



The distance from peak to trough (shaded areas) measures the duration of an employment cycle recession. The vertical scale in each chart is an index with 1992=100.

Good Employment Growth So Far This Year

Eventhough the Connecticut Economy is Meandering

The U.S. economy continues to hum along for the first quarter of this year. Real GDP grew at an annual rate of 3.5% in the first quarter, according to initial estimate. The fear of another supply shock, caused by recent high and rising energy prices, has not materialized. I now expect that high and rising energy prices will slow the growth of the economy rather than causing another recession. Inflation remains relatively tame. All these prompted a well-known Wall Street economist to speculate that the current cycle of interest rate increases by the Federal Reserve may soon come to an end.

This month, the Connecticut economy turned in the best performance so far this year. The revised CCEA-ECRI Connecticut coincident employment index rose on a year-to-year basis from 106.89 in April 2004 to 108.31 in April 2005. All four components of this index are positive contributors, with a lower insured unemployment rate, a lower total unemployment rate, higher total non-farm employment, and higher total employment. On a sequential month-to-month basis, the revised CCEA-ECRI Connecticut coincident employment index rose from 107.58 in March 2005 to 108.31 in April 2005. Three components contributed positively to this index,

with a lower insured unemployment rate, a higher total non-farm employment, and higher total employment. The total unemployment rate remained constant from March to April.

The revised CCEA-ECRI Connecticut leading employment index also provided good news. It rose from 115.76 in April 2004 to 117.69 in April 2005. Four components of this index are positive contributors, with a lower Moody's Baa corporate bond yield, lower initial claims for unemployment insurance, a lower short duration (less than 15 weeks) unemployment rate, and higher average weekly hours worked in manufacturing and construction. Lower total housing permits is the only negative contributor, while the Hartford help-wanted advertising index remained at its April 2004 level. On a sequential month-to-month basis, the revised CCEA-ECRI Connecticut leading employment index rose from 117.37 in March to 117.69 in April 2005. Four of the six components are positive contributors, with a lower Moody's Baa corporate bond yield, lower initial claims for unemployment insurance, a lower short duration (less than 15 weeks) unemployment rate, and higher average weekly hours worked in manufacturing and construction. The two negative contributors to this index are a lower number of

total housing permits, and a small drop in the Hartford help-wanted advertising index.

Once again, the coincident and leading employment indexes continued their patterns of moving up one month and down the next. Both indexes, however, increased since January, with a slightly higher gain for the coincident index. While the unemployment rate has gone up from 4.7 percent in January 2005 to 4.9 percent in April 2005, Connecticut's total employment has increased by 21,600 jobs since December 2004, far outpacing the approximately 4,000 jobs gained for the whole of 2004. The gain of 8,000 jobs in total non-farm employment so far this year is more modest. At this current pace, we will gain approximately 24,000 jobs in total non-farm employment by the end of this year, which is only slightly better than the gain of 23,000 jobs for 2004.

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Francis W. Ahking, Department of Economics, University of Connecticut, Storrs, CT 06269. Phone: (860) 486-3026. Stan McMillen [(860) 486-0485, Storrs Campus], Connecticut Center for Economic Analysis, University of Connecticut, provided research support. 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.**

***** Components of Indexes *****

The coincident employment index is a composite indicator of four individual employment-related series -- the total unemployment rate, non-farm employment (employer survey), total employment (household survey), and the insured unemployment rate. The leading employment index is a composite of six individual largely employment-related series -- the average workweek of manufacturing production and construction workers, the Hartford help-wanted advertising index, short-duration (less than 15 weeks) unemployment rate, initial claims for unemployment insurance, total housing permits, and Moody's BAA corporate bond yield. While not employment-sector variables, housing permits are closely related to construction employment and the corporate bond yield adds important information about the movement in interest rates. All data are seasonally adjusted and come from the Connecticut Labor Department, the Federal Reserve Bank of Boston, and the Board of Governors of the Federal Reserve System.