CURRENT CONDITIONS Index

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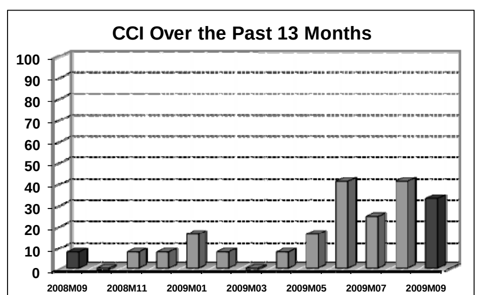
September saw a continuation of the recent momentum for Rhode Island's economy. Clearly, our state's economic status can now be properly viewed as that of a "typical" recession," a distinct improvement from 2008 which was the worst year for our state's economy since 1991. While the Current Conditions Index fell slightly to 33 in September, as four of its twelve indicators improved, this was the fifth consecutive month for which the CCI beat its year-earlier value. And, looking at month-to-month improvements in CCI indicators, seven either improved relative to their August values or were little changed.

As has been the case for a while now, some of this can be attributed to weak "comps" from a year ago. That is a fairly typical occurrence when an economy moves toward the end of a recession and as it progresses through the early stages of recovery. For the time being at least, Rhode Island's economy remains in recession. But as the CCI values since May indicate, we are continuing to move in the direction of an eventual recovery, hopefully in the first quarter of next year.

Focusing on September's improving indicators, **US Consumer Sentiment**, our "star" performer of late, rose by 4 percent, its sixth consecutive year-over-year improvement. Our **Labor Force** continued its recent growth, rising by another 0.5 percent compared to a year ago on top of prior annualized rates in excess of 6 percent. Growth in the **Manufacturing Wage** accelerated in September, rising to 2.3 percent compared to a year ago, moving the wage above $14 per hour for the fourth consecutive month. Finally, **New Claims**, which reflect layoffs, continued to improve, falling by 13.4 percent compared to last September. More importantly, this leading indicator has leveled off in recent months.

CCI Indicators - % Change		
Government Employment	-1.3	
US Consumer Sentiment	4.0	Y
Single-Unit Permits	-9.8	
Retail Sales	-8.4	
Employment Services Jobs	-15.7	
Priv. Serv-Prod Employment	-3.5	
Total Manufacturing Hours	-14.0	
Manufacturing Wage	2.3	Y
Labor Force	0.5	Y
Benefit Exhaustions	60.9	
New Claims	-13.4	Y
Unemployment Rate	52.9	
Y = Improved Value		

While there are clearly positive elements in this month's report, namely the CCI's overall value and the number of monthly improving indicators, the negatives associated with discouraging performances relative to a year ago remain. **Retail Sales** fell by another 8.4 percent in September, the latest in a string of consecutive declines that extends all the way back to April of 2008. Future job prospects based on **Employment Service Jobs**, another leading indicator, remained discouraging, as these dropped 15.7 percent compared to a year ago. This indicator appears to have stabilized on a monthly basis, however. **Total Manufacturing Hours** registered yet another double-digit decline, falling by 14 percent in September, as employment fell and *the workweek shrank by almost 1.4 hours*. This continues a divergence from the national trend of a possible manufacturing -sector bottom. Along with this, the rate of decline in **Private Service-Producing Employment** accelerated in September to 3.5 percent. **Single-Unit Permits** fell by 9.8 percent in September, as new home construction here remains virtually non-existent. **Government Employment**, driven largely by budget woes, fell by 1.3 percent in September, a slightly improved rate of decline. **Benefit Exhaustions**, which reflects long-term unemployment, surged once again in September, rising by almost 61 percent compared to a year ago. Finally, our **Unemployment Rate** rose to 13 percent in September, preserving our national ranking of #3 (behind Michigan and Nevada).



THE BOTTOM LINE

The national economy appears to have begun its recovery in July. While Rhode Island will not emerge from its recession until the first quarter of next year, the foundations for an eventual upturn are beginning to fall in place. The strength and durability of those foundations will be influenced critically by fiscal decisions and structural changes to our state's economy instituted in the next few years. The long-run begins now!

33	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	8	8	8	8	8	0	8	0	8	0	8	8
2009	17	8	0	8	17	42	25	42	33			