

CURRENT CONDITIONS INDEX

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VOL XXVI
NUMBER 2
JAN 2022

Rhode Island begins 2022 on a high note, as the recently rebenchmarked labor market data for 2021 paint the picture of a much stronger labor market than what we were previously led to believe. Both measures of employment, payroll (the number of RI jobs) and resident (the number of employed RI residents) were much stronger throughout the year than their prior values, especially so for resident employment which actually (finally!) surpassed its 2006 peak in early 2018.

Rhode Island's recovery (or restoration) from the pandemic has therefore been more rapid and stronger than we thought. You can see this from the numerous upwardly revised CCI values once the recovery began. That's the good news. The bad news, statistically at least, is that these higher values for 2021 translate into more difficult "comps" for 2022, making it more difficult to post the types of CCI values that we saw once our recovery began (in April). Also, CCI values from April through December (except August) were very high, to a large extent due to very weak 2020 "comps." So, from this point forward, we will get a much more accurate picture of our economy's true momentum, one that is distinct from the impact of continually weak "comps."

As everyone here pays inordinate amount of attention to our state's **Unemployment Rate**, there is significant news there too.

CCI Indicators - % Change	
Government Employment	1.4 Y
US Consumer Sentiment	-15.2
Single-Unit Permits	-4.5
Retail Sales	16.3 Y
Employment Services Jobs	-1.2
Priv. Serv-Prod Employment	4.4 Y
Total Manufacturing Hours	13.2 Y
Manufacturing Wage	13.5 Y
Labor Force	0.6 Y
Benefit Exhaustions	-64.3 Y
New Claims	-49.8 Y
Unemployment Rate (change)	-2.1 Y
Y = Improved Value	

While this metric surged to 18 percent at the height of the pandemic, it has now fallen all the way back to 4.2 percent in January, and in a possible anomaly for RI, on a yearly basis this has occurred with an increasing Labor Force since March. However, on a monthly basis, things are

less sanguine, due to a string of declines began in August.

Where does this leave us? Rhode Island's economic performance overall and its bounce back from the pandemic has been far better than we thought. Our rising tax revenues and budget surpluses along with the recent Census population surprise were not flukes. The next question is how long it will take for our employment levels (both measures) to return to their pre-pandemic levels. It is in this area that I am concerned, as our elected officials have done painfully little to eliminate the host of structural issues that are continually cited in 50-state business climate comparisons. We certainly have the money to make inroads here, but do we have the inclination to do so? Sadly, the federal money has provided a "sugar high" where our elected officials are busy spending that money as though it can be

meaningfully done absent the need for simultaneous structural reform. While it is often claimed that we are, in fact, working on our structural issues, I remain unconvinced — actions speak much louder than words, especially for a state that has yet to realize the critical importance of in-house due diligence as a fundamental basis for economic planning.

The January CCI was 75 as nine of twelve indicators improved relative to a year ago. This value is well below the string of very high and two perfect scores last year, but there were several obvious strengths. Of the five leading indicators in the CCI, only three improved, even with relatively easy comps last January. Notable among those was **Employment Service Jobs**, a category that includes temps. January was its first decline since last August. **New Claims**, the most timely measure of layoffs, fell by almost 50 percent and has improved every month since June. There has been sustained momentum in our state's manufacturing sector, as **Total Manufacturing Hours**, a proxy for manufacturing output, rose at a double-digit level (+13.2%), its eleventh consecutive increase with both the workweek and employment rising once again. Finally, both **Single-Unit Permits** (new home construction) and **US Consumer Sentiment** failed to improve.

CCI Indicators - Monthly % Change

Government Employment	0.2 Y
US Consumer Sentiment	-1.9
Single-Unit Permits	-6.9
Retail Sales	6.4 Y
Employment Services Jobs	-2.6
Priv. Serv-Prod Employment	-0.5
Total Manufacturing Hours	2.3 Y
Manufacturing Wage	2.5 Y
Labor Force	-0.1
Benefit Exhaustions	42.9
New Claims	10.2
Unemployment Rate (change)	-0.3 Y
Y = Improved Value	

Another weak performance by the Monthly CCI continues a trend that points to an uneven recovery from this point forward, which is consistent with the decline in the January CCI value relative to December.

LABOR FORCE:	JAN 2022	Peak (1/2007)
Participation Rate	63.2%	68.5%
Employment Rate	60.5%	65.1%



JOB CHURN	
DLT JAN 2022 (SA,Y/Y)	
Gain	19,700
Loss	1,200
Net Chg	18,500

75		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											