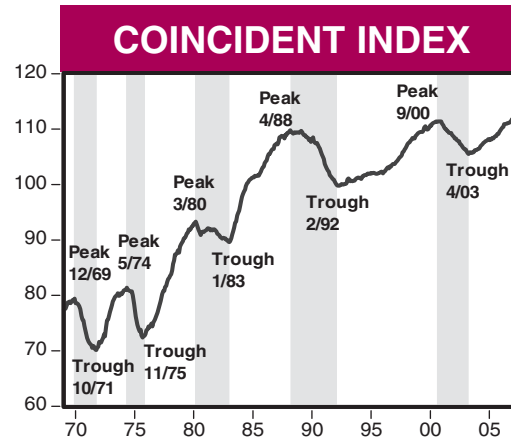
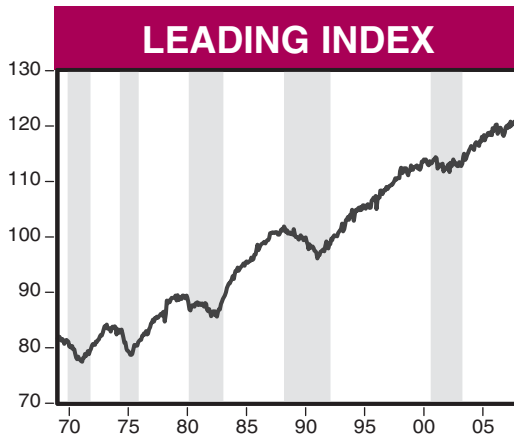


EMPLOYMENT INDICATORS



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.

Pre-Holiday Warm-up Tempers Risks Temporarily

The National Outlook

Amidst signs of a U.S. economic slowdown, there remain indicators that a recession may not occur or be slight and of short duration if it does materialize. In November 2007, personal income increased \$43.1 billion, or 0.4 percent, and disposable personal income (DPI) increased \$32.9 billion, or 0.3 percent, boosting personal consumption expenditures (PCE) by \$110.6 billion, or 1.1 percent, according to the Bureau of Economic Analysis. U.S. nonfarm payroll employment continued to trend up through November rising by 115,000 jobs, and its level was essentially unchanged nationally at 138.5 million jobs in December. The U.S. unemployment rate stood at 4.7% in November and was marginally lower than October's 4.8% rate; however, December's unemployment rate rose to 5.0%. Action by the President and Congress on a fiscal stimulus package and continued easing of monetary policy via additional interest rate cuts and biweekly Term Auction Facility (TAF) auctions to address elevated pressures in short-term funding markets may provide sufficient stabilization to avoid a recession.

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 111.5 in November 2006 to 112.7

in November 2007. Total employment (from the household survey) increased 1.9% or 33,384 persons, nonfarm employment (from the employer survey) increased 1.1% from November 2006, and the insured unemployment rate (2.36% vs. 2.43% a year ago) all contributed positively, while the total unemployment rate (5.0% vs. 4.2% a year ago) contributed negatively to the annual change in this index.

On a month-to-month basis, the November 2007 coincident employment index declined slightly to 112.7 from 112.8 a month earlier. This reflects a decelerating 12-month moving average growth rate of this index (0.8% vs. 1.2% last month). Total employment increased by 3,000 persons, nonfarm employment increased by 900 jobs, and the total insured unemployment rate decreased from 2.38% last month to 2.36% in November, all positive factors in this month's index. Only the total unemployment rate that increased from 4.7% to 5.0% contributed negatively to the monthly change in this index.

The DECD-ECRI Connecticut leading employment index that estimates future activity increased from 118.8 in November 2006 to 120.9 in November 2007. Manufacturing employment decreased by 2,300 jobs from 193,900 a year ago to 191,600 jobs in November 2007, and was a negative contributor, while construction

employment increased 4,300 jobs over the year and is a positive contributor to the annual change in this index. Average weekly hours increased slightly in manufacturing and construction from a year ago both helping to improve this index. Other positive contributors include the Hartford help-wanted index that increased from a year ago; the short duration unemployment rate that decreased from 1.52% to 1.43% over the year, and housing permits that increased slightly from 636 units in November 2006 to 640 in November 2007. Negative contributors include initial claims that increased 5.4% from 18,369 a year ago, and Moody's Baa bond yield that worsened slightly from 6.2% to 6.37%.

On a month-to-month basis, the leading employment index edged upward from 120.6 to 120.9. Positive contributors to the monthly change in this index include manufacturing employment that increased by 300 jobs and housing permits that increased by 100 units or 18.5% for the month. Negative contributors include construction employment that decreased by 600 jobs, construction average weekly hours that decreased from 39.3 to 38.7, and initial claims that increased by 533. Manufacturing average weekly hours, the Hartford help-wanted index, and short duration unemployment were unchanged.

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