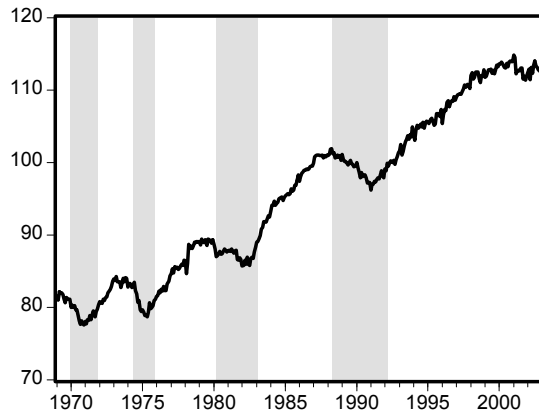
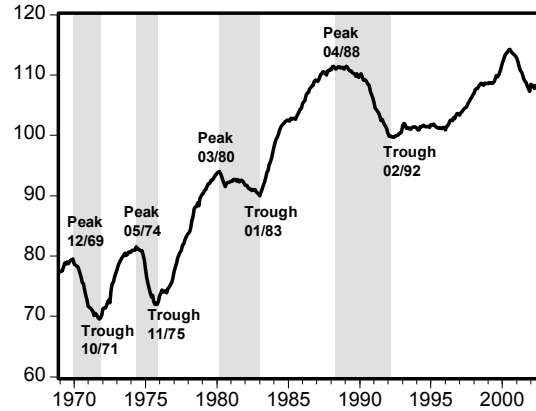


LEADING INDEX



COINCIDENT INDEX



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.

How Did We Do in 2002?

With the release of the revised CCEA-ECRI coincident and leading employment indexes for December 2002, we now have information on how the Connecticut economy performed in 2002. Accordingly, I will start with a discussion of its performance in December 2002, and attempt a summary of how the Connecticut economy did over the year 2002.

For the month of December, the revised CCEA-ECRI coincident employment index fell on a year-to-year basis from 107.32 in December 2001 to 106.89 in December 2002. Two of the four components are negative contributors to the index, with a higher total unemployment rate, and lower total non-farm employment. The insured

unemployment rate and total employment are the two positive contributors to this index. On a sequential month-to-month basis, the CCEA-ECRI Connecticut coincident employment index declined from 107.40 in November to 106.89 in December, with all four components being negative contributors. For 2002, the CCEA-ECRI Connecticut coincident employment index has risen three times – in January, May, and October, has fallen eight times in February, March, April, June, August, September, November, and December, and remained stable in July.

The revised CCEA-ECRI Connecticut leading employment index rose from 111.9 in December 2001 to 112.64 in December 2002. Two

components of this index are positive contributors, with a lower Moody's Baa corporate bond yield, and higher average weekly hours worked in manufacturing and construction. The four negative contributors are lower total housing permits, higher initial claims for unemployment insurance, a higher short duration (less than 15 weeks) unemployment rate, and a lower Hartford help-wanted advertising index. On a sequential month-to-month basis, the leading employment index fell from 112.65 in November to 112.64 in December. Two components are positive contributors, with a lower Moody's Baa corporate bond yield, and higher total housing permits. The four negative contributors are higher initial claims for unemployment insurance, a higher short duration (less than 15 weeks) unemployment rate, a lower Hartford help-wanted index, and lower average weekly hours worked in manufacturing and construction. For 2002, the CCEA-ECRI Connecticut leading employment index has risen five months out of twelve, in January, February, April, June, and July.

Looking at the revised data for the whole of 2002, I am now much less optimistic that a recovery has begun in Connecticut in the past year. For the year, the CCEA-ECRI Connecticut coincident employment has fallen eight out of twelve months, and five out of the last six months. Moreover, the data now seem to suggest that we should not expect a recovery in the near future. For example, the CCEA-ECRI Connecticut leading employment index has fallen seven out of twelve months, and five months out of the last six. The only bright spot in 2002 was the increase in total housing permits and the accompanying increase in employment in construction, driven by falling interest rates for the year. We cannot expect interest rates to continue to fall in 2003. This, together with the state budget situation and the prospect of more layoffs in the near future, leads me to believe that 2003 may not be much better than 2002.

PLEASE LET US KNOW HOW YOU USE THE INDICATORS..RESPOