CURRENT CONDITIONS INDEX

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Rhode Island's July economic performance exceeded what the aggregate numbers indicate. There was significant strength in our goods-producing sector (Construction (**Single-Unit Permits**) and Manufacturing (**Total Manufacturing Hours**)), **Retail Sales** once again turned in a solid performance, and layoffs appear to be in the process of reversing their uptrend. All of this is welcome news. While there are still pockets of weakness, strength in these key areas, *all of which are cyclical*, provides further evidence that Rhode Island is in the early stages of emerging from a shallow recession.

The Current Conditions Index for July was 50, its neutral value, but the improving indicators were very strong this month while several of the indicators that failed to improve relative to a year ago did so with relatively small misses. And while only two of the five leading indicators included in the CCI improved in July, the upward trajectory of the CCI is fairly obvious (see chart, bottom right). To put this into context, it is not uncommon for an improving economy, especially one moving out of recession, to have pausing moments such as the one we witnessed in July. As long as the underlying momentum continues to exist, which we are currently witnessing, there is room for continued optimism.

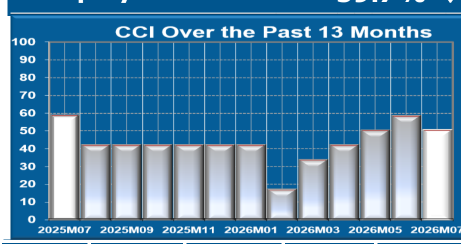
CCI Indicators - % Change		
Government Employment	-2.4	
US Consumer Sentiment	-10.8	
Single-Unit Permits	37.7	Y
Retail Sales	4.5	Y
Employment Services Jobs	-6.4	
Priv. Serv-Prod Employment	-0.1	
Total Manufacturing Hours	7.5	Y
Manufacturing Wage	0.7	Y
Labor Force	-2.8	
Benefit Exhaustions	-5.1	Y
New Claims	2.8	
Unemployment Rate (change)	-0.3	Y
Y = Improved Value		

Rhode Island finds itself in a period where individual economic indicators display substantial strength while those that fail to improve generally do so by a relatively small margins. It is important to keep in mind that the determination as to whether a state is in a recession requires an assessment based on a *broad range* of economic indicators, which the Current Conditions Index was designed to do. Given some of the obvious data issues, especially those concerning the household survey, such a broad based context is bound to be adversely affected. I am referring to the huge declines in our **Labor Force** (-2.8% year-over-year) and the fact that our state's **Unemployment Rate** fell from 4.2 to 3.9 percent at the same time resident employment fell by 2.4 percent! Where but Rhode Island do we ever see such bizarre data? And, let me state for the record that **I DO NOT BELIEVE THOSE DATA ARE ACCURATE**. Were resident employment falling that precipitously, we would be witnessing significant declines in **Retail Sales** and surges in both in **New Claims** (layoffs) and **Benefit Exhaustions**. In fact, **Retail Sales** continues its strong uptrend, rising by 4.5 percent annually this month, **Benefit Exhaustions** (long-term unemployment) fell by over 5 percent, its fifth consecutive annual improvement, and **New Claims** rose, their increase was not very large. Someone needs to convince me that falling unemployment can coexist with rapidly declining resident employment. And payroll employment (the number of Rhode Island jobs), the other employment indicator, has been falling, but by far less.

So, it continues to be increasingly difficult to analyze the strength of Rhode Island's economy. Both our **Labor Force** and resident employment may actually be rising annually, in spite of what current data show. We will have to wait until the data revisions are released in January to see if that is the case. Most likely though, a recovery began in March.

Moving forward, the fate of this recovery ultimately rests on how serious the negative effects of supply shocks and monetary tightening are.

