

CURRENT CONDITIONS INDEX

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Rhode Island's economy continued to slow in November, but unlike last month, there were even more signs of a slowing. While the Current Conditions Index was 67 in November, with eight of twelve indicators improving, rates of growth in several indicators continued to slow and in what bodes badly for the coming months, *all four of the CCI indicators that failed to improve in November were leading economic indicators*. All of this calls into question how rapid the pace of economic growth will be through the end of 2022 and into 2023. This conclusion was further enhanced by the performance of the Monthly CCI (see bottom right). This alternative way of viewing Rhode Island's economic momentum has been signaling potential problems since April of this year. For November, the Monthly CCI fell all the way to 17, as only two of the twelve indicators improved relative to October.

November's data, and to some extent that for October, appear to be signaling weakness in the coming months. In November, **New Claims** for Unemployment Insurance, a leading indicator of layoffs and the best measure we have of layoffs in this state, rose sharply for the first time since the height of the pandemic, even with a very easy comp. **Retail Sales**, the star performer of the twelve CCI indicators, has been slowing noticeably since August, posting very slow growth in November. **Single-Unit Permits**, which reflect new home construction, have dramatically weakened, resuming the downtrend that began in December of last year. **Employment Service Jobs**, a leading indicator of employment, has also fallen now for two consecutive months while **US Consumer Sentiment** also remained weak this month.

The reason I am so concerned about the behavior of these indicators is that none of the first three are survey based, although **Employment Service Jobs** is survey based, so it might be revised when the rebenchmarked data appear soon. In addition to this, for November, both the Employment Rate (percent of the resident population that is employed) and the Labor Force Participation Rate (percent of the population in the Labor Force)

CCI Indicators - % Change	
Government Employment	1.6 Y
US Consumer Sentiment	-15.5
Single-Unit Permits	-45.0
Retail Sales	0.6 Y
Employment Services Jobs	-6.2
Priv. Serv-Prod Employment	1.9 Y
Total Manufacturing Hours	4.6 Y
Manufacturing Wage	4.5 Y
Labor Force	1.1 Y
Benefit Exhaustions	-50.6 Y
New Claims	33.3
Unemployment Rate (change)	-1.1 Y

Y = Improved Value

Force) both declined as well. As for the latter, this caused the participation-adjusted Unemployment Rate to rise from 4.5 percent all the way to 4.9 percent versus the naïve (official) rate which also rose, but to 3.6 percent. So, the question now is whether Rhode Island's performance in August and September (when the CCI was 92) was a fluke or whether and when we

return to those levels. In the context of a slowing national economy, the answer to this question might not be that difficult to ascertain. At least we can still say that November was the seventeenth consecutive month for which Rhode Island's economy expanded (the CCI was above 50). And, it shouldn't be lost on all of this that Rhode Island's manufacturing sector hung in there during November, as **Total Manufacturing Hours** rose again (+4.6%) and the **Manufacturing Wage** increased by 4.5 percent.

For the other CCI indicators, **Government Employment** rose as it has for every month since April of last year (+1.6%), **Private Service-Producing Employment** also increased (+1.9%) but showed a slowing rate of improvement, and **Benefit Exhaustions**, which reflect long-term unemployment, continued to drop sharply (-50.6%).

The performance of the Monthly CCI Indicator slipped sharply in November, all the way to 17, providing further evidence of continuing weakness in annual changes. Future calls, however, are made more difficult by the fact that October and November employment numbers will likely be changed with rebenchmarking.

CCI Indicators - Monthly% Change

Government Employment	0.3 Y
US Consumer Sentiment	-1.4
Single-Unit Permits	-27.9
Retail Sales	-3.1
Employment Services Jobs	-2.2
Priv. Serv-Prod Employment	-0.5
Total Manufacturing Hours	0.5 Y
Manufacturing Wage	-0.3
Labor Force	-0.2
Benefit Exhaustions	14.4
New Claims	33.2
Unemployment Rate (change)	0.2

Y = Improved Value

So, it remains too premature to make any calls that Rhode Island is witnessing the first stage of **LO** (Last Out). Our saving grace might prove to be the large unspent federal funds our state received. When spent these should boost our rate of growth through much of 2023.

LABOR FORCE:	NOV 2022	Peak (1/2007)
Participation Rate	63.8%	68.5%
Part Adj Unem %	4.9%	
Employment Rate	61.6%	65.1%



JOB CHURN DLT NOV 2022 (SA,Y/Y)

Gain	12,100
Loss	000
Net Chg	12,100

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	67	75	92	92	75	67		