

# CURRENT CONDITIONS INDEX

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Rhode Island's economy continued to improve in June, its fifteenth consecutive month of expansion (or restoration) based on the Current Conditions Index. Clearly, this continued momentum is noteworthy since the "comps" from a year ago have become increasingly difficult to top, which has led to some slowing of Rhode Island's momentum. The good news is that several key economic variables have regained all or most of what they lost during the pandemic. Most noteworthy among these is Resident Employment, the number of employed Rhode Island residents, which is about 500 higher than its previous peak. However, this good news must be tempered a bit based on a more detailed analysis. While the level of Resident Employment is now higher than pre-pandemic, 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. Along with this, payroll employment, the number of jobs in Rhode Island, still remains far below its pre-pandemic peak (by 11,400). Fortunately, strength in both **Retail Sales** and **Total Manufacturing Hours** has continued unabated, providing a solid backdrop for other changes that have or will occur.

Last month, I alluded to a way to gauge whether Rhode Island is truly recovering from the pandemic — not a focus on the naïve **Unemployment Rate**, for which there are numerous ambiguities in its determination. Instead, an examination of the Current

CCI Indicators - % Change		Index when contrasting values this year with those two years ago. The results are striking. This two-year CCI measure has now risen into the expansion range (above 50) for four consecutive months. <i>Based on this calculation, Rhode Island</i>
Indicator	% Change	
Government Employment	0.3 Y	
US Consumer Sentiment	-41.6	
Single-Unit Permits	-24.6	
Retail Sales	8.1 Y	
Employment Services Jobs	-0.5	
Priv. Serv-Prod Employment	4.1 Y	
Total Manufacturing Hours	5.8 Y	
Manufacturing Wage	11.8 Y	
Labor Force	-0.5	
Benefit Exhaustions	-63.3 Y	
New Claims	-92.2 Y	
Unemployment Rate (change)	-3.5 Y	

Y = Improved Value

is indeed in the early stages (first four months) of recovery from the depths of the pandemic. This information adds breadth to my analysis by supplementing CCI performance based solely on focusing on where we are relative to one year ago. While all this suggests that Rhode Island's true overall recovery has indeed begun, the question of whether this momentum will have "legs" is yet to be determined. Fundamental to this is the extent to which both the US and Rhode Island economies slow as the effects of monetary tightening continue to take hold.

For June, only two of the five leading indicators contained in the improved. **Total Manufacturing Hours**, a proxy for manufacturing output, rose by a healthy 5.8 percent, as both weekly hours and employment rose once again. **New Claims**,

which reflect layoffs, also improved dramatically (-92.2%). Unfortunately, weakness in **US Consumer Sentiment**, **Single-Unit Permits**, and **Employment Service Jobs** persists. **US Consumer Sentiment** has now failed to improve for eleven consecutive months, falling by a whopping 41.6 percent versus last June. **Single-Unit Permits**, which reflect new home construction, have now declined for the last six months, a trend that will continue if Fed tightening begins to materially raise mortgage rates. Finally, **Employment Service Jobs**, a leading labor market indicator that contains temps, also fell for a sixth consecutive month, but barely (by 0.5%).

Also worrisome, but historically typical for Rhode Island, is the trend in our state's **Labor Force**. For the last several months, this has shifted to a downtrend and is in part responsible for Rhode Island's recent very low **Unemployment Rates**. While the naïve **Unemployment Rate** fell to 2.7 percent in June, when **Labor Force** participation is taken into account, the more accurate **Unemployment Rate**, the participation adjusted rate, was 4.7 percent for June, falling from 5.1 percent in May.

Shorter-term momentum, as displayed by the *Monthly CCI*,

## CCI Indicators - Monthly% Change

Government Employment	0.3 Y
US Consumer Sentiment	-15.3
Single-Unit Permits	-17.0
Retail Sales	1.0 Y
Employment Services Jobs	0.3 Y
Priv. Serv-Prod Employment	1.1 Y
Total Manufacturing Hours	0.7 Y
Manufacturing Wage	0.7 Y
Labor Force	0.3 Y
Benefit Exhaustions	-28.9 Y
New Claims	-12.3 Y
Unemployment Rate (change)	-0.2 Y

Y = Improved Value

LABOR FORCE:	JUNE 2022	Peak (1/2007)
Participation Rate	63.4%	68.5%
Part Adj Unem %	4.7%	
Employment Rate	61.7%	65.1%



appears to be firming up, as values for three of the last four months have been well in the expansion range. For June, this value was 83 as all but two indicators improved relative to May. Sustaining this momentum will determine if the **FI** from **FILO** still pertains to Rhode Island.

JOB CHURN	
DLT JUNE 2022 (SA,Y/Y)	
Gain	17,800
Loss	1,600
Net Chg	16,200

67		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						