

CURRENT CONDITIONS Index

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Prior to April's flooding, the Current Conditions Index indicated that our state's economy was very close to a bottom, with an expected recession end by mid-year. Clearly, momentum was returning and our economy's performance was vastly superior to what it had been in 2008.

April's economic data provided initial insights into how much the flooding impacted Rhode Island's overall economic performance. While there were a few anomalies in April's data, the Current Conditions Index held up reasonably well. April's CCI value was 50, as six of twelve indicators improved, most by strong margins. On a monthly basis, eight of the twelve indicators either improved or were close to improving. And, even though April's CCI value was lower than that in March, it handily beat last April's value of 8. So, it is still quite possible that Rhode Island will see an end to its recession by the end of the third quarter of this year, possibly sooner.

| CCI Indicators - % Change | |
|----------------------------|---------|
| Government Employment | -1.8 |
| US Consumer Sentiment | 11.1 Y |
| Single-Unit Permits | 71.0 Y |
| Retail Sales | 4.0 Y |
| Employment Services Jobs | -2.9 |
| Priv. Serv-Prod Employment | -2.2 |
| Total Manufacturing Hours | -4.7 |
| Manufacturing Wage | 6.5 Y |
| Labor Force | 2.9 Y |
| Benefit Exhaustions | -12.9 Y |
| New Claims | 9.6 |
| Unemployment Rate | 20.2 |

Y = Improved Value

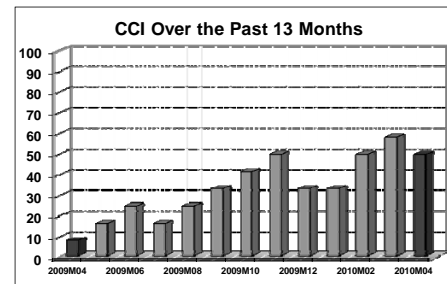
Importantly, there continues to be evidence that the recent rebound in manufacturing is being sustained after a prolonged period of deep decline. While **Total Manufacturing Hours** fell by 4.7 percent, the manufacturing workweek rose again, a healthy sign. Growth in the **Manufacturing Wage** surged, this month by 6.5 percent annually, sustaining a string of growth rates in excess of 2 percent since last October.

Looking at the other April indicator performances, **US Consumer Sentiment** continued to be our "star" performer, rising by another 11.1 percent, its thirteenth consecutive year-over-year improvement. Once again, **Single-Unit Permits** surged, this month by 71 percent compared to a year ago, largely due to a small number of permits last April. There continues to be virtually no new home construction in Rhode

Island, while April's **Permits** were the least in the last four months. Interpreting April's labor market data was complicated by the presence of "weather-related" unemployment, which completely severed the linkage between the household and payroll surveys. According to the official data, our state's **Labor Force** rose again, increasing by 2.9 percent, while our **Unemployment Rate** fell slightly to 12.5 percent. I performed an econometric calculation to determine what our jobless rate would have been had the linkage between the two labor market surveys not been suspended. The result, which is my estimate of April's **Unemployment Rate**, is 13.3 percent.

Retail Sales rose for the third consecutive month, by 4 percent in April. The post-flooding shutdown of Warwick Mall and other retail establishments appears not to have had a dramatic effect on **Retail Sales**, as persons have been doing their shopping in other locations. **Benefit Exhaustions**, which reflects long-term unemployment, fell by 12.9 percent in April, its second consecutive improvement.

New Claims, a leading indicator that measures layoffs, rose by 9.6 percent versus last April, and 22 percent versus March, clearly a flooding-related surge. Future job prospects based on **Employment Service Jobs**, a leading labor market indicator, fell 2.9 percent but rose relative to March. **Private Service-Producing Employment** declined again, by 2.2 percent, while **Government Employment** fell by another 1.8 percent.



THE BOTTOM LINE

Recently, some have claimed that Rhode Island's recession is over, based on a few months of small and non-statistically significant employment increases. That assertion is incorrect. The end of a recession is predicated on improvement in a number of indicators, which is what the Current Conditions Index is designed to show. Rhode Island is still in a recession. The good news is that it is very close to recession's end.

| | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-----------|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 50 | 2009 | 17 | 8 | 0 | 8 | 17 | 33 | 17 | 42 | 33 | 42 | 50 | 33 |
| | 2010 | 33 | 50 | 58 | 50 | | | | | | | | |