

CURRENT CONDITIONS INDEX

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Rhode Island's economy continued to chug along further in June. While still saddled with highly depressed levels of economic activity, it continued to make further progress as more and more segments moved beyond recent shutdown levels. It bears further repeating that what we are witnessing is *not* a cyclical phenomenon by any means; it is the direct result of an exogenous shock that caused our state's economy to literally be shut down.

I remain convinced that barring some horrible acceleration in the COVID pandemic, even at this point, Rhode Island's economy has moved beyond what will prove to be the absolute bottom in its overall level of economic activity. That being said, because Rhode Island has never adequately adapted its economy to the realities of functioning as a successful post-manufacturing economy, it will very likely take three to five years before it returns to pre-pandemic levels of activity. If you have been following the progress of Rhode Island's economy, you are no doubt aware that even those levels weren't all that great, as our state's economy was already slowing prior to the pandemic (what would have proven to be the **FI** of **FILO**). While we have been spared the **FI** portion of **FILO** since every state went into this crisis simultaneously, the **LO** remains. At a time when we need to establish ourselves as a well defined post-manufacturing economy, we find ourselves in the unfortunate position of having our fate over the next several months largely out of our hands, directly tied to how well the COVID crisis is managed, national

interest rates, an ironic by-product of this crisis. The other improving indicator, the **Manufacturing Wage**, has now improved for two consecutive months. While this might sound encouraging, it is not. I chose not to discuss this last month since

CCI Indicators - Monthly% Change	
Government Employment	-5.0
US Consumer Sentiment	9.4 Y
Single-Unit Permits	50.5
Retail Sales	8.4
Employment Services Jobs	8.7 Y
Priv. Serv-Prod Employment	8.5 Y
Total Manufacturing Hours	8.6
Manufacturing Wage	-4.3 Y
Labor Force	5.2
Benefit Exhaustions	40.7
New Claims	-49.5 Y
Unemployment Rate (change)	-4.0 Y
Y = Improved Value	

I didn't want to "pile on" the bad news. The **Manufacturing Wage**, which is an average, rose because many of the jobs lost in June (and May) were lower paying service-sector jobs. When you eliminate large numbers of below-average values, the average necessarily rises, hardly a cause for celebration in this context.

As I did last month, I can report that the CCI based on monthly changes performed better than the yearly-based CCI. The monthly CCI (see above) was 50 in June, a neutral value, as half of the indicators improved relative to May. Keep in mind, we are comparing here to an economy close to a dead stop, which tends to make monthly changes large. However, month-over-month changes, if sustained, eventually determine how we are doing in terms of yearly comparisons. Let's hope the monthly progress, while hardly spectacular, is sustained in spite of the host of obstacles we face.

CCI Indicators - % Change	
Government Employment	-6.9
US Consumer Sentiment	-20.4
Single-Unit Permits	15.1 Y
Retail Sales	-15.4
Employment Services Jobs	-30.5
Priv. Serv-Prod Employment	-13.2
Total Manufacturing Hours	-6.6
Manufacturing Wage	0.2 Y
Labor Force	-0.9
Benefit Exhaustions	152.4
New Claims	331.9
Unemployment Rate (change)	8.8
Y = Improved Value	

fiscal policy and the ability of the Federal Reserve to sustain stability in financial markets. A crisis is a terrible thing to waste. The most pressing question is therefore whether Rhode Island will waste this crisis as it did the Great Recession.

So, what can be said about Rhode Island's economy in June? The good news is that the Current Conditions Index doubled from its May value, all the way to 17, as two of the twelve indicators improved on a year-over-year basis. **Single-Unit permits**, which reflect new home construction, rose at a double-digit rate compared to last June (+15.1%), moving above an annual rate of 1,000 units. Part of this move likely was the result of lower

LABOR FORCE:	JUNE 2020	Peak (1/2007)
Participation Rate	63.4%	68.6%
Employment Rate	55.6%	65.4%

DLT JUNE 2020 Employment (SA,Y/Y)	
Gain	0
Loss	59,200
Net Chg	(59,200)

17		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	17						