

CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

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

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Hopefully, Rhode Island has now moved beyond the absolute bottom of economic activity it will experience throughout the entire COVID episode. Our state continues to be among those with the lowest incidence and highest testing percentage of all fifty states, a testament to how well this crisis has been managed since its inception. The damage, though, has been devastating. Sadly, it will take Rhode Island years before it gets back to where it was pre-pandemic. My best guess is that we are looking at a three to five year time frame for this. The ultimate duration will only be reasonably estimable when a vaccine has been developed and 'herd immunity' is reasonably close at hand.

As I have stated in the last few CCI reports, what we are witnessing is *not* a cyclical phenomenon, but **THE** definition of an exogenous shock (one that nobody could have predicted). The magnitudes of its effects are enormous. This, of course, makes it extremely challenging to write a report like this since it is so difficult to characterize where our state's economy currently stands. How should changed be defined? Relative to when? Compared to a year ago, things are abysmal. On a monthly basis, however, things are improving, albeit slowly. However, with monthly comparisons, we are comparing to an economy at

compared to last May. This follows a 17 percent decline in April. **US Consumer Sentiment** fell by 27.5 percent, no surprise, while **Benefit Exhaustions**, which reflect long-term unemployment, literally doubled (+102.4%). **New Claims**, the timeliest measure of layoffs, "improved" further in May, rising by "only" 634.9 percent in May, well below the earlier one-thousand plus year-over-year increases.

On a month-over-month basis, *which will eventually determine how we are doing on yearly comparisons*, things are much brighter, as shown in the following table. Calculating the CCI based on *monthly* data gives a neutral value of 50, with six indicators improving *relative to April*. Several of these are leading indicators, most notably **US Consumer Sentiment** (+0.5%),

CCI Indicators - % Change	
Government Employment	-1.7
US Consumer Sentiment	-27.5
Single-Unit Permits	-26.7
Retail Sales	-22.3
Employment Services Jobs	-36.7
Priv. Serv-Prod Employment	-19.7
Total Manufacturing Hours	-16.7
Manufacturing Wage	5.2 Y
Labor Force	-5.8
Benefit Exhaustions	102.4
New Claims	634.9
Unemployment Rate (change)	12.7
Y = Improved Value	

CCI Indicators - Monthly% Change	
Government Employment	-0.6
US Consumer Sentiment	0.5 Y
Single-Unit Permits	-17.0
Retail Sales	-7.3
Employment Services Jobs	18.9 Y
Priv. Serv-Prod Employment	4.1 Y
Total Manufacturing Hours	-2.8
Manufacturing Wage	3.8 Y
Labor Force	-1.3
Benefit Exhaustions	58.4
New Claims	-61.2 Y
Unemployment Rate (change)	-1.8 Y
Y = Improved Value	

Employment Service Jobs (+18.9) and **New Claims** (-61.2%). Rhode Island's future monthly momentum will be determined by its ability to control the spread of COVID, the impact of expiring government programs and, of course, national economic growth.

or near a dead stop, which distorts monthly percentage changes, tending to make them very large. Of course, yearly changes themselves have been highly distorted by the magnitude of the "full stop" to our economy. Statistically, at least, this is a no win situation! Throw in the fact that Rhode Island's economy was not doing terribly well before the pandemic hit, and things get even more dicey! In light of this, I will do something I have never done before with the CCI, report it as is (based on year-over-year comparisons of its indicators) and for monthly changes.

As for the yearly changes upon which the CCI is based, May was another very rough month, with the CCI remaining at 8, as only one indicator improved. Prior to last month, we had not seen such low values since April of 2009, during The Great Recession. **Retail Sales**, once the CCI's star performer, fell by 22.3 percent

LABOR FORCE:	MAY 2020	Peak (1/2007)
Participation Rate	60.3%	68.6%
Employment Rate	50.5%	65.4%



DLT MAY 2020 Employment (SA,Y/Y)	
Gain	1,200
Loss	81,100
Net Chg	(79,900)

8		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	8	8							