

CURRENT CONDITIONS INDEX

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In July, the economic weakness in Rhode Island's economy continued, extending the rather peculiar situation Rhode Island's economy now finds itself in. There is a well-defined *downward* trajectory in Rhode Island's economic momentum that has existed since late summer of 2022. My Current Conditions Index, which reflects cyclical economic momentum, has now registered either contraction or neutral values for all but one month since December of last year. The CCI for July was 33, as only four of twelve indicators improved. More concerning is the fact that monthly CCI values have failed to exceed their year-earlier values for eleven consecutive months. As can be seen from the table at the bottom of this page, there have been contraction values (below 50) for all but February this year. And, as I have discussed in reports over the last several months, accompanying these contraction CCI values have been very weak performances by individual indicators. Sadly, July is no exception to this.

Focusing on employment, there is a mixed picture, but still not a strong one. For payroll employment, the number of jobs in Rhode Island, this has now declined on a yearly basis for four consecutive months. Its downward trajectory accelerated in July. However, what most people don't know is that the number of jobs lost is *not* the negative aggregate number released as the monthly employment change. That is the difference between jobs gained and jobs lost, which for July was a decrease of 5,600. This actually breaks down to 3,100 jobs gained but 8,700 jobs lost (see bottom right). The other employment measure, resident employment (number of employed RI residents), finally rose on a yearly basis, but barely.

On a yearly basis, the CCI's leading indicators fared badly once again in July, as only one improved. **Total Manufacturing Hours**

CCI Indicators - % Change	
Government Employment	-0.6
US Consumer Sentiment	38.9 Y
Single-Unit Permits	-5.9
Retail Sales	4.1 Y
Employment Services Jobs	-11.1
Priv. Serv-Prod Employment	-0.8
Total Manufacturing Hours	-7.7
Manufacturing Wage	8.2 Y
Labor Force	-0.3
Benefit Exhaustions	90.3
New Claims	0.7
Unemployment Rate (change)	-0.4 Y
Y = Improved Value	

extended its well-defined downtrend, falling for an eighth consecutive month (-7.7%) at a declining rate twice that of June. **Employment Service Jobs**, reflective of "temps," has now fallen for ten consecutive months, most of those at double-digit rates. **New**

Claims, the most timely measure of layoffs, has continued its notable *uptrend* that began last November (we want this to decrease!), although the rise was less this month. **Single-Unit Permits**, or new home construction, which had fallen at double-digit rates since last October, declined by a smaller amount, 5.9 percent in July. The sole improving leading CCI indicator is **US Consumer Sentiment**, which has now risen for three months.

Rhode Island's **Labor Force** has now declined for eighteen consecutive months, a blessing to our elected officials, as this has been a large part of the explanation for our state's low **Unemployment Rate**. Rhode Island's July **Unemployment Rate** fell to 2.8 percent, largely thanks to the falling **Labor Force**, but it was still second highest in New England. The far more accurate jobless measure, the **Participation-Adjusted Unemployment Rate**, also fell, to 4.9 percent.

Perhaps the biggest July surprise is that **Government Employment** actually *fell* for the first time in recent memory. Fortunately, **Retail Sales** rose again this month, by 4.1 percent. This remains one bright spot in the aggregate picture in Rhode Island, although it has declined on a yearly basis twice this year.

Based on all of this, *I continue to believe that Rhode Island is in a statistical recession, but not a "typical" recession*. Why? Because the aggregate economic data for Rhode Island, which show the behavior of cyclical variables *on average*, continue to produce misleading signals as the result of greater-than-normal variability in many, if not most, state-related variables. Things today remain vastly different from what would normally exist were we moving into a "typical" recession, largely the result of massive amounts of monetary and fiscal stimulus, state budget surpluses related to national fiscal policy largesse, pandemic period savings, capital gains from home equity and the stock market and several other effects, some related to the Russia-Ukraine war.

So, at the same time that some variables show weakness *in the aggregate*, elements within those same variables remain fairly strong. Specifically, higher income level individuals have continued to do quite well up to this point. Things are very different for average to below-average income Rhode Islanders, however.

As the national economy has been rebounding of late, let's hope that Rhode Island's economy will also gain cyclical momentum. But what will happen when RI's budget surpluses disappear?

LABOR FORCE:	JULY 2023	Peak (1/2007)
Participation Rate	63.3%	68.5%
Part Adj Unem %	4.9%	
Employment Rate	61.5%	65.1%

JOB CHURN	
DLT JULY 2023 (SA,Y/Y)	
Gain	3,100
Loss	8,700
Net Chg	-5,600

33		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	42	33	33	42	33					



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1/ The newly released RI labor data contains some good news. Forgetting about the artificially low jobless rate and the usual labor force decline, resident employment (# of employed RI residents - in or out of state) rose on both a monthly and yearly level.

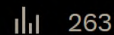
Labor Force - Unemployment Data

RHODE ISLAND

Seasonally Adjusted
(in thousands)

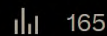
	July 2023	June 2023	July 2022	Changes	
				Yearly	Month
Civilian Labor Force	570.3	569.8	572.1	-1.80	0.5
Resident Employment	554.5	553.0	553.8	0.70	1.5
Unemployment	15.8	16.8	18.3	-2.50	-1.0
Seasonally Adjusted Rate	2.8%	2.9%	3.2%		

SOURCE: Rhode Island Department of Labor and Training



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2/ It's nice to see a declining official (naive) unemployment rate decline accompanied by higher resident employment. Other good news: the participation-adjusted unemployment rate fell to 4.9% in July.



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3/ One question remains: Since resident employment can occur either in state or out of state, how much of this month's good news associated with resident employment resulted from job gains in MA or CT and not RI?

