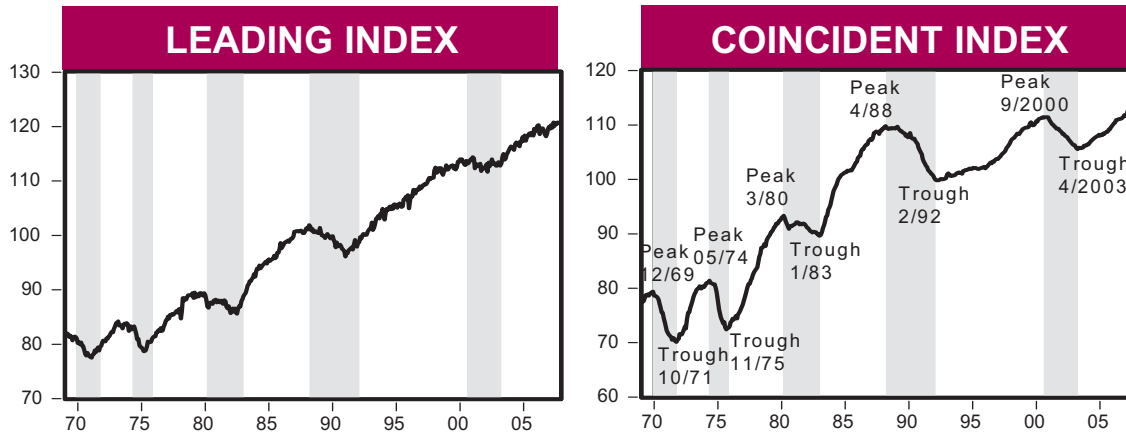


EMPLOYMENT INDICATORS



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.

Winter's Chill Felt in October 2007

The National Outlook

U.S. economic growth continues to slow due to a deteriorating housing sector, financial strains, and weakening business and consumer spending as 2007 comes to an end. These risks have increased the uncertainty surrounding the outlook for U.S. economic growth and inflation at the start of 2008. The Federal Open Market Committee (FOMC) lowered its target for two key interest rates by 25 basis points to a federal funds rate of 4.25%, and a discount rate of 4.75% in December 2007, in part to correct the intensifying housing market decline. Additional rate cuts may be needed to fully offset the ongoing adverse effects on the national economy of higher energy and commodity prices, and declining consumer confidence, among others indicating that the FOMC judges some inflation risks remain.

U.S. nonfarm payroll employment rose by 166,000 in October, and the unemployment rate was unchanged at 4.7 percent. Nationally, employment continued to trend up in November (94,000 new jobs), and the unemployment rate held steady at 4.7%.

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 111.3 in October 2006 to 112.8 in October 2007. Total employment

(from the household survey) increased 1.8% or 32,700 persons and nonfarm employment (from the employer survey) increased 1.2% from October 2006 and contributed positively to the annual change in this index. The total unemployment rate (4.7% vs. 4.3% a year ago) contributed negatively, and the insured unemployment rate (2.38% vs. 2.46% a year ago) contributed positively to the annual change in this index.

On a month-to-month basis, the October 2007 coincident employment index declined to 112.8 from 113.0 a month earlier. This reflects a decelerating 12-month moving average growth rate of this index (1.2% vs. 1.7% last month). Total employment increased by 1,100 persons and nonfarm employment decreased by 700 jobs, offsetting factors in this month's index. The total insured unemployment rate inched downward from 2.39% last month to 2.38% in October and the total unemployment rate increased from 4.5% to 4.7% contributing negatively to the monthly change in this index.

The DECD-ECRI Connecticut leading employment index that estimates future activity increased from 118.2 in October 2006 to 120.8 in October 2007. Manufacturing employment decreased by 2,200 jobs from 193,500 a year ago to 191,300 jobs in October 2007, and was a negative contributor, while construction employ-

ment increased 4,500 jobs over the year, a positive contributor to the monthly 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; and the short duration unemployment rate that decreased from 1.49% to 1.43% over the year. Negative contributors include Moody's Baa bond yield that worsened slightly from 6.42% to 6.48%, initial claims that increased 2.6% from 18,362 a year ago, and housing permits that decreased from 750 units last October to 540 in October 2007.

On a month-to-month basis, the leading employment index edged downward from 120.8 to 120.7. Manufacturing employment decreased by 200 jobs and construction employment decreased by 700 jobs; both contribute negatively to the monthly change in this index. Other negative contributors include average weekly hours that decreased slightly in manufacturing and in construction. The Hartford help-wanted index was unchanged and housing permits increased slightly by 40 units or 8% for the month, a positive contributor. Initial claims increased by 2,996 and short duration unemployment decreased acting as offsetting contributors to the monthly change in this index.

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