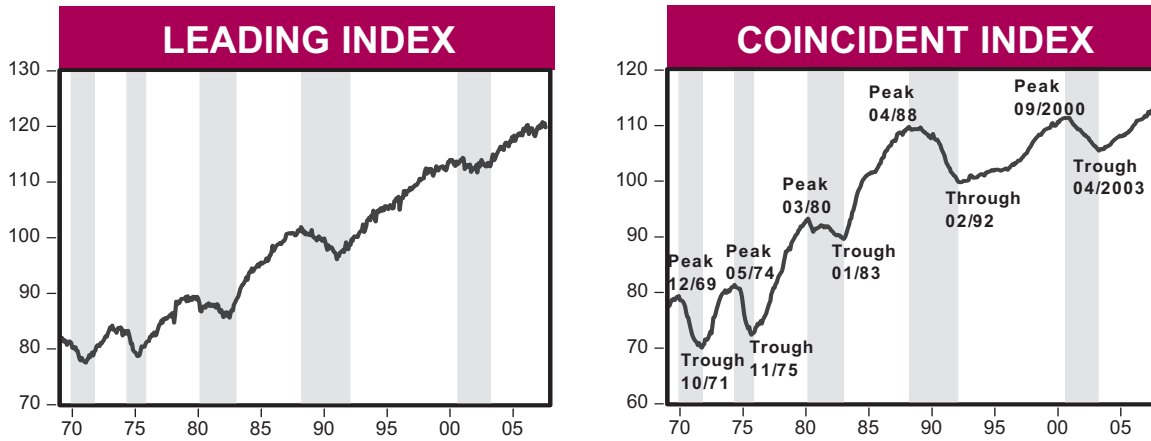


EMPLOYMENT INDICATORS



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.

Slow and Slower in August 2007

The National Outlook

The Philadelphia Fed's quarterly Survey of Professional Forecasters projects that core inflation during the next three years will remain roughly steady but at a lower level than forecast in the last survey. Over the next five years, headline CPI inflation will average 2.45%, unchanged from the forecasters' previous estimate.

The forecasters reduced their estimates for growth, but their revision is minor and largely confined to this year's fourth quarter and next year's first quarter. Growth this quarter will average 2.5% (annual rate), down 0.1 percentage point from the previous estimate of 2.6%. Downward revisions to output growth are not translating into deteriorating conditions in the labor market.

The forecasters expect the unemployment rate to average 4.6% this year, unchanged from the estimate in the last survey, and 4.7% next year, down from 4.8% previously. Moreover, the forecasters are raising their estimate for monthly job gains this year, to 156,000 from 151,000 previously. Next year, payrolls will increase at a rate of 118,000 per month, down just a bit from the estimate of three months ago.

These projections are consistent with others made earlier this year...we are into a period of low inflation and slow output growth. Let's hope slow growth doesn't turn negative.

Connecticut Employment Indexes

The DECD-ECRI Connecticut coincident employment index is a measure of contemporaneous activity and rose on a year-to-year basis from 111.1 in August 2006 to 112.1 in August 2007. Total employment (from the household survey) increased 0.87% or 15,507 persons and nonfarm employment (from the employer survey) rose 0.98% since July 2006 and contributed positively to the annual change in this index. The total unemployment rate (4.6% vs. 4.46% a year ago) contributes negatively while the insured unemployment rate (2.40% vs. 2.44% a year ago) contributes positively to the annual change in this index.

On a month-to-month basis, the August 2007 coincident employment index declined to 112.1 from 112.5 a month earlier. This reflects a decelerating 12-month moving average growth rate of this index (0.4% vs. 1.2% last month). Total employment increased by 2,100 persons and nonfarm employment increased by 1,200 jobs as both contributed positively to this month's index. The total insured employment rate inched upward from 2.37% last month to 2.4% in August and the total unemployment rate worsened slightly from 4.5% to 4.6% as both contributed negatively to the monthly change in this index.

The DECD-ECRI Connecticut leading employment index that esti-

mates future activity improved from 119.2 in August 2006 to 119.8 in August 2007. Manufacturing employment decreased by 1,800 jobs from 193,900 a year ago, while construction gained 1,300 jobs over the year (offsetting contributors). Average weekly hours increased slightly in manufacturing and were unchanged in construction from a year ago. Positive contributors include the short duration unemployment rate that decreased from 1.53% to 1.48% over the year, and initial claims for unemployment insurance that decreased by 2.6% from 17,912 a year ago. Negative contributors include the Hartford help-wanted index that declined slightly from a year ago; Moody's Baa bond yield that worsened from 6.59% to 6.65%; and, housing permits that decreased from 695 last August to 667 in August 2007.

On a month-to-month basis, the leading employment index fell from 120.6 to 119.8. Manufacturing employment declined by 300 jobs (negative contributor) while construction employment was unchanged (neutral). Average weekly hours decreased slightly in manufacturing and increased in construction (offsetting contributors). In addition, short duration unemployment inched up, the Hartford help-wanted index declined, and housing permits declined by 194 or 22.5% for the month (each a negative contributor). Initial claims declined by 1,003, contributing positively to this index.

Stan McMillen [(860) 270-8166, DECD, 505 Hudson Street, Hartford, CT 06106-7106]. Mark Prisloe provides research assistance. 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.