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Rhode Island Current Conditions Index – August 2020

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CURRENT CONDITIONS INDEX

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While much of Rhode Island's economy has returned to more "normal" levels (whatever that means anymore!), overall, things remain subdued, to say the least. It is clear that parts of our state's economy are moving in the right direction and continue to do so. But unfortunately, the signs of hope these generate continue to be blunted to an uncomfortably large extent by a host of ongoing negatives.

On a yearly basis, things here continue to look bleak. The Current Conditions Index for August remained in severe contraction territory at 25, as only three of its twelve indicators improved. We have now been stuck at that level for the most recent three months. While some indicators have not fallen terribly far from their pre-pandemic levels, that is not the case for many others. Several key indicators remain far below where they were only six or seven months ago. Gauging this is made all the more complicated by an exceptionally large amount of "noise" in the labor market's survey-based data. Furthermore, changes instituted by the federal government in April have resulted in the data since then being more volatile than would likely have been the case had they continued their earlier procedures.

I recently heard someone from the DLT attribute the recently unfavorable indicator values, most notably Rhode Island's **Unemployment Rate**, to the small sample used to calculate it. Interestingly, that same person never complained about the exact

survey-based data are showing a disturbing deterioration. **Benefit Exhaustions**, the best measure of longer-term unemployment, has shot higher from a year-over-year change in June of 153.3 percent to 880 percent in August! **New Claims** for Unemployment Insurance, a leading economic indicator and the best measure of layoffs, has surged from a 337 percent rise in June to 545 percent in August. At least **Retail Sales** continues to be an improving indicator, but its rate of improvement has deteriorated noticeably since June.

As has been true of late, the CCI based on monthly changes once again performed better than the yearly-based CCI. And it

CCI Indicators - % Change	
Government Employment	-1.2
US Consumer Sentiment	-17.4
Single-Unit Permits	32.7 Y
Retail Sales	3.1 Y
Employment Services Jobs	-31.2
Priv. Serv-Prod Employment	-8.8
Total Manufacturing Hours	-3.9
Manufacturing Wage	3.8 Y
Labor Force	-2.6
Benefit Exhaustions	880.0
New Claims	545.0
Unemployment Rate (change)	9.3
Y = Improved Value	

same sample size when the **Unemployment Rate** was artificially reduced to around 3.4 percent based on a decade-long **Labor Force** decline. Let me be clear: It is *not* sample size that is causing these recent problems. Some combination of extreme noise in the data along with seasonal adjustment difficulties and the lack of data smoothing by the federal government is the cause of the "odd" values we are observing. We are now in the midst of a period where tracking the labor market is essentially "follow the bouncing indicator," at least for survey-based data only.

In terms of yearly comparisons, there is little to cheer about with August's data. What is most concerning to me is that the non-

CCI Indicators - Monthly% Change	
Government Employment	1.9 Y
US Consumer Sentiment	3.8 Y
Single-Unit Permits	34.6 Y
Retail Sales	-2.7
Employment Services Jobs	4.5 Y
Priv. Serv-Prod Employment	1.6 Y
Total Manufacturing Hours	3.7 Y
Manufacturing Wage	1.5 Y
Labor Force	-2.8
Benefit Exhaustions	160.9
New Claims	15.0
Unemployment Rate (change)	1.5
Y = Improved Value	

provided us with some good news for a change: The monthly CCI (see above) was 58 in August, reaching an expansion value, as seven of the twelve indicators improved relative to July. Month-over-month changes, if sustained, eventually translate into yearly improvement. Eleven more to go! We will soon begin to see how long these improvements are able to continue in light of the sizeable number of challenges we will be facing.

LABOR FORCE:

AUG 2020

Peak (1/2007)

Participation Rate

62.4%

68.6%

Employment Rate

54.4%

65.4%

CCI Over the Past 13 Months

Month	CCI
2019M08	65
2019M09	50
2019M10	75
2019M11	60
2019M12	85
2020M01	75
2020M02	75
2020M03	35
2020M04	5
2020M05	5
2020M06	25
2020M07	25
2020M08	25

DLT AUG 2020 Employment (SA,Y/Y)

Gain 1,900

Loss 39,100

Net Chg (37,200)

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	25				