

# CURRENT CONDITIONS INDEX

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While Rhode Island's economy is still feeling the adverse effects of the pandemic, it is readily apparent that its momentum has not only picked up substantially over the last four months, moving it into an economic recovery (or more aptly a restoration), but the trend of the last three months is one of clearly accelerating momentum. The good news is that the June Current Conditions Index was revised higher from 83 to 92. The better news is that for July, the CCI attained its maximum possible value of 100, as all twelve indicators improved relative to their values last year.

At this point, I must remind you that these values do *not* signify that Rhode Island's economy has returned to its pre-pandemic level. The Current Conditions Index reflects cyclical momentum. So, the recent values show that the recovery we are now in has been gaining momentum with July signifying we now have "the petal to the metal." If we view each CCI indicator as a "leg" our economy can stand on, since April our state's economic momentum has been solidifying and the recovery has become more broadly based as we are standing on more and more legs. In another analogy, for July, Rhode Island's economy was clicking on all cylinders.

Now for the reality check: The "comps" from last July were very easy to beat with the exception of those of **Retail Sales** and the **Manufacturing Wage**. Also, a number of key economic indicators remain well below where they were pre-pandemic and will not return to prior levels for quite some time. For example,

CCI Indicators - % Change	
Government Employment	2.7 Y
US Consumer Sentiment	12.2 Y
Single-Unit Permits	18.4 Y
Retail Sales	12.8 Y
Employment Services Jobs	6.3 Y
Priv. Serv-Prod Employment	8.7 Y
Total Manufacturing Hours	23.2 Y
Manufacturing Wage	10.0 Y
Labor Force	0.1 Y
Benefit Exhaustions	-62.1 Y
New Claims	-35.9 Y
Unemployment Rate (change)	-8.2 Y
Y = Improved Value	

payroll employment in July was still 5.5 percent below its recent peak. Real GDP growth rates, which are annualized rates, tend to distort how well we are doing, as recent changes are magnified through exponentiation. Furthermore, even as

aggregate numbers show improvement, the composition of what underlies them can be misleading. Finally, "the" question: What has Rhode Island really done to reinvent itself during this pandemic? A number of positive things have certainly taken place, but negatives always accompany positives, mandating that more and more positives must occur. Can we count on this outcome given our state's business climate? I'm not so certain. The long-term outcome will be determined by how this state allocates the large sums of federal funds. Will it be largely used for investment-oriented spending or, as we all too often do, lapse into using it largely for consumption-oriented purposes?

At any rate, we continue to move in the right direction and are in

the process of moving ever closer to where we once were. The star performer for July, which as been the case for a while, was **Retail Sales**, which improved by 12.8 percent over last July (which was itself a 5.8% increase). All four of the leading economic indicators that are part of the CCI also improved. **Total Manufacturing Hours** rose at a double-digit rate as it has since April. **Employment Service Jobs**, a leading indicator of employment that includes temps, increased by almost 6 percent. **Single-Unit Permits** rose sharply, its fifth consecutive increase, which is critical since we desperately need more housing supply. Layoffs, in terms of **New Claims**, fell by 35.9 percent, but that was only its second consecutive improvement. Finally, **US Consumer Sentiment** continued its double-digit improvements that began in April.

This brings us to the performance of the *Monthly* CCI, which reflects short-term momentum. For July, the Monthly CCI fell to

## CCI Indicators - Monthly % Change

Government Employment	4.7 Y
US Consumer Sentiment	-1.0
Single-Unit Permits	-15.4
Retail Sales	-2.8
Employment Services Jobs	-5.9
Priv. Serv-Prod Employment	0.1 Y
Total Manufacturing Hours	3.1 Y
Manufacturing Wage	2.1 Y
Labor Force	-0.1
Benefit Exhaustions	-35.0 Y
New Claims	35.5
Unemployment Rate (change)	-0.1 Y
Y = Improved Value	

its neutral value of 50, as only six of twelve indicators improved relative to June. This index seems to be fluctuating between 50 and 75, reflecting that the regular (based on annual values) CCI will eventually begin to weaken somewhat, but this is not

entirely unexpected. I expect this recovery for Rhode Island to be uneven. Let's hope our recent momentum can be sustained.

LABOR FORCE:	JULY 2021	Peak (1/2007)
Participation Rate	62.0%	68.6%
Employment Rate	58.5%	65.4%

  

JOB CHURN	
DLT JULY 2021 (SA,Y/Y)	
Gain	32,700
Loss	800
Net Chg	31,900



100		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					