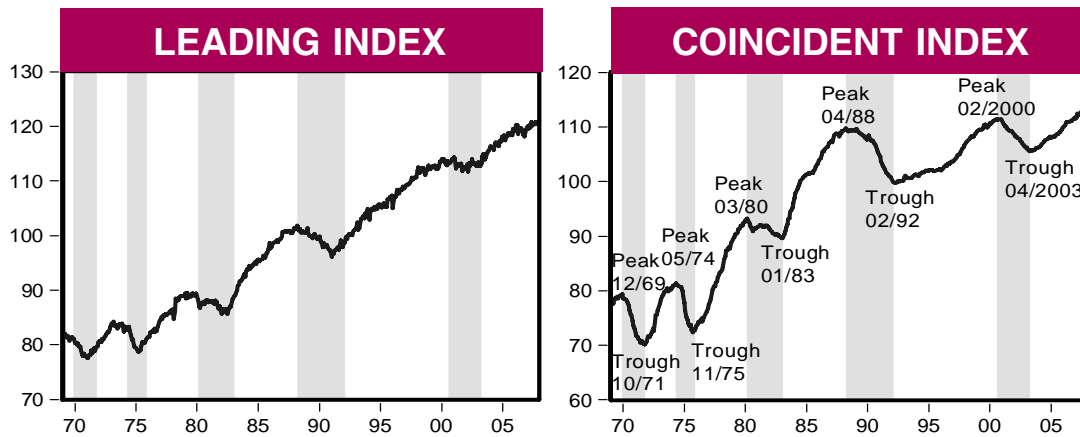


EMPLOYMENT INDICATORS



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.

After Clearing Skies, Rough Weather Ahead?

The National Outlook

In April 2008, Federal Reserve Chairman Ben Bernanke described "deterioration in the near-term outlook for the economy." The Fed eased monetary policy to "stabilize" strained financial markets, but credit availability is more restricted, home building has declined (in February by 60% of the previous peak), house prices have fallen, and consumer spending has "decelerated considerably." Payroll employment declined by 101,000 jobs in February, the foreign exchange value of the dollar declined making exports more attractive and imports less attractive, and there is concern about inflation as food and energy prices have increased sharply. The index for personal consumption expenditures rose 3.4 percent over the twelve months ending in February, up from 2.3 percent over the preceding year.

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 February 2007 to 112.0 in February 2008. Total employment (from the household survey) increased 1.1% (19,710 persons) and nonfarm employment (from the employer survey) increased 0.72% from February 2007; both variables contribute positively to the annual change in this index. The insured unemployment rate (2.45% vs. 2.40% a year ago) and the total unemployment rate (5.0% vs. 4.4% a year ago) contrib-

ute negatively to the annual change in this index. The simultaneous increase in employment and unemployment occurs if job seekers add more to the number of unemployed than to the number in the labor force, or if employees leave the labor force as the number of unemployed increases.

On a month-to-month basis the February 2008 coincident employment index decreased to 112.0 from 112.4 a month earlier. This index's 12-month moving average growth rate (0.1%) declined from last month. Total employment decreased by 4,200 persons. Nonfarm employment decreased by 900 jobs from the revised, previous month's level, and the total insured unemployment rate increased from 2.39% last month to 2.45% in February with each contributing negatively to the monthly change in this index. The total unemployment rate of 5.0% increased from 4.8% the previous month.

The DECD-ECRI Connecticut leading employment index that estimates future activity increased from 119.7 in February 2007 to 120.1 in February 2008. Manufacturing employment decreased by 1,900 jobs from 191,700 jobs a year ago to 189,800 jobs in February 2008, and is a negative contributor. Construction employment increased by 500 jobs over the year, and the Hartford help-wanted index increased from a year ago; these are positive contributors to the annual change in this index. Average weekly hours decreased in manufacturing and construction from a year ago; both are negative contributors to the annual

change in this index. Housing permits decreased from 619 units in February 2007 to 433 in February 2008, contributing negatively, as do initial claims that increased 2.8% from 19,167 a year ago and Moody's Baa bond yield that increased from 6.28% to 6.82%. However, the short duration unemployment rate that decreased from 1.54% to 1.52% over the year is a positive contributor.

On a month-to-month basis, the leading employment index dipped from 121.6 to 120.1. Manufacturing employment decreased by 400 jobs over the month (a negative contributor) while construction employment declined by 1,800 jobs from 63,000 the prior month, contributing negatively to the monthly change in this index. In addition, housing permits decreased by 159 units or 30.1% (seasonally adjusted), construction average weekly hours decreased from 38.4 to 38.0, and manufacturing average weekly hours decreased from 42.4 to 42.2, contributing negatively to the monthly change in this index. The Hartford help-wanted index was unchanged over the month and initial claims increased by 1,684. The only positive component of this index on a month-to-month basis is the short duration unemployment rate that decreased slightly from 1.56 to 1.52.

In sum, February's increase over last year's coincident and leading indicators confirm some improvement in the Connecticut economy from a year ago. However, both indexes' month-to-month downward trends could be the harbinger of a downturn.

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