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Rhode Island Current Conditions Index – October 2020

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CURRENT CONDITIONS INDEX

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Just when you thought things couldn't possibly get worse, they did. Rhode Island has been very severely hit by the pandemic, both in terms of the incidence of infection (we are #1 in the world per capita!!) and the economic damage we have experienced.

From June through September, Rhode Island's economic momentum was largely impaired (compared to a year ago, which is what the CCI focuses on), as the Current Conditions Index remained stuck at 25, a clear contraction value, as only four of twelve indicators showed yearly improvement. Ironically, that was a noticeable improvement over April and May, as only one indicator improved during each of those months, giving CCI values of 8. For October, yearly comparisons worsened again, as the CCI fell from its prior values of 25 to 17, with only two of the twelve indicators improving. One of these, **Retail Sales**, has remained as the strongest and most consistently performing CCI indicator. The other, the **Manufacturing Wage**, has been rising of late but its values actually reflect the loss of a significant

consecutive time. Hopefully, both **Exhaustions** and **Employment Service Jobs** will be revised higher in February, but how much higher can we really expect?

Shifting focus from this depressing yearly data, let me raise the issue of a recovery. How will we be able to identify when we are in a recovery? A recovery is a *sustained* period of increasing overall economic activity that begins with a series of monthly improvements. Looking at the CCI based on monthly changes (table below), the October monthly CCI was 58, an expansion value, for the *second consecutive month*. Very reluctantly, I will raise the possibility that *Rhode Island might be in the earliest stages of a recovery based on this monthly trend*. This is anything but certain since many indicators are still behaving badly. Should this prove to be true, *and it is highly speculative at this point*, I continue to believe that it will take 3 - 5 years before Rhode Island returns to pre-pandemic levels of activity because of a painfully slow recovery that will result from our ongoing lack of effective economic policy and the fact that our fate will lie largely beyond our control, determined by the COVID vaccine, monetary and fiscal policy.

CCI Indicators - % Change	
Government Employment	-3.2
US Consumer Sentiment	-14.6
Single-Unit Permits	-21.0
Retail Sales	6.4 Y
Employment Services Jobs	-16.0
Priv. Serv-Prod Employment	-8.8
Total Manufacturing Hours	-6.0
Manufacturing Wage	10.9 Y
Labor Force	-2.8
Benefit Exhaustions	1,317.2
New Claims	368.1
Unemployment Rate (change)	3.5
Y = Improved Value	

CCI Indicators - Monthly % Change	
Government Employment	-0.5
US Consumer Sentiment	1.0 Y
Single-Unit Permits	-17.5
Retail Sales	-0.8
Employment Services Jobs	13.9 Y
Priv. Serv-Prod Employment	0.4 Y
Total Manufacturing Hours	-1.1
Manufacturing Wage	4.4 Y
Labor Force	-3.3
Benefit Exhaustions	-48.8 Y
New Claims	-9.3 Y
Unemployment Rate (change)	-3.5 Y
Y = Improved Value	

number of service-sector jobs, which often pay below-average wages, and the increasing *relative* importance of goods-producing activities like manufacturing, which pay above-average wages.

The sheer magnitude of the damage to Rhode Island and the rest of the US has distorted much, if not most, of the economic data used to track the economy. Worse yet, the sheer magnitude of recent decreases has distorted seasonal adjustments, making it even more difficult to follow the economy. Worse than worse: October is one of the months most likely to be revised when the new labor market data area released in February. It's times like these that I envy weather forecasters!

What stands out the most from Rhode Island's October data is an explosion in the number of **Benefit Exhaustions**, rising by 1,317 percent compared to last October and layoffs, measured by **New Claims**, has recently been "improving," with it now only 4+ times its level a year ago. **Employment Service Jobs**, a leading indicator of employment, fell at a double-digit rate for the seventh

LABOR FORCE:	OCT 2020	Peak (1/2007)
Participation Rate	62.4%	68.6%
Employment Rate	58.0%	65.4%

CCI Over the Past 13 Months						
2019M10	2019M12	2020M02	2020M04	2020M06	2020M08	2020M10
75	50	50	50	58	58	17

DLT OCT 2020 Employment (SA,Y/Y)	
Gain	200
Loss	36,500
Net Chg (36,300)	

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	25↑	25	25	25	17		