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Rhode Island Current Conditions Index -- March 2006

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Rhode Island ended the first quarter on a slightly disappointing note, as the Current Conditions Index for March fell to 58, below both January's value of 75 and the February CCI of 67. While there were several strong indicator performances in March, Rhode Island's first quarter economic performance repeated what has become a familiar pattern — acceleration for a few months, quickly reaching a plateau, then deceleration to a very modest pace of economic activity. To make an analogy, it is as if we press the gas pedal very briefly before removing our foot soon thereafter, resulting in gradual deceleration back to our original speed.

In March, we witnessed very solid performances concerning new home construction, retail sales, layoffs, long-term unemployment, and our manufacturing sector. **Single-Unit Permits**, which measure new home construction, rose by 8.2 percent, its fourth consecutive increase. Ironically, this occurred as interest rates were rising and the housing sector continued to weaken. At an annual rate, permits remained well below the 2,000 level. **Retail Sales** grew by 6.2 percent in March, its fourth increase in the last six months. This increase was impressive in light of the fact that **US Consumer Sentiment** remained weak, falling by 3.8 percent versus last March. While the downward trend in Consumer Sentiment has moderated over the past few months, higher gasoline prices will depress this indicator's performance as we head into summer.

CCI Indicators - % Change

Government Employment	-0.2	
US Consumer Sentiment	-3.8	
Single-Unit Permits	8.2	**Y**
Retail Sales	6.2	**Y**
Employment Services Jobs	-0.8	
Priv. Serv-Prod Employment	1.4	**Y**
Total Manufacturing Hours	-0.4	
Manufacturing Wage	3.7	**Y**
Labor Force	1.6	**Y**
Benefit Exhaustions	-9.1	**Y**
New Claims	-2.1	**Y**
Unemployment Rate	2.0	

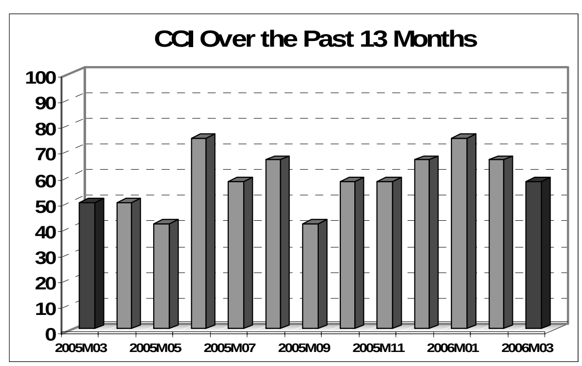
Y = Improved Value

Benefit Exhaustions, which reflects long-term unemployment, and **New Claims**, a measure of layoffs, continued to improve. **Benefit Exhaustions** fell by 9.1 percent, the ninth time this indicator has improved in the last ten months. **New Claims** for Unemployment Insurance declined by 2.1 percent, its slowest improvement in the last year, but the eleventh consecutive decrease for this indicator. Labor demand, as measured by **Employment Services Jobs**, faltered in March, falling by 0.8 percent in March. This was its first decline in the last six months.

Our **Labor Force** continued its rapid growth, rising by 1.6 percent in March. As has been the case for some time now, this relatively high growth rate is largely the result of a weak "comp" last March. The true test for **Labor Force** growth will begin in April, when the "comps" return to levels more typical of what we have witnessed in recent years. Our **Unemployment Rate** rose slightly from 5 percent last March to 5.1 percent this March. In light of our **Labor Force** growth, this slight rise in the **Unemployment Rate** is not really a negative result.

Government Employment fell slightly in March (by 0.2%), reflecting the effects of budget tightening. **Private Service-Producing Employment** grew again at a sluggish 1.4 percent rate, which is the most rapid rate since last November. Weakness in our goods-producing sector moderated once again, as the rate of decline in **Total Manufacturing Hours** slowed to 0.4 percent, the second consecutive month with a decline of less than one percent. The **Manufacturing Wage** grew by a hefty 3.7 percent, its most rapid rate of increase since December of 2001. Clearly, dollar depreciation should further help our manufacturing sector in the coming months.

The moderate pace of economic activity here will be challenged by rising gasoline prices, continued housing weakness, and our mega budget crisis. Rhode Island may well witness a "drought" this summer that has little to do with the amount of rainfall we receive.



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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	50	67	50	50	42	75	58	67	42	58	58	67
2006	75	67	58									