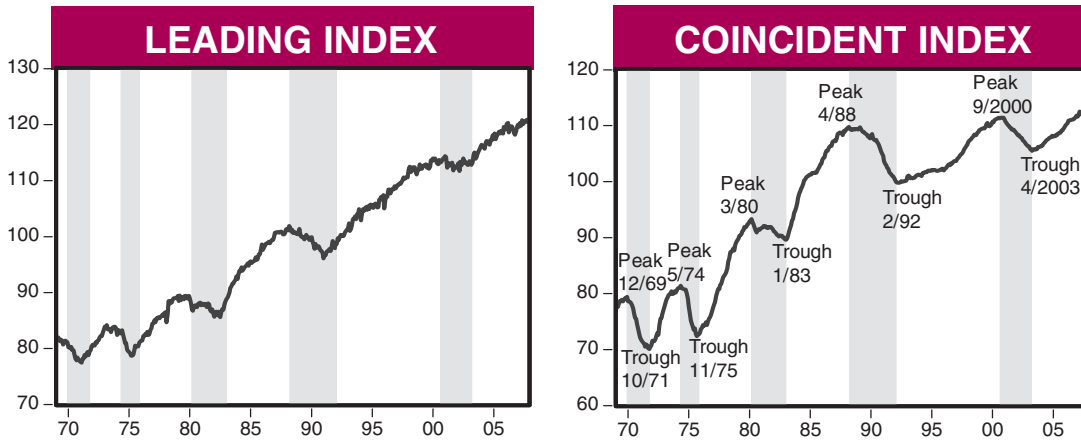


EMPLOYMENT INDICATORS



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.

Weathering the March Winds

The National Outlook

The U.S. economy's outlook has "weakened further" according to recent information, prompting the Federal Open Market Committee (FOMC) in March to once again lower its target for the federal funds rate by 75 basis points to 2.25 percent. Slower growth in consumer spending, softening labor markets, and "considerable stress" in the financial markets as well as tightening credit and deepening of the housing sector contraction, are of concern even as uncertainty about inflation (4.3% in 2007) has increased. Thus significant downside risks to growth remain. U.S. real gross domestic product (RGDP) in the final quarter of 2007 (preliminary) increased at an annual rate of only 0.6 percent, down from 4.9% in the third quarter.

Connecticut Employment Indexes

The DECD-ECRI Connecticut coincident employment index is a measure of contemporaneous activity and increased on a year-to-year basis from 111.4 in January 2007 to 112.4 in January 2008 using benchmarked data for most series. Total employment (from the household survey) increased 1.45% or by 25,705 persons, nonfarm employment (from the employer survey) increased 0.77% from January 2007, and contributed positively. The insured unemployment rate (2.39% vs. 2.38% a year ago) and the total unemployment rate (4.8% vs. 4.4% a year ago) contributed negatively to the annual change in this index. A rise in both employment and the unemployment rate means more people are looking for

work as job prospects (hiring) have improved.

On a month-to-month basis the January 2008 coincident employment index increased slightly to 112.4 from 112.3 a month earlier. The 12-month moving average growth rate of this index (0.9%) was unchanged from last month. Total employment increased by 4,200 persons. Nonfarm employment decreased by 2,200 jobs, and the total insured unemployment rate edged up from 2.37% last month to 2.39% in January with each contributing negatively to the monthly change in this index. The total unemployment rate of 4.8% was unchanged from the revised level the previous month.

The DECD-ECRI Connecticut leading employment index that estimates future activity increased from 120.3 in January 2007 to 121.6 in January 2008. Manufacturing employment decreased by 2,100 jobs from 192,300 a year ago to 190,300 jobs in January 2008, and was a negative contributor. Construction employment decreased by 5,200 jobs over the year, and the Hartford help-wanted index decreased from a year ago; these are negative contributors to the annual change in this index. Average weekly hours increased in manufacturing and decreased in construction from a year ago, offsetting factors to the annual change in this index. Other negative contributors include the short duration unemployment rate that increased from 1.41% to 1.56% over the year, and housing permits that decreased from 703 units in January 2007

to 692 in January 2008. Negative contributors also include initial claims that increased 0.6% from 17,907 a year ago, and Moody's Baa bond yield that increased from 6.34% to 6.54%.

On a month-to-month basis, the leading employment index edged up from 120.3 to 121.6. Manufacturing employment decreased by 400 jobs over the month (a negative contributor). Positive contributors were housing permits that increased by 254 units or 57.8% (seasonally adjusted) and construction average weekly hours that increased from 38.1 to 38.3 for the month. Construction employment at 63,000 decreased and the Hartford help-wanted index was unchanged from the previous month. Initial claims increased by 389, short duration unemployment rate increased slightly and manufacturing average weekly hours decreased slightly contributing negatively to the monthly change in this index. The significant jump in the leading index is attributable to the considerable increase in housing permits, in both not seasonally adjusted and seasonally adjusted terms.

January's indicators give no signal of a recession in Connecticut. The upward trend of Connecticut's employment indicators is reassuring in the wake of recent ominous economic events. However, state and federal tax rebates and repeated cuts in interest rates by the FOMC are further evidence of expansionary policies designed to thwart a possible recession.

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