

# CURRENT CONDITIONS INDEX

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Following a brief reprieve in February, Rhode Island's economic momentum took a dramatic turn for the worst in March. The Current Conditions Index for March fell once again into the contraction range (below 50) with a value of 42, as only five of the twelve indicators improved relative to a year ago. What is more concerning is the performance of the individual indicators, since not all 42's are the same. There are some cases where the overall score is low but the improving indicators showed a good deal of strength and the indicators that failed to improve did so by narrow margins. Then there is this March, where the improving indicators did not display much strength and the non-improving indicators were generally very weak.

Even indicators not included in the CCI are showing signs of concern. Consider employment. While the number of RI jobs (payroll employment) continues to rise, its year-over-year gains are clearly diminishing. Resident employment, the number of employed RI residents, has actually been declining for several months now compared to a year ago. Its annual declines coincide almost exactly with the slowing of our state's economic momentum. And, historically, resident employment has been the more accurate indicator at turning points, which appears to be where we are now.

Looking within the CCI, four of its five leading indicators failed to improve. **US Consumer Sentiment** was the only improving indicator among these and it has now improved for two consecutive months. The other four leading indicators continued

CCI Indicators - % Change		
Government Employment	3.0	Y
US Consumer Sentiment	4.7	Y
Single-Unit Permits	-11.9	
Retail Sales	-1.9	
Employment Services Jobs	-11.7	
Priv. Serv-Prod Employment	0.3	Y
Total Manufacturing Hours	-3.6	
Manufacturing Wage	2.7	Y
Labor Force	-0.8	
Benefit Exhaustions	-1.6	Y
New Claims	3.3	
Unemployment Rate (change)	0.1	
Y = Improved Value		

has now risen every month since November. This might reflect employers becoming less worried about their ability to hire new workers or replacements, possibly marking an end to a prolonged period of "labor hoarding." New home construction, based on **Single-Unit Permits**, has now declined for eleven of the last thirteen months, falling at double-digit rates since October. **Total Manufacturing Hours**, a proxy for manufacturing output, which performed surprisingly well during the pandemic and afterwards, has now fallen for the past four months, as both employment and

the length of the workweek remain below where they were last summer. **Employment Service Jobs**, which includes temps and leads future changes in employment, has now declined on a yearly basis for six consecutive months and a monthly basis for seven months. The picture painted by the recent performances of these four leading indicators is that employment prospects in the coming months will likely persist as layoffs continue and Rhode Island's manufacturing sector weakens further. All of this will likely occur with a continuing downtrend in new home construction (**Single-Unit Permits**).

**Retail Sales** fell by 1.9 percent in March, for its second decline in the last three months. It is unclear as to whether its uptrend remains in tact, even though it improved in February. The **Manufacturing Wage** rose by 2.7 percent versus a year ago, sustaining a well-established uptrend. **Private Service-Producing Employment** remains in an uptrend, but barely, increasing by 0.3 percent over the year. Its rate of growth has now diminished every month since August. **Benefit Exhaustions**, which reflect long-term unemployment, fell by a less than double-digit rate, 1.6 percent, in March. While this still improved (we want exhaustions to fall), this was its slowest rate of improvement since it resumed its downtrend post-pandemic in May of 2021. Finally, **Government Employment** increased by a hefty 3.0 percent compared to last March.

Rhode Island's **Labor Force** fell yet again in March (-0.8%), for a fourteenth consecutive month on a yearly basis. Look at the bright side: This helped to keep Rhode Island's official (naïve) **Unemployment Rate** very low, at 3.1 percent. While resident employment fell by 4,500, this rate barely changed! The **Participation-Adjusted Unemployment Rate** remained where it has been for the last few months, 5.9 percent.

***I am now more convinced than ever that Rhode Island's economy is continuing to move toward a recession.*** After all, this is entirely consistent with our state's history of being **FILO**. One more contracting CCI month may well make me change this assessment to one of the dreaded "R" word.

LABOR FORCE:	MAR 2023	Peak (1/2007)
Participation Rate	62.9%	68.5%
Part Adj Unem %	5.9%	
Employment Rate	60.9%	65.1%

  

CCI Over the Past 13 Months	
2022M03	2023M03

  

JOB CHURN	
DLT MAR 2023 (SA,Y/Y)	
Gain	8,200
Loss	500
Net Chg	7,700

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									