



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.

### Is Sunnier Sky Ahead For Connecticut?

**T**he U.S. financial markets were extremely volatile lately, with much of it triggered by inflation fear and the expectations that the current interest rate hike cycle by the Federal Reserve may not end soon. The U.S. economy grew at a robust 5.3% annual rate in the first quarter of this year. However, former Federal Reserve Chairman Alan Greenspan recently remarked that the U.S. economy was able to absorb the high and rising energy costs up to now, but may not be able to do so in the near future. Current Federal Reserve Chairman Ben Bernanke also made it clear that the Federal Reserve stands ready to move against inflation if and when necessary. All these, and the ongoing dispute with Iran on their nuclear program, and the more recent tension with North Korea on

their planned test firing of a long-range missile, contributed to the volatility of the financial markets.

For the month of April, the revised CCEA-ECRI Connecticut coincident employment index rose on a year-to-year basis from 108.30 in April 2005 to 111.01 in April 2006. 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, this index also rose from 109.65 in March 2006 to 111.01 in April 2006. Again, all four components contributed positively to this index, especially the rather large drop in the total unemployment rate (from 4.6% in

March to 3.9% in April). The revised Connecticut Coincident Index published by the Philadelphia Federal Reserve Bank also increased from 152.56 in April 2005 to 159.02 in April 2006. On a sequential month-to-month basis, the Philadelphia Federal Reserve Bank's revised Connecticut Coincident Index increased from 157.98 in March to 159.02 in April 2006. Thus, both the CCEA-ECRI and the Philadelphia Federal Reserve Bank indexes point to a continuing economic expansion in Connecticut.

The revised CCEA-ECRI Connecticut leading employment index provides mixed signals this month. It rose from 117.83 in April 2005 to 118.87 in April 2006. A decrease in initial claims for unemployment insurance, a lower short duration (less than 15 weeks) unemployment rate, and a higher Hartford help-wanted advertising index are the three positive contributors to this index. On the other hand, a higher Moody's Baa corporate bond yield, a decrease in total housing permits, and lower average weekly hours worked in manufacturing and construction are the three negative contributors. On a sequential month-to-month basis, the revised CCEA-ECRI Connecticut leading employment index fell from 120.48 in March to 118.87 in April 2006. A decrease in initial claims for unemployment insurance is the only positive

contributor to this index, while a higher Moody's Baa corporate bond yield, lower total housing permits, a lower Hartford help-wanted advertising index, and lower average weekly hours worked in manufacturing and construction are the four negative contributors. The short duration (less than 15 weeks) unemployment rate remained unchanged.

Connecticut has gotten off to a much better start this year than last. In the first four months of this year, total employment has increased by about 25,800, compared to only about 5,000 for the same period last year. Connecticut's total unemployment rate dropped to 3.9% in April 2006, which is lower than the national unemployment rate of 4.6% for the same period, and is the lowest in three years for Connecticut. The relatively strong growth in Connecticut recently has contributed to a fiscal budget surplus. We can only hope that these favorable developments will continue.

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**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.