

# CURRENT CONDITIONS INDEX

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Last month, I discussed and outlined in detail the rather peculiar situation Rhode Island's economy currently finds itself in. The nature of that discussion concerned whether or not Rhode Island is currently in a recession. And, as always, I approached this from a purely data-related perspective, ignoring what things appear to be or what we would like them to be.

To reiterate the basis of that discussion, my Current Conditions Index has shown a well-defined *downward* trajectory since late summer of last year, moving into contraction range for all but one month of 2023. Traditionally, that would be enough for me to make the recession call. However, things today are vastly different from what normally exists when moving into a recession, largely the result of massive amounts of monetary and fiscal stimulus, state budget surpluses related to national fiscal policy, pandemic period savings, capital gains from home equity and the stock market and several other effects, some related to the Russia-Ukraine war. The result is that individuals and companies *overall* in our state are in a much stronger positions than would normally be the case at this point of the business cycle.

As a result, I believe that the aggregate economic data for our state, which show the behavior of variables *on average*, are producing misleading signals because of the greater-than-normal variability in many, if not most, state-related variables. So, while *in the aggregate* some variables show weakness or declines, elements of those same variables remain strong. Specifically,

CCI Indicators - % Change	
Government Employment	3.6 Y
US Consumer Sentiment	28.5 Y
Single-Unit Permits	-10.9
Retail Sales	4.8 Y
Employment Services Jobs	-10.4
Priv. Serv-Prod Employment	-1.1
Total Manufacturing Hours	-3.3
Manufacturing Wage	2.1 Y
Labor Force	-0.5
Benefit Exhaustions	32.1
New Claims	20.4
Unemployment Rate (change)	-0.2 Y
Y = Improved Value	

segments of our state's economy impacted by the higher income levels continue to do quite well. However, the story is very different for average to below-average income Rhode Islanders.

I have concluded that while Rhode Island's economy has clearly weakened *based on aggregate*

*numbers*, we have not fallen to the extent we would have were we approaching "typical" recession. To describe our situation, I found it necessary to invent a new term, **STATISTICAL RECESSION**, or perhaps an **ON AVERAGE RECESSION**. The June data are consistent with this assessment, as the CCI remained in the contraction range with a value of 42, as only five of twelve indicators improved (relative to a year ago), and only one of its five leading indicators improved. Worse yet, the CCI has now failed to exceed its year-earlier value for eleven of the last twelve months.

In June, *both* employment measures fell yet again relative to a year ago. More alarming is the fact the jobs lost in payroll

employment (the number of Rhode Island jobs) has risen sharply since April. For June, job gains were 4,100 while jobs lost were 6,000, for a net loss (the figure reported each month) of 1,900 jobs! Resident employment (number of employed Rhode Island residents) has now fallen on a yearly basis for six consecutive months—every month this year.

On a yearly basis, the CCI's leading indicators fared badly overall in June. **Total Manufacturing Hours** continued its well-defined downtrend, falling for a seventh consecutive month (-3.3%). **Employment Service Jobs**, reflective of "temps," has now fallen every month since October, declining at double-digit rates every month in 2023. **New Claims**, the most timely measure of layoffs, has continued its well-defined *uptrend* that began last November (we want this to decrease!). And, our **Labor Force** has now declined for seventeen 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** (see page 2). **Single-Unit Permits**, or new home construction, has fallen at double-digit rates since last October. The sole improving leading CCI indicator is **US Consumer Sentiment**, which has now risen for two months.

There were a few bright points in June's data. **Retail Sales** rose by 4.8 percent relative to a year ago. While its current dollar has hung in there, in real (inflation-adjusted) terms, the situation is not as bright. Resident employment has risen on a *monthly* basis for the past three months, and the monthly CCI has moved into the expansion range for the last two months.

*So, based on aggregate data, the conclusion that Rhode Island finds itself in a statistical recession is inescapable.* But as outlined earlier, this is not (yet) a "typical" recession. It is possible that our economy might bounce back from this predicament, since the strength derived from the earlier mentioned factors has yet to disappear. Only when conditions return to their "typical" state will we be able to determine whether or not we have in fact dodged a typical recession and whether **FI** remains relevant for Rhode Island.

LABOR FORCE:	JUN 2023	Peak (1/2007)
Participation Rate	63.3%	68.5%
Part Adj Unem %	5.4%	
Employment Rate	61.4%	65.1%



JOB CHURN	
DLT JUN 2023 (SA,Y/Y)	
Gain	4,100
Loss	6,000
Net Chg	-1,900

42		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						



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1/ RI's June unemployment rate fell to below 3%, now at 2.9%. Great news, right? Ironically, both RI employment measures fell year-over-year (again). If it's not rising employment, what is causing this? A DECLINING LABOR FORCE!!

**Labor Force - Unemployment Data**

**RHODE ISLAND**

Seasonally Adjusted  
(in thousands)

	June 2023	May 2023	June 2022	Year Change
Civilian Labor Force	569.9	568.4	572.9	-3.0
Resident Employment	553.1	551.6	555.4	-2.3
Unemployment	16.8	16.8	17.5	-0.7
Seasonally Adjusted Rate	2.9%	3.0%	3.1%	

Falling Labor Force: RI's Secret Weapon

Lower employment and lower unemployment rate: Welcome to RI!

SOURCE: Rhode Island Department of Labor and Training



13



5,809



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2/ As we continue to see, there isn't anything RI can't do when its labor force is declining. Better yet: Our elected officials always hide behind the jobless number, as apparently nobody in our state's media is sophisticated enough to press them on what employment is doing.



6



2,066



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3/ Am I being negative? The only thing that matters is whether I am being accurate. The "glass half full" crowd continues to hide behind that perspective, which is denial, not leadership. That's why I refuse to refer to our elected officials as leaders.



4



1,372



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4/ I challenge everyone to confront their elected officials on this. If the data are negative and accurate, it is incumbent on our elected officials, if they are ever to be leaders, to either eliminate the negative or turn it into a positive.



2



1,137

