

CURRENT CONDITIONS INDEX

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In my report last month, I noted that based on the existing labor market data being released by the RI Department of Labor and Training, " ... it is no longer clear whether the Rhode Island is still in a recovery or whether it has moved into the earliest stages of a dreaded double-dip recession. Payroll employment has now declined for seven consecutive months on a year-over-year basis ... For many, this alone would be a sufficient basis upon which to make the recession call."

After my report was released, I was informed by the RI DLT that the current labor market data has been understating job change, and that employment has been rising for some time now. So, remember all the data they were and are still publishing and the conclusions anyone serious about analyzing our state's economy would arrive at based on them? To quote Emily Litella of Saturday Night Live fame: "**Never Mind.**"

So, in an odd and circuitous way, my overall conclusion last month that Rhode Island has not entered nor is about to enter into a recession proved to be correct. And, in spite of what the data published by the DLT now say, our state's March **Unemployment Rate** is not 11.1 percent, but somewhat lower, likely in the 10-11 percent range.

All of this requires that I adapt CCI values. Since existing labor market data are very likely understating two CCI indicators, **Private Service Producing Employment** and **Employment**

CCI Indicators - % Change	
Government Employment	-1.6
US Consumer Sentiment	13.0 Y
Single-Unit Permits	-14.0
Retail Sales	4.4 Y
Employment Services Jobs	-10.0
Priv. Serv-Prod Employment	-0.4
Total Manufacturing Hours	1.3 Y
Manufacturing Wage	20.4 Y
Labor Force	-1.1
Benefit Exhaustions	-10.7 Y
New Claims	-7.1 Y
Unemployment Rate (change)	-0.1 Y
Y = Improved Value	

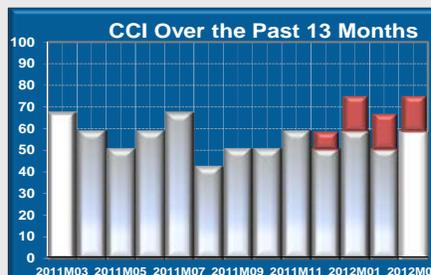
Service Jobs, I will now be providing two CCI estimates each month until the data flaws disappear (hopefully) next February.

Rhode Island ended the first quarter of 2012 on a positive note, as a re-acceleration from the mid-2011 doldrums materialized. While Current Conditions Index values based on the faulty existing labor market data continued to show readings barely above stall speed (the top values), allowing for likely data revisions, the CCI beat or tied its year-earlier values for every month in the first

quarter (the lower values). As of March, Rhode Island's current recovery reached its 25th month.

On a year-over-year basis, four of the five non-survey-based CCI indicators improved. All five showed improvement on a monthly basis. **Retail Sales** increased by 4.4 percent, its seventh consecutive improvement compared to year-earlier values. While part of this is no doubt related to the skilled Rhode Islanders we rent out to neighboring states who bring their income home with them, **Retail Sales** momentum clearly does have "legs" at present. Along with this, **US Consumer Sentiment** rose as well, by 13 percent. Both of these indicators had March values that exceeded their February levels. New home construction, based on **Single-Unit Permits**, continued its roller coaster ride, falling by 14 percent in March relative to last year. But it too managed to improve relative to February. **New Claims** for Unemployment Insurance, a leading labor market indicator that reflects layoffs, declined by 7.1 percent, its fourth improvement in the last five months. It too showed strength relative to February. Finally, **Benefit Exhaustions**, reflective of longer-term unemployment, also fell, at a double-digit rate.

In spite of tenuous labor market data, it is safe to conclude that our **Unemployment Rate** was lower than last March, with an actual value below the published 11.1 percent rate. Finally, Rhode Island's manufacturing sector continued to strengthen, as both the **Manufacturing Wage** and **Total Manufacturing Hours** both improved, but by amounts that are unknown at present.



DLT March Employment (SA, Y/Y)	
Gain	2,100?
Loss	4,300?
Net Chg	-2,200?

THE BOTTOM LINE

The first quarter was fairly good to Rhode Island, as the pace of economic activity accelerated, ending the doldrums it found itself stuck in during the second half of 2011. While Rhode Island's economy is doing better than it has in some time, what I am able to discern from non-survey-based data and the unofficial assurances of the DLT is that overall economic activity here remains far below where it was prior to "The Great Recession." Happily, though, Rhode Island's rate of growth rate hasn't decoupled from that of the US.

58/ 75		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2011	50	67	67	58	50	58	67	42	50	50	58	50/ 58
	2012	58/ 75	50/ 67	58/ 75									