CURRENT CONDITIONS Index

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Like the nation, Rhode Island's economy slowed during the first quarter. For March, economic momentum clearly diminished, as the Current Conditions Index fell from 58 in January and February to its neutral value of 50 in March. Only six of the twelve CCI indicators improved. Overall, indicator performance was mixed in March. This was most apparent with two indicators, **Retail Sales** and **Employment Service Jobs**. **Retail Sales** growth slowed, but this was largely the result of a strong "comp" one year ago. At the opposite extreme, the impressive rate of growth in **Employment Service Jobs** was impacted by a very weak "comp" last March. However, unlike the past two months, weather did not appreciably distort March's data.

The strongest indicator performances in March were **Employment Service Jobs, Private Service Producing Employment,** and the **Unemployment Rate. Employment Service Jobs**, which includes temporary employees, rose by 14.8 percent, *its sixth consecutive double-digit increase*. While this month's strong performance was aided by a weak "comp" last March, the overall performance of this indicator has been very impressive of late. And, transcending these recent strong growth rates is the fact that **Employment Service Jobs** is a *leading* economic indicator. **Private Service Producing Employment** growth remained healthy in March, at 2 percent. This indicator has now sustained rates of growth at or above 2 percent for the last three months. And, our **Unemployment Rate** has fallen by a full percentage point since last March. This is a very significant change. Unlike the recent move in our **Unemployment Rate** from 5.1 percent in December to 4.2 percent in March, which occurred with a declining labor force, the year-over-year improvement took place with a rising **Labor Force**. For March, Rhode Island's **Labor Force** was 0.4 percent higher than a year ago. One cautionary note on the **Labor Force**: its rate of growth has slowed significantly, from 1.3 percent in October to only 0.4 percent this month.

CCI Indicators - % Change

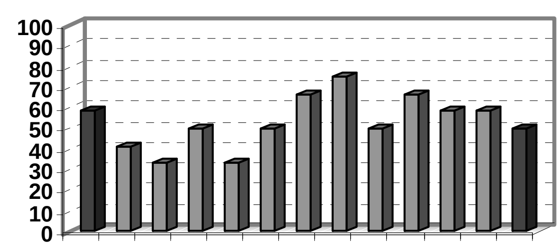
	% Change	
Government Employment	-1.1	
US Consumer Sentiment	-0.5	
Single-Unit Permits	-1.0	
Retail Sales	0.9	**Y**
Employment Services Jobs	14.8	**Y**
Priv. Serv-Prod Employment	2.0	**Y**
Total Manufacturing Hours	-2.6	
Manufacturing Wage	0.0	**Y**
Labor Force	0.4	**Y**
Benefit Exhaustions	3.0	
New Claims	17.7	
Unemployment Rate	-19.2	**Y**

Y = Improved Value

Single-Unit Permits continued its roller coaster ride in March, falling by only one percent compared to a year ago. While this this decline was not weather induced, the rate of growth in this indicator last March was very high, which partly accounts for this month's decline. **Retail Sales** grew slightly in March, by 0.9 percent, only its second increase in the last five months, while **US Consumer Sentiment** fell slightly, by 0.5 percent, ending a streak of six consecutive monthly increases. Rhode Island's manufacturing sector weakened in March. The **Manufacturing Wage** was effectively constant (rising by one cent compared to last March), while **Total Manufacturing Hours** fell by 2.6 percent.

Government Employment fell again in March, by 1.1 percent, its sixth consecutive decline, and something that promises to be a regular occurrence in light of our state's budget woes. Finally, a critical labor market "pair" failed to jointly improve for the fifth consecutive month. **New Claims** for Unemployment Insurance, which measures layoffs, surged by 17.7 percent in March, while at the other end of the layoff spectrum, **Benefit Exhaustions**, which reflects long-term unemployment, rose by 3.0 percent.

CCI Over the Past 13 Months



THE BOTTOM LINE

Generally, as the national economy goes, so too does Rhode Island's economy. While this was clearly true in the first quarter, it might not be the case for much longer. The sheer magnitudes of Rhode Island's budget deficits for FY 2008 and beyond will negatively affect our state's growth rate, potentially causing us to lag the national economy even more than we do now.

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	58	58	58	42	33	50	33	50	67	75	50	67
2007	58	58	50									