LABOR FORCE:	JUL 2026	Peak (1/2007)
Participation Rate	62.1% ↓	68.5%
Partic Adj Un Rate	7.7% ↑	
Employment Rate	59.7% ↓	65.2%



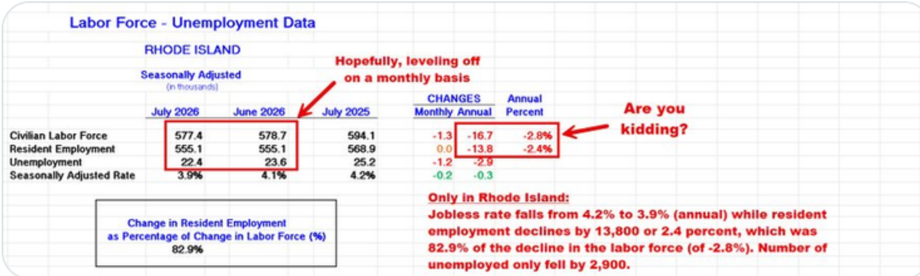
JOB CHURN
DLT JUL 2026
(SA,Y/Y)

Gain	5,300
Loss	(6,700)
Net Chg	(1,400)

50	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2025	50	33↓	25↑	50	33	25↓	58↑	42↑	42	42↑	42	42
2026	42	17	50↑	42	50	58	50					

Len Lardaro @ladardo · Aug 20

1/ Bizarre continued with July's RI household survey data. According to the data (which I have very little confidence in), our jobless rate fell from 4.2% to 3.9% as resident employment was decimated (-13,800 or 2.4%) while our labor force fell by 16,700. Only in RI!



Labor Force - Unemployment Data

RHODE ISLAND

Seasonally Adjusted (in thousands)

	July 2026	June 2026	July 2025	CHANGES Monthly	CHANGES Annual	Annual Percent
Civilian Labor Force	577.4	578.7	594.1	-1.3	-16.7	-2.8%
Resident Employment	555.1	555.1	568.9	0.0	-13.8	-2.4%
Unemployment	22.4	23.6	25.2	-1.2	-2.9	
Seasonally Adjusted Rate	3.9%	4.1%	4.2%	-0.2	-0.3	

Hopefully, leveling off on a monthly basis

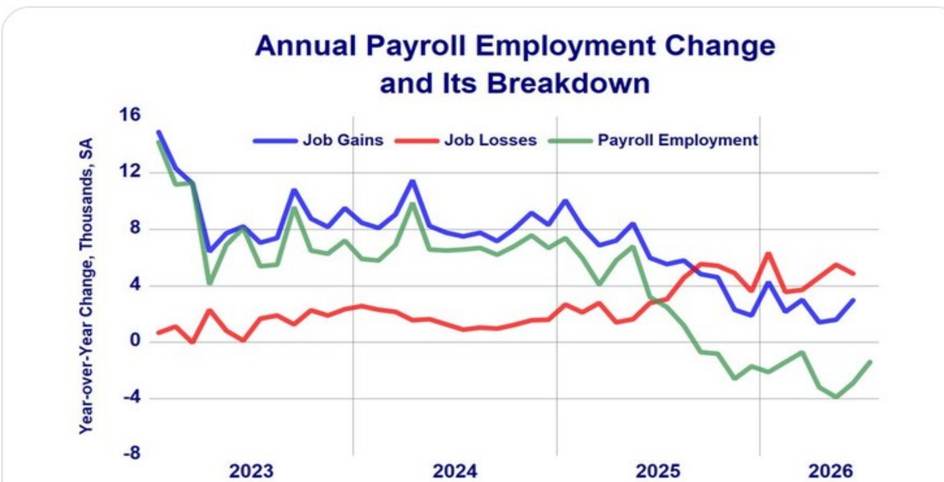
Are you kidding?

Change in Resident Employment as Percentage of Change in Labor Force (%)
82.9%

Only in Rhode Island:
Jobless rate falls from 4.2% to 3.9% (annual) while resident employment declines by 13,800 or 2.4 percent, which was 82.9% of the decline in the labor force (of -2.8%). Number of unemployed only fell by 2,900.

Len Lardaro @ladardo · Aug 21

A clarification of the recent employment change debate: monthly employment numbers are net changes, job gains minus job losses. As long as there are job losses (almost always) job gains exceed employment change. The debate traces the green line, but job gains are the blue line.



Len Lardaro @ladardo · Sep 6

The RI labor market somewhat parallels the US: Cyclical employment is not as strong as overall employment, which is supported by education, healthcare, and government. Manufacturing here though is doing very well, though.