

# CURRENT CONDITIONS INDEX

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Rhode Island's economy continued to improve in May, its fourteenth consecutive month of expansion (or restoration) based on the Current Conditions Index, as a number of economic indicators move closer to or above their pre-pandemic levels. Along with this improvement comes the reality of facing ever more difficult "comps," which has become more apparent in recent months, making it increasingly difficult to sustain or increase momentum. In light of this reality, Rhode Island's momentum has begun to slow a bit.

But has Rhode Island truly recovered from the pandemic? There are a number of ways to gauge this. For the incredibly naive, focus on the **Unemployment Rate** is the key metric. For more capable persons, there are ambiguities in this determination. Has employment risen above its pre-pandemic level? Well, yes and no. Based on payroll employment, the number of jobs in Rhode Island, there were 5,500 fewer jobs in May of 2022 than in March 2020. If we focus on resident employment, the number of employed (in state or out of state) RI residents, we are 6,000 jobs above the March 2020 level. There is another way to gauge this, one that I have never used before — calculation of the Current Conditions Index *contrasting values this year with those two years ago*. In other words, comparing 2022 with 2020, not 2021 as the usual CCI does. The results of this are

CCI Indicators - % Change	
Government Employment	0.6 Y
US Consumer Sentiment	-29.4
Single-Unit Permits	-2.6
Retail Sales	7.9 Y
Employment Services Jobs	-3.1
Priv. Serv-Prod Employment	3.6 Y
Total Manufacturing Hours	4.9 Y
Manufacturing Wage	11.0 Y
Labor Force	-0.4
Benefit Exhaustions	-53.9 Y
New Claims	-94.4 Y
Unemployment Rate (change)	-3.1 Y
Y = Improved Value	

**March of 2022.** So, while we have been inching beyond the effects of the pandemic for fourteen months now based on the regular CCI, I believe that it is reasonable to conclude that Rhode Island's true overall recovery has indeed begun. That's the good news. The bad news is that both the US and Rhode Island economies are beginning to slow as the effects of monetary tightening begin to take hold. The monthly CCI also fell below 50 for May, which might also be signaling weakness ahead.

For May, only two of the five leading indicators contained in the improved. **Total Manufacturing Hours**, a proxy for manufacturing output, rose by a healthy 4.9 percent, as both weekly hours and employment rose once again. **New Claims**, which reflect layoffs, also improved dramatically (-94.4%). However, weakness in **US Consumer Sentiment**, **Single-Unit**

**Permits**, and **Employment Service Jobs** persisted. **US Consumer Sentiment** has now failed to improve for ten consecutive months, falling by 29.4 percent versus last May. **Single-Unit Permits**, which reflect new home construction, have now declined for the last five months, which potentially bodes badly for the "star" CCI performer, **Retail Sales**. Finally, **Employment Service Jobs**, a leading labor market indicator that contains temps, also fell for a fifth consecutive month (-3.1%).

Also worrisome, but quite typical for Rhode Island, is that annual growth in our state's **Labor Force**, with the exception of a few months, has disappeared — Rhode Island's "secret sauce" for low **Unemployment Rates**. While the naive **Unemployment Rate** fell to 2.9 percent in May, when **Labor Force** participation is taken into account, the more accurate **Unemployment Rate**, the participation adjusted rate, was 5.1 percent for May, which fell from 5.5 percent in April.

The past few months saw the potential for enhanced future economic momentum based on the *Monthly CCI*, which had moved as high as 92. Things deteriorated dramatically in May, however, as the monthly CCI fell to 42, in the contraction range,

CCI Indicators - Monthly % Change	
Government Employment	-0.5
US Consumer Sentiment	-8.6
Single-Unit Permits	-1.2
Retail Sales	-3.5
Employment Services Jobs	2.8 Y
Priv. Serv-Prod Employment	1.0 Y
Total Manufacturing Hours	1.0 Y
Manufacturing Wage	-0.0
Labor Force	0.2 Y
Benefit Exhaustions	27.7
New Claims	22.2
Unemployment Rate (change)	-0.3 Y
Y = Improved Value	

as only five of its twelve indicators improved relative to April. Should such monthly weakness persist, *and this is by no means a certainty*, Rhode Island's economy could begin to slow. At any rate, this reflects the uneven pace of activity we have and will be facing as we move further into 2022.

