# CURRENT CONDITIONS INDEX


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After two extremely strong months, Rhode Island's economy slowed a bit in October. For both August and September, the Current Conditions Index reached values of 92, with all but one indicator improving. More impressively, the CCI indicators for each of those months exceeded those of the prior year which had been getting stronger—a case of more difficult "comps." So, with the national economy slowing and after such strong economic momentum here, it was to be expected that the pace of activity would slow, resulting in a CCI of 75 in October. Still, nine of the twelve indicators improved relative to a year ago, with several bettering difficult "comps" from last October. Remember the prime economic directive: Don't make too much from a single month's value. After all, October was the sixteenth consecutive month with Rhode Island's economy expanding (CCI above 50).

| CCI Indicators - % Change | | |
|---|---|---|
| Government Employment | 0.9 | Y |
| US Consumer Sentiment | -16.6 | |
| Single-Unit Permits | -12.4 | |
| Retail Sales | 2.1 | Y |
| Employment Services Jobs | -6.3 | |
| Priv. Serv-Prod Employment | 2.3 | Y |
| Total Manufacturing Hours | 1.2 | Y |
| Manufacturing Wage | 5.9 | Y |
| Labor Force | 1.1 | Y |
| Benefit Exhaustions | -48.7 | Y |
| New Claims | -38.4 | Y |
| Unemployment Rate (change) | -1.6 | Y |
| Y = Improved Value | | |

We will need to see what unfolds for the remainder of this year, especially monetary policy changes to gauge where we go from here.

There was one signal that things would begin to slow, however—the performance of the Monthly CCI Indicator. Clearly, its values have been slipping since April, leading to the expectation that deteriorating monthly performance would eventually translate into the annual changes. This call was made more difficult by the fact that October employment numbers are often changed with rebenchmarking, which may well be the case this year. So, any speculation that what we are witnessing is the first stage of **LO** (Last Out) is clearly premature. Ironically, large amounts of unspent federal funds received by Rhode Island, when spent in the coming months, will give us a boost through much of 2023, potentially dethroning us from the **LO** designation!

In what may be a glance into the future, the two "star" indicators throughout the entire pandemic and post-pandemic period, **Retail Sales** and **Total Manufacturing Hours**, slowed substantially. Worse yet, a key leading indicator, **Employment Service Jobs**, declined sharply after four months of improvement. So much for its uptrend!

**Retail Sales** growth slowed dramatically in October to just 2.1 percent, although i*t has now improved on a yearly basis every month since May of 2020.* The growth rate of **Total Manufacturing Hours** fell all the way to 1.2 percent in October. Do these instances of slowing of growth presage actual declines in the coming months? Quite possibly they might.

As has been the case for some time, two labor supply measures improved dramatically in October. **Benefit Exhaustions**, a reflection of long-term unemployment, fell by 48.7 percent, continuing a trend that began in May of 2021. **New Claims**, a leading labor indicator that reflects layoffs, declined by "only" 38.4 percent relative to a year ago. It too has fallen at double-digit rates since July of 2021.

As noted above, the troubling news this month was that for **Employment Service Jobs**, a leading labor market indicator that includes temps. It fell by 6.3 percent, erasing several months of improvements. While payroll employment has been improving on a yearly basis for some time now, it has declined on a monthly basis for the past two months, which could be a problem since it remains well below its pre-pandemic levels. Resident employment, on the other hand (the number of employed RI residents in state or out-of-state), has been flat for the past four months, while the employment rate declined in October.

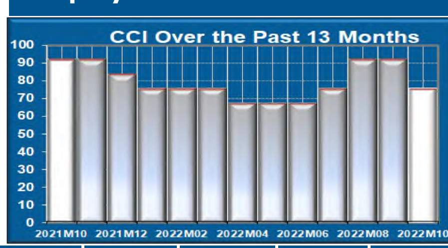
Of the two indicators that had performed badly of late, **US Consumer Sentiment** fell once again, by 16.6 percent, failing to improve for fifteen consecutive months, while **Single-Unit Permits**, which reflect new home construction, declined at a double-digit rate (-12.4%), sustaining its downtrend.

| CCI Indicators - Monthly% Change | | |
|---|---|---|
| Government Employment | -0.3 | |
| US Consumer Sentiment | 0.3 | Y |
| Single-Unit Permits | -6.2 | |
| Retail Sales | 1.0 | Y |
| Employment Services Jobs | -2.0 | |
| Priv. Serv-Prod Employment | -0.9 | |
| Total Manufacturing Hours | -3.3 | |
| Manufacturing Wage | 1.7 | Y |
| Labor Force | 0.1 | Y |
| Benefit Exhaustions | 24.2 | |
| New Claims | 4.1 | |
| Unemployment Rate (change) | 0.3 | |
| Y = Improved Value | | |

The **Labor Force** has been rising on an annual rate of late, coinciding with rising **Unemployment Rates**. The participation adjusted rate for October rose to 4.5 percent.

The monthly CCI was 33 in October, in the contracting range, hinting at further weakness ahead.

| LABOR FORCE: | OCT 2022 | Peak (1/2007) |
|---|---|---|
| Participation Rate | 64.0% | 68.5% |
| Part Adj Unem % | 4.5% | |
| Employment Rate | 61.8% | 65.1% |




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

| | |
|---|---|
| Gain | 12,700 |
| Loss | 000 |
| Net Chg | 12,700 |

| 75 | 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 | | |