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7-1-2020

## Rhode Island Current Conditions Index – July 2020

Leonard Lardaro

University of Rhode Island, [lardaro@uri.edu](mailto:lardaro@uri.edu)

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### Recommended Citation

Lardaro, Leonard, "Rhode Island Current Conditions Index – July 2020" (2020). *The Rhode Island Current Conditions Index*. Paper 210.

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# CURRENT CONDITIONS INDEX

LEONARD LARDARO, URI

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

VOL XXVII  
NUMBER 8  
JULY 2020

Rhode Island's economy turned in a mixed picture in July, as several parts of our economy displayed improvement while others appear to be slipping from levels they recently attained. Our "base" of strong (in relative terms) indicators continues to be **Retail Sales**, which has held up well given the assistance from the federal government, **Private-Service Producing Employment**, which reflects non-government, non-goods producing employment (for us, construction and manufacturing), the **Manufacturing Wage**, which has improved every month since March, and believe it or not, our state's **Labor Force** (thanks in no small part to the CARES Act). Note that several of these remain well below where they were last July, but their most recent several-month changes appear to be pointing toward strengthening. That's the good news. The bad news is that several of these might ultimately be revised lower with the new labor market data in February or lose their current momentum if the federal government allows the current stalling of national growth to continue. In addition to this, none of these are leading economic indicators. For July none of the leading indicators improved. So, for now, we'll have to settle for what we can get, hoping things improve as the year progresses. This almost makes one wish for the "good old days" when slowing economic activity was recession induced and not the result of a forced stop.

As I have stated over the past several months, I continue to believe that barring a major acceleration in COVID cases here, and we have to keep our fingers crossed about school re-openings, Rhode Island's economy has moved beyond what will prove to be its absolute bottom. The lingering after effects of Rhode Island never adequately adapting its economy to the realities of functioning as a post-manufacturing economy will cause the recovery that ultimately emerges to be more limited in scope than it would have or could have been, a sad testimonial to

growth in 2020, all but assuring that we will lose a congressional seat when those changes are made.

So, what can be said about Rhode Island's economy in July? The good news is that the Current Conditions Index for June was revised higher to 25, which is the July value, as three of the twelve CCI indicators improved on a year-over-year basis. **Retail Sales**, a strong indicator, grew at a healthy rate in July. Along with this, the **Manufacturing Wage**, improved for a third consecutive month (don't ask why). Surprisingly, the **Labor Force** improved in July as well, its first improvement since April.

As has been true of late, the CCI based on *monthly* changes performed better than the yearly-based CCI. The monthly CCI (see below) was 50 again in July, a neutral value, as half of the indicators improved relative to June. Month-over-month changes, if sustained, will eventually determine how well we do in terms of yearly comparisons. Let's hope the monthly CCI moves above 50 and remains there for some time to come. That will signal the beginning of our move out of this pandemic-induced hardship.

CCI Indicators - % Change	
Government Employment	-2.9
US Consumer Sentiment	-26.5
Single-Unit Permits	-31.5
Retail Sales	7.1 Y
Employment Services Jobs	-36.0
Priv. Serv-Prod Employment	-10.1
Total Manufacturing Hours	-8.7
Manufacturing Wage	1.4 Y
Labor Force	0.3 Y
Benefit Exhaustions	233.3
New Claims	384.1
Unemployment Rate (change)	7.6
Y = Improved Value	

CCI Indicators - Monthly% Change	
Government Employment	1.0 Y
US Consumer Sentiment	-7.6
Single-Unit Permits	-33.2
Retail Sales	1.3 Y
Employment Services Jobs	-0.1
Priv. Serv-Prod Employment	3.9 Y
Total Manufacturing Hours	-2.2
Manufacturing Wage	1.2 Y
Labor Force	0.9 Y
Benefit Exhaustions	30.9
New Claims	14.3
Unemployment Rate (change)	-1.4 Y
Y = Improved Value	

the **LO** of **FILO**. Another worry I have concerns how Rhode Island's continued mediocre performance resulted in a stagnant population over the years. As the number of COVID deaths here approaches 1,100, we may ultimately see negative population

LABOR FORCE:	JULY 2020	Peak (1/2007)
Participation Rate	64.2%	68.6%
Employment Rate	57.0%	65.4%



DLT JULY 2020 Employment (SA,Y/Y)	
Gain	600
Loss	43,400
Net Chg	(42,800)

25		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	25↑	25					