LABOR FORCE:	MAY 2022	Peak (1/2007)
Participation Rate	63.2%	68.5%
Part Adj Unem %	5.1%	
Employment Rate	61.4%	65.1%



**JOB CHURN**  
DLT MAY 2022  
(SA,Y/Y)

Gain	19,000
Loss	1,000
Net Chg	18,000

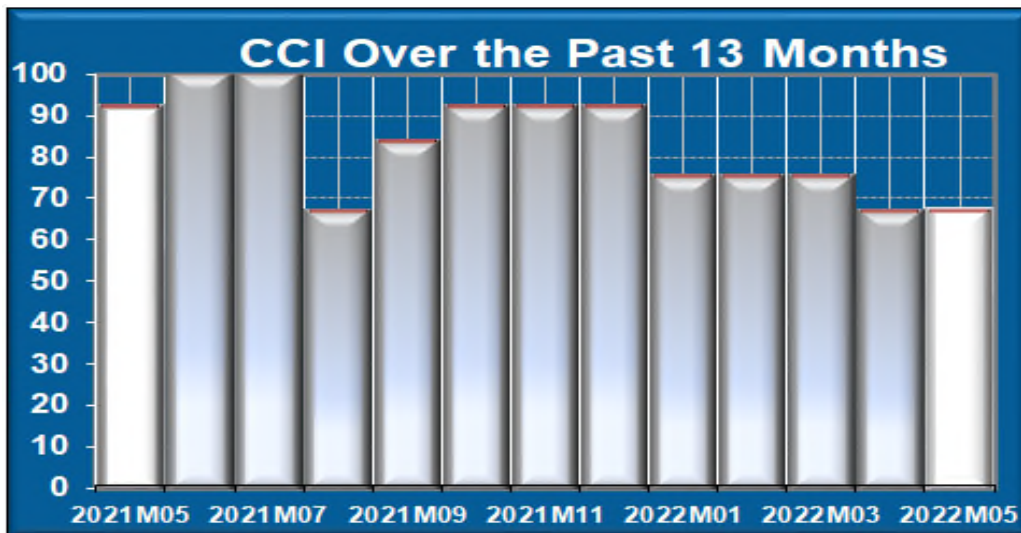
67		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2021	17↓	17	58↑	92↑	92↑	100	100	67↑	83	92↑	92↑	92
	2022	75	75	75	67	67							

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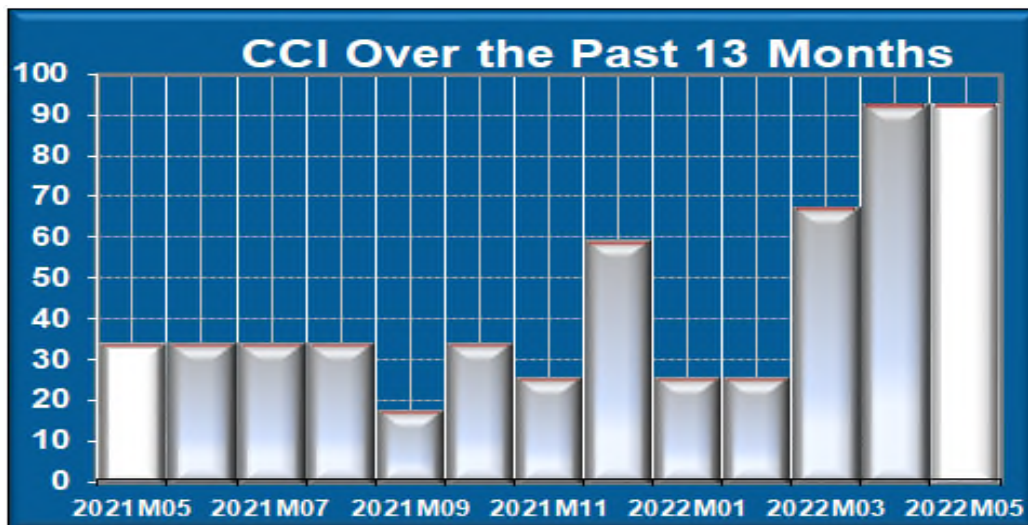
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Usual Calculation: Compared to a Year Earlier



Compared to Two Years Ago (2020)

<b>67</b>		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							