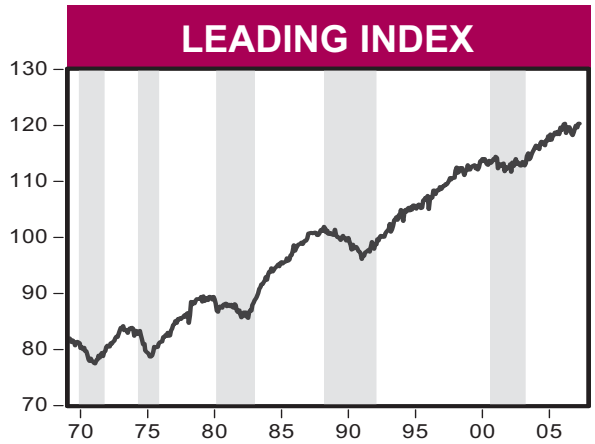

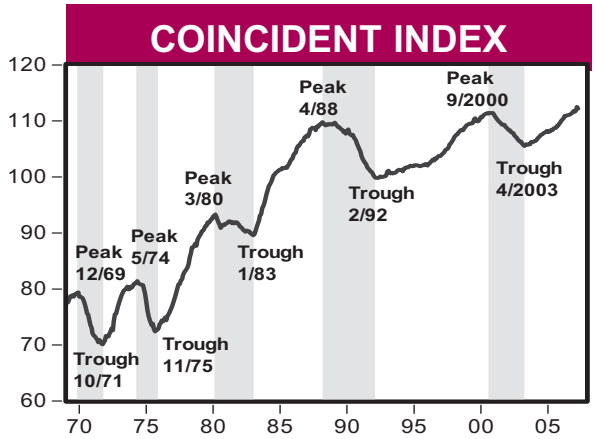

The distance from peak to trough, indicated by the shaded areas, measures the duration of an employment cycle recession. The vertical scale in both charts is an index with 1992=100.

Slower Growth Forecast in April 2007

The National Outlook

The participants in the June Livingston Survey (www.phil.frb.org/files/liv/livjun07.pdf) reduced their estimates for growth in 2007. They project that the economy's output (real GDP) will grow at an annual rate of 1.8% in the first half of 2007 and improve to 2.6% in the second half of 2007 and rise to an annual rate of 2.9% in the first half of 2008. The forecasts for the first and second halves of 2007 are lower than in the previous survey, suggesting output growth might not be as strong in the short run. The forecasters expect the unemployment rate to rise from 4.5% in June 2007 to 4.7% in December 2007 and increase slightly to 4.8 % in June 2008. These forecasts are lower than those of the survey six months ago, suggesting improvement in the employment situation.

The forecasters' projections for inflation in 2007 are higher than those of six months ago for consumer and producer prices. Consumer price (CPI) inflation will average 2.6% in 2007, and fall to 2.3% in 2008. The forecasters project that producer price inflation in 2007 will be 3.2% that is higher than the 1.4% predicted six months ago. They see PPI inflation decelerating in 2008 to 2.4% that is higher than the previous survey's prediction of 2.0%.

Interest rates on three-month Treasury bills will remain steady over the next eighteen months, rising slightly by the end of 2008, according to the forecasters. They expect long-term interest rates to rise over the next eighteen months.

Connecticut Employment Indexes

The CCEA-ECRI Connecticut coincident employment index is a measure of contemporaneous activity and rose on a year-to-year basis from 110.9 in April 2006 to 112.2 in April 2007. Higher total employment (an increase of 1.35% or 23,800 jobs) and non-farm employment (rising 1.21% since April 2006) contribute positively to this index. Both the total unemployment rate (4.2% vs. 4.02% a year ago) and the insured unemployment rate (2.41% vs. 2.40% a year ago) are negative contributors.

On a month-to-month basis, the coincident index declined from 112.5 in March 2007 to 112.2 in April 2007. This reflects a decelerating 12-month moving average growth rate of this index (1.3% vs. 2.1% last month). Total employment decreased by 8,200 jobs in April even as non-farm employment inched upward by 3,200 jobs providing offsetting contributions to the index. Total insured employment inched upward from 2.41% last month to 2.44% and the total unemployment rate worsened from 4.1% to 4.2% each contributing negatively to this index.

The CCEA-ECRI Connecticut leading employment index that measures future activity improved from 118.6 in April 2006 to 120.3 in April 2007. Manufacturing employment decreased by 1,300 jobs from 194,200 a year ago, while construction added 1,400 jobs over the year (mixed contributors). Over the year, average weekly hours increased in both industries, Moody's Baa bond yield improved from 6.68% to 6.39%, and housing permits increased slightly with each contributing positively to the annual change in this index.

Initial claims for unemployment insurance increased by 7.6% from 17,087 a year ago and the short duration unemployment rate increased from 1.46% to 1.59% over the year each contributing negatively to the annual change in this index.

On a month-to-month basis, the leading employment index did not change. Manufacturing and construction employment increased by 4,300 over the month (average weekly hours declined by 0.2 in construction and were unchanged in manufacturing) and housing permits jumped by 212 for the month contributing positively to the index. The other components of this index are negative contributors to this index.

The decelerating 12-month moving average growth rate (1.52% vs. 1.62% last month) of the leading index portends slowing but positive growth in the Connecticut economy in the near term.

Stan McMillen [(860) 270-8166, DECD, 505 Hudson Street, Hartford, CT 06106-7106]. Professors Pami Dua and Stephen M. Miller, in cooperation with Anirvan Banerji at the Economic Cycle Research Institute developed the leading and coincident employment indexes. The views expressed herein are the author's own and do not necessarily represent those of the Department of Economics, the University of Connecticut, the Connecticut Department of Labor or the Connecticut Department of Economic and Community Development. Components of the indexes are described in the Technical Notes on page 23.