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Rhode Island Current Conditions Index — March 2009

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CURRENT CONDITIONS Index

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Rhode Island ended the first quarter of 2009 on neither a high nor a low note. The quarter ended with what has to be described as the most bizarre performance ever recorded in the history of this indicator. For March, the Current Conditions Index fell to its lowest possible value, 0, as none of the indicators improved relative their performances during a very weak comparison month, March of 2008. This is only the fourth time the CCI has registered a value of 0. The other three occurred in 2008.

But, as bad as a CCI value of 0 is, there are a couple of things to be encouraged about. On a pragmatic note, the CCI's value can't fall any lower. On a more serious note, the critical ingredient for Rhode Island's eventual emergence from this recession, which was present again this month, is improvement in terms of *month-to-month* changes in its indicators. Last month, we saw six of the twelve CCI indicators either improve relative to their values the prior month or come very close to showing such improvement. For March, that number *actually rose to seven*. Perhaps the most striking illustration of this occurred with respect to our **Unemployment Rate**. While it was far higher than its value last March (10.5% vs. 6.8%), February's 10.5 percent rate remained unchanged in March. Importantly, this occurred along with only a slight monthly decline in our **Labor Force**.

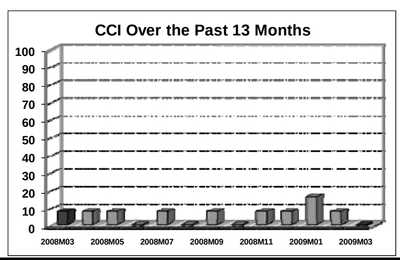
CCI Indicators - % Change		
Government Employment	-3.1	
US Consumer Sentiment	-17.4	
Single-Unit Permits	-20.4	
Retail Sales	-6.0	
Employment Services Jobs	-20.9	
Priv. Serv-Prod Employment	-3.1	
Total Manufacturing Hours	-12.1	
Manufacturing Wage	-0.9	
Labor Force	-0.8	
Benefit Exhaustions	59.1	
New Claims	131.9	
Unemployment Rate	54.4	
Y = Improved Value		

There were encouraging signs from three other indicators as well. **Single-Unit Permits** surged from 297 units (at an annual rate) in February to 518 units in March. **US Consumer Sentiment** rose from 55.9 in February to 56.6 in March, and **Employment Service Jobs** only declined slightly in March compared to February. These last two indicator performances are important to follow since both are *leading* indicators.

Let's not forget that while we are seeing some encouraging signs, which pertain exclusively to monthly changes, our state's economy continues to perform very badly relative to a year ago. **Private Service-Producing Employment** fell by just over 3 percent. The lack of job opportunities here has pushed this indicator to annual rates of decline of around 3 percent since December of 2008. Not surprisingly, **Government Employment** fell by 3.1 percent in March, as ongoing budget woes continued. Along with this, our state's manufacturing sector continued to contract sharply. **Total Manufacturing Hours** *plunged by 12.1 percent,* the result of sharp declines in both employment and the workweek. In light of all the recent sharp drops in this indicator, however, its performance relative to February was virtually unchanged. And, for the first time in a while, our **Manufacturing Wage** declined, falling below the $14 hourly level once again.

This very discouraging employment picture caused **Benefit Exhaustions**, which measure of long-term unemployment, to jump by 59.1 percent (we want this to decline). *Benefit Exhaustions have now risen at 40 percent or higher annual rates since August of 2008!* **New Claims**, reflective of layoffs, skyrocketed again in March, this time by 131.9 percent, partly the result of phone backlogs in prior months.

Along with all of this, **Retail Sales** fell by 6 percent, its sharpest rate of decline since November of last year. The performance of **Retail Sales** was even weak if compared to its value last month.



THE BOTTOM LINE

The *process* of recovery begins when we start to consistently match or exceed each prior month's economic performance, as this sets the stage is set for eventual improvement on a year-over-year basis. Based on February and March, I believe Rhode Island has begun this process (let's keep our fingers crossed, anyway!). ***Our economy is now declining more slowly, but has yet to hit a bottom in terms of the level of activity***.

0	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	8	8	8	8	8	0	8	0	8	0↓	8	8
2009	17	8	0									