

CURRENT CONDITIONS INDEX

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Rhode Island's March economic performance was slightly better than it was in February, although both months had varying degrees of weather-related distortions. The Current Conditions Index for March reached 67, its highest value thus far in 2015, as eight of the twelve CCI indicators improved relative to their values last March. And, in yet another potentially hopeful sign, the March CCI beat its value from a year ago, an elusive benchmark that we have been attempting to attain on a regular basis for far too long.

As was true last month, the actual performance of our state's economy was a bit better than it appears to be statistically. Weather-related distortions to new home construction continued, now producing a two-month spell of very low **Single-Unit Permits**. While this is volatile indicator even with normal weather, Rhode Island recorded only 17 permits in February and 61 for March, which after annualizing and applying seasonal adjustment, gives annualized values of only 431 and 721 units, respectively, resulting in large double digit annual declines. Allowing for this weather-related data distortion, it is perhaps more accurate to presume that the CCI was really 67 in February and 75 in March. Still not great, but better than what we have been seeing. While weather also lowered average weekly manufacturing hours, those changes were not sufficient in either month to lower **Total Manufacturing Hours**, as employment gains were large enough to offset the declining-hours effect.

a prerequisite to employment growth. **Employment Service Jobs** reversed its decline last month to grow at a 1.1 percent rate in March. **New Claims**, a leading labor market indicator, fell by 16.4 percent in March, sustaining its well-defined downtrend following a December value that was adversely affected by technical factors. Finally, **Total Manufacturing Hours**, a measure of manufacturing sector strength, managed a relatively small increase (+0.4%), its third improvement in the last four months, as weather produced another sharp decline in the length of the workweek. Along with this, the **Manufacturing Wage** declined for the thirteenth consecutive time, by a difficult to comprehend 2.9 percent. Based on the March performances of manufacturing and housing, Rhode Island's goods-producing sector turned in another mixed performance in March.

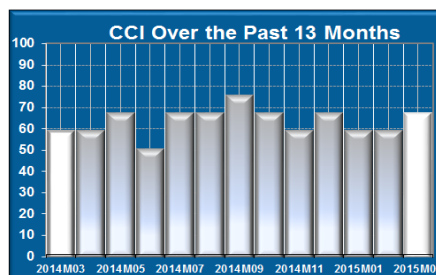
Private Service-Producing Employment increased by 1.3 percent in March, better than February's growth, but still below the rate in January. Not surprisingly, **Government Employment** failed to improve yet again, declining by 0.3 percent for March, remaining just below 60,000. **Benefit Exhaustions**, which reflects longer-term unemployment, fell by 33.6 percent relative to a year ago, its ninth consecutive double-digit improvement.

Rhode Island's **Labor Force** continued its well-defined downtrend that began in late 2012 and intensified after June of 2014. March marked the twenty-third consecutive year-over-year decline in our **Labor Force**. This downtrend has been the most influential factor creating the recent dramatic "improvements" in our state's **Unemployment Rate**, which fell to 6.3 percent in March. Since jobless rate improvement here is so strongly tied to a continuously declining **Labor Force** and not to employment strength, I view these jobless "improvements" skeptically at best.

CCI Indicators - % Change	
Government Employment	-0.3
US Consumer Sentiment	16.0 Y
Single-Unit Permits	-19.1
Retail Sales	4.2 Y
Employment Services Jobs	1.1 Y
Priv. Serv-Prod Employment	1.3 Y
Total Manufacturing Hours	0.4 Y
Manufacturing Wage	-2.9
Labor Force	-0.6
Benefit Exhaustions	-33.6 Y
New Claims	-16.4 Y
Unemployment Rate (change)	-1.9 Y
Y = Improved Value	

Retail Sales turned in yet another strong performance in March, rising by 4.2 percent, its fourteenth improvement in the last fifteen months. **Retail Sales** have now risen by at least 4 percent for every month since September of last year. **US Consumer Sentiment** also rose sharply once again in March (16.0%), its eighth increase following three consecutive declines.

In total, four of the five leading indicators contained within the Current Conditions Index improved in March. The only indicator that failed to improve was **Single-Unit Permits**, as discussed earlier. **US Consumer Sentiment** improved, as did **Employment Service Jobs**, which includes temporary employment and is



DLT MAR Employment (SA,Y/Y)	
Gain	5,900
Loss	1,000
Net Chg	4,900

THE BOTTOM LINE

Rhode Island's economic performance during the first quarter of 2015 was similar to that of the US in the sense that while *statistical* things appeared to be relatively weak, part of the explanation is the result of adverse weather effects associated with an atypically harsh winter. While we won't know how large a role weather actually played in Rhode Island's first quarter performance for some time, the pressing question continues to be whether the statistical weakness we experienced in the first quarter carries over into future quarters. Hopefully we will continue to exceed year-earlier CCI values on a sustained basis at long last.

67		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2014	67	67↑	58	58	67↑	50	67↓	67↓	75	67↑	58	67↓
	2015	58	58	67									