CCI Indicators - % Change	
Government Employment	-5.8
US Consumer Sentiment	-20.7
Single-Unit Permits	0.8 Y
Retail Sales	9.4 Y
Employment Services Jobs	-8.6
Priv. Serv-Prod Employment	-10.6
Total Manufacturing Hours	-6.9
Manufacturing Wage	8.2 Y
Labor Force	-3.9
Benefit Exhaustions	424.9
New Claims	127.0
Unemployment Rate (change)	3.4
Y = Improved Value	

CCI Indicators - Monthly % Change	
Government Employment	0.3 Y
US Consumer Sentiment	1.3 Y
Single-Unit Permits	-4.0
Retail Sales	2.9 Y
Employment Services Jobs	0.9 Y
Priv. Serv-Prod Employment	0.4 Y
Total Manufacturing Hours	0.2 Y
Manufacturing Wage	-0.0
Labor Force	0.3 Y
Benefit Exhaustions	5.0
New Claims	-31.0 Y
Unemployment Rate (change)	-0.7 Y
Y = Improved Value	

with several failing to improve even *before* the pandemic began. I have instead chosen to focus on other aspects of our situation, such as introducing a monthly CCI to shift attention to our short-term momentum. Thankfully, our short-term momentum as gauged by the monthly CCI, is showing signs of life for the coming months. And, with all the reopening allowed by vaccinations, our future momentum is clearly higher than it has been. However, we are about to experience the **LO of FILO**.

Because Rhode Island's economy has once again demonstrated its dubious ability to fall very far and very fast, a return to "normal" generally a very long time. And, as I have stated for some time now, where we were prior to the pandemic wasn't all that good, since we had remained largely stuck at the 2015 level of our state's real GDP. Has Rhode Island done much to change our business climate and to reinvent itself? Generally, no. However, Governor McKee has stated his intention to begin a long-overdue emphasis on small business. Since about 90 percent of our

LABOR FORCE:	JAN 2021	Peak (1/2007)
Participation Rate	62.5%	68.6%
Employment Rate	58.0%	65.4%



JOB CHURN DLT JAN 2021 (SA,Y/Y)	
Gain	0
Loss	43,500
Net Chg	(43,500)

25		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											

Rhode Island's Two Employment Measures: Payroll (Number of RI Jobs) and Resident (Number of Employed RI Residents): It Doesn't Get Much Worse Than This (We Hope)

	Year-Over-Year Changes in RI Payroll Employment				
	Pandemic: 2020		The Great Recession		
	Change	% Chg	Change	% Chg	
Jan-20	2.1	0.4%	Jan-09	-20.1	-4.1
Feb-20	3.9	0.8%	Feb-09	-20.9	-4.3
Mar-20	-0.9	-0.2%	Mar-09	-23	-4.7
Apr-20	-104.2	-20.7%	Apr-09	-25.3	-5.2
May-20	-89.1	-17.7%	May-09	-24.2	-5.0
Jun-20	-67.4	-13.4%	Jun-09	-24	-5.0
Jul-20	-57.9	-11.5%	Jul-09	-24	-5.0
Aug-20	-47.9	-9.5%	Aug-09	-23.7	-4.9
Sep-20	-41.6	-8.3%	Sep-09	-22.5	-4.7
Oct-20	-42.6	-8.4%	Oct-09	-19.9	-4.2
Nov-20	-41.7	-8.3%	Nov-09	-17.4	-3.7
Dec-20	-46.8	-9.3%	Dec-09	-15.5	-3.3
Jan-21	-43.5	-8.6%	Jan-10	-10.5	-2.2

(Thousands, SA)

	RI Resident Employment		
	Prior Peak		
Feb-07	545.0		
	Level	Change	% Chg
Jan-20	540.8	4.4	0.8%
Feb-20	539.8	3.4	0.6%
Mar-20	539.6	3.1	0.6%
Apr-20	451.0	-85.5	-15.9%
May-20	453.7	-83.0	-15.5%
Jun-20	457.2	-79.9	-14.9%
Jul-20	460.8	-77.2	-14.3%
Aug-20	463.3	-75.9	-14.1%
Sep-20	497.0	-43.5	-8.0%
Oct-20	496.9	-44.7	-8.3%
Nov-20	496.2	-46.0	-8.5%
Dec-20	495.9	-45.9	-8.5%
Jan-21	501.2	-39.6	-7.3%

Thousands, SA

Short-Term Momentum Exists (Monthly CCI) But Is Not Consistent

