

# CURRENT CONDITIONS INDEX

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The pace of economic activity in Rhode Island not only continued to improve in July, its sixteenth consecutive month of expansion (or restoration) based on the Current Conditions Index, there were hints of an accelerating pace of activity. In spite of difficult "comps" from a year ago, the Current Conditions Index for July rose from 67, where it had been stuck for several months, to 75 as nine of twelve indicators improved. What is most noteworthy, however, is sustained or rising strength in a number of key indicators. The two "star" indicators, **Retail Sales** and **Total Manufacturing Hours** remained very strong. **Retail Sales** rose at a double-digit rate in July (+13.8%) and *has improved on a yearly basis every month since May of 2020*, virtually the entire span of the pandemic. **Total Manufacturing Hours** increased by 7.3 percent in July as both the workweek and employment rose, with July representing an acceleration in growth. It has now improved for seventeen consecutive months, since February of 2021. Along with this, the **Manufacturing Wage** has also risen every month since February of 2021, but recently its growth has been slowing. Strength in manufacturing and retail have propelled Rhode Island throughout most of this recovery.

These were not the only two areas showing substantial strength and momentum. On the labor supply side, **Benefit Exhaustions**, a reflection of long-term unemployment fell by 58 percent in July

CCI Indicators - % Change	
Government Employment	0.3 Y
US Consumer Sentiment	-36.4
Single-Unit Permits	-8.0
Retail Sales	13.8 Y
Employment Services Jobs	1.6 Y
Priv. Serv-Prod Employment	3.4 Y
Total Manufacturing Hours	7.3 Y
Manufacturing Wage	5.5 Y
Labor Force	-0.3
Benefit Exhaustions	-58.0 Y
New Claims	-63.1 Y
Unemployment Rate (change)	-3.3 Y
Y = Improved Value	

and has fallen at a double-digit rate (yearly) for every month since May of 2021. Similarly, **New Claims**, which reflects layoffs, declined by 63.1 percent in July and has decreased at double-digit rates since July of 2021, although massive amounts of fraud associated

with this indicator make that statement somewhat uncertain.

The best news of indicator improvement in July concerns **Employment Service Jobs**, a leading labor market indicator that includes temps. After six consecutive months of (annual) declines, this indicator improved in July, although by a relatively small amount (+1.6%). Should it sustain an uptrend, this would strongly point to a sustained trend of rising employment. Speaking of employment, resident employment or the number of employed RI residents (in state or out-of-state), rose again in July and now has begun to move above its pre-pandemic level, while at the same time, the percentage of our population that is employed (the *Employment Rate* — see table on right) remains well below its level going all the way back to early 2007. Payroll employment, though, still has a ways to go.

There is more good news: Examination the Current Conditions Index when *contrasting values this year with those two years ago shows this measure* in the expansion range (above 50) for a fifth consecutive month, indicating that **Rhode Island is indeed in the early stages (first five months) of recovery from the depths of the pandemic**. This supplements CCI performance based solely on focusing on year-earlier values. And the performance of the monthly CCI (below) continues to reflect expansion values, which is also consistent with sustaining or improving current economic performance.

Along with this good news were sustained areas of economic weakness. **US Consumer Sentiment** has now failed to improve for twelve consecutive months, falling by a whopping 36.4 percent versus last July. **Single-Unit Permits**, which reflect new home construction, fell by 8 percent.

Historically typical for Rhode Island, our state's **Labor Force** has now resumed falling on a yearly basis since March. This, of course, is responsible for much of recent low **Unemployment Rates**. While the naïve **Unemployment Rate** fell to 2.7 percent in July, when **Labor Force** participation is taken into account, the participation adjusted rate was 4.4 percent.

CCI Indicators - Monthly% Change	
Government Employment	0.5 Y
US Consumer Sentiment	7.2 Y
Single-Unit Permits	6.9 Y
Retail Sales	1.0 Y
Employment Services Jobs	-0.7
Priv. Serv-Prod Employment	-0.9
Total Manufacturing Hours	2.5 Y
Manufacturing Wage	-2.2
Labor Force	0.2 Y
Benefit Exhaustions	-21.2 Y
New Claims	38.8
Unemployment Rate (change)	0.0
Y = Improved Value	

The biggest risk ahead is the extent to which Rhode Island's economy slows due to monetary tightening in the coming months. How much will **Retail Sales** and **Single-Unit Permits**, the interest sensitive parts of our economy, slow?

LABOR FORCE:	JULY 2022	Peak (1/2007)
Participation Rate	63.5%	68.5%
Part Adj Unem %	4.4%	
Employment Rate	61.8%	65.1%



JOB CHURN	
DLT JULY 2022 (SA,Y/Y)	
Gain	15,000
Loss	2,300
Net Chg	12,700

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	75	75	67	67	67	75					