

CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

Available Online: <http://www.lardaro.com/current.htm>
Twitter: @ladardo

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Rhode Island's June economic performance provided additional evidence consistent with it being in the early stages of an economic recovery, or more appropriately, a restoration from the pandemic, as the Current Conditions Index registered another expansion value. It is apparent once again this month that what we are experiencing is vastly different periods when we typically emerge from recessions. The simultaneous reopening of many parts of our economy along with massive monetary and fiscal policy stimulus will, in all likelihood, allow this current expansion period to continue well into next year, possibly longer. Whether or the extent to which we encounter a truncated **LO** (from **FILO**), however, remains uncertain. Clearly, the biggest question at present is the extent to which the Delta COVID variant affects our population and the actions our elected officials take to cope with this surge.

For the third consecutive month, the Current Conditions Index exceeded its neutral value of 50, sustaining its (downwardly revised) May value of 83 in June, as all but two indicators improved — once again, **Government Employment** (-0.5%) and **New Claims** for Unemployment Insurance, which more than doubled from its value one year ago. Keep in mind all of these recent expansion values of the CCI indicators are relative to extremely weak values last year, which effectively provide extremely easy "comps." For example, a host of the June CCI indicators were compared to prior double-digit plus declines — our state's economy had fallen so far a year ago, it was almost unimaginable for it to decline much further. Strange as it might seem, this is the typical way recoveries start.

CCI Indicators - % Change	
Government Employment	-0.5
US Consumer Sentiment	9.4 Y
Single-Unit Permits	9.1 Y
Retail Sales	14.5 Y
Employment Services Jobs	18.5 Y
Priv. Serv-Prod Employment	10.5 Y
Total Manufacturing Hours	15.2 Y
Manufacturing Wage	8.3 Y
Labor Force	5.0 Y
Benefit Exhaustions	-29.2 Y
New Claims	223.9
Unemployment Rate (change)	-5.0 Y
Y = Improved Value	

In spite of this, a number of indicators continue to move well beyond the depths they reached last year, which is very encouraging. As these aggregate values (hopefully) continue to improve in the coming months, eventually matching pre-COVID levels, we will not have returned to "normal," as it existed prior to the pandemic.

There will be a new and very different normal, in some ways better and other ways not as desirable as where we had been. In other words, as we approach where we were *statistically*, gaps in what exists or how things are done will remain, since *aggregate numbers often conceal important compositional changes*. Any planning for the future must be done relative to this altered economy, not where we once were.

At any rate, several of the June indicator performances were quite impressive, registering double-digit increases. Better yet, job gains (see right table) continue to be vastly larger than losses, as we restored 37,100 jobs in June relative to a loss of only 2,100

compared to last June. Rhode Island's manufacturing sector turned in an extraordinary performance, as both the manufacturing workweek and weekly hours rose sharply, producing a 15.2 percent improvement in **Total Manufacturing Hours** following a 23.2 percent gain last month — the first double-digit gains for this indicator in this millennium! **Retail Sales**, our star indicator throughout the pandemic, grew by 14.5 percent in June, its fifth consecutive double-digit increase! **Employment Services Jobs**, a leading labor market indicator, also improved at a double-digit rate (+18.5%) for a third consecutive month. Our state's **Labor Force** has finally begun to improve on a yearly basis (+5% for June), although the same is not true on a monthly basis. Because of this, recent monthly reductions in our state's **Unemployment Rate** must be viewed suspiciously. Try telling that to the media in this state. Good luck!

This brings us to the performance of the *Monthly CCI*, which after posting a series of expansion values fell to 42 in May but rose back to an expansion value of 75 in June, as nine of its twelve

CCI Indicators - Monthly % Change	
Government Employment	0.7 Y
US Consumer Sentiment	2.6 Y
Single-Unit Permits	8.5 Y
Retail Sales	1.3 Y
Employment Services Jobs	-0.5
Priv. Serv-Prod Employment	2.1 Y
Total Manufacturing Hours	2.0 Y
Manufacturing Wage	-0.5
Labor Force	-0.2
Benefit Exhaustions	-12.2 Y
New Claims	-17.9 Y
Unemployment Rate (change)	-0.1 Y
Y = Improved Value	

indicators improved. Overlooking the single-month contraction value, short-term momentum continues to look promising. Monthly CCI values are not exactly overwhelming, which leads me to expect an uneven overall recovery. Thank God for the tailwinds of strong monetary and somewhat fading fiscal policy that will

persist for some time. That will prove to be critical for us, since our elected officials have done virtually nothing to improve our business climate (**Rhode Island Five-0**).

LABOR FORCE:	JUNE 2021	Peak (1/2007)
Participation Rate	62.3%	68.6%
Employment Rate	58.6%	65.4%



JOB CHURN DLT JUNE 2021 (SA,Y/Y)	
Gain	37,100
Loss	2,100
Net Chg	35,000

83		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↓	83						