

CURRENT CONDITIONS INDEX

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The effects of the COVID virus only began to be felt in February. That month, the Current Conditions Index managed to sustain a value of 75, a healthy value for RI, but even then, some distortions began to appear that will manifest themselves in the next several months. The March Current Conditions Index shows how this crisis has broadened in terms of its effects on the Rhode Island economy, as it fell to 33, a contraction value, with only four of twelve indicators improving relative to a year ago.

While the Rhode Island and US economies are clearly in recessions, that term is not entirely appropriate for the situation we are experiencing, since historically, recessions are cyclical phenomena, fluctuations of economies reacting to a host of possible negative factors. Typically, recessions are caused by what economists refer to as "exogenous shocks," events or forces that could not have been foreseen that unleash highly negative forces and effects. Clearly, the COVID-19 pandemic is an exogenous shock, the most dramatic I have ever witnessed in my professional career. And unlike any of the other recessions I have witnessed, in the present situation, the "rug" was literally pulled out entirely from under the economy, causing the US and state economies to literally come to a halt. As Paul Krugman

me put an end to that myth very quickly. The March labor market survey was taken in the week that includes the 12th, around the time the effects of the COVID-19 virus began to accelerate. We have data on **New Claims** for Unemployment Insurance, a CCI indicator. Looking only at data for the week that includes the 12th (not the whole month) and not seasonally adjusting, claims rose by 28.7 percent compared to the same week a year ago. If we look at the same indicator for the entire month of March, keeping in mind this is *not* a survey-based indicator, **New Claims** rose by a mind-boggling 2,667 percent. So, any claim that the 4.6 percent **Unemployment Rate** for March reflects the March situation here is totally disingenuous, to be kind. *For the record: Rhode Island's 4.6 percent Unemployment Rate for March is both meaningless and irrelevant.* Had this number been based on the last week of March, it would clearly have been a double-digit value, which will only move higher in April. More bad news about this indicator: Our state's **Labor Force** has begun to rise sharply (for us, at least), increasing by 2.2 percent over the year in March. Expect this trend to continue, as persons rejoin our labor force to qualify for various types of government assistance. Not only will their return to our **Labor Force** push future **Unemployment Rates** higher than they would have been, if they remain in the Labor Force, which is likely, our jobless rate will come down fairly slowly. The days of an artificially low Unemployment Rate for Rhode Island have ended. Ironically, we have now begun a period of artificially high rates.

Sadly, I don't expect Rhode Island's economy to return to where it was (which wasn't all that great, unless you are naïve enough to believe our **Unemployment Rate** summarized our strength) for two to five years. We are **FILO**, and we dodged the **FI** (first in) this time, but we are condemned to living through the **LO** (last out). My wildest wish is to see our state's government become as transparent in describing our state's economic performance as it has been in discussing the progress of the pandemic. Judging by their recent attempted exaggerations of the March **Unemployment Rate**, I seriously doubt that will ever come to pass.

CCI Indicators - % Change	
Government Employment	0.6 Y
US Consumer Sentiment	-9.6
Single-Unit Permits	51.9 Y
Retail Sales	-13.7
Employment Services Jobs	-8.2
Priv. Serv-Prod Employment	-0.5
Total Manufacturing Hours	-4.8
Manufacturing Wage	1.1 Y
Labor Force	2.2 Y
Benefit Exhaustions	26.8
New Claims	2,552.9
Unemployment Rate (change)	1.0
Y = Improved Value	

noted, the current situation is not unlike a medically induced coma. No state could have seen this coming and prepare for it. In Rhode Island's case, there was little, if any, meaningful planning in general for possible negative future events, even though it was highly likely in my assessment that we would have experienced a recession anyway by the end of 2020, following yet another disappointing year in 2019. Sadly, as I noted last month, the industries hurt the most by this pandemic, travel, tourism and hospitality, are far too large a part of Rhode Island's economy. Putting all of this together, Rhode Island's economy quite literally finds itself living through a "worse case scenario."

On several occasions, I heard persons in state government citing our state's artificially-low **Unemployment Rate**, which carried over to March's data, as if we are somehow hanging in there. Let

LABOR FORCE:	MAR 2020	Peak (1/2007)
Participation Rate	M↑ Y↑ 65.4%	68.6%
Employment Rate	M Y↑ 62.4%	65.4%

CCI Over the Past 13 Months						
2019M03	2019M05	2019M07	2019M09	2019M11	2020M01	2020M03

DLT MAR 2020 Employment (SA,Y/Y)	
Gain	4,100
Loss	4,300
Net Chg	(200)

33		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2019	58↓	50↑	58	50↓	50↓	58↓	75↓	67	50↓	75↓	58↓	83↓
	2020	75	75	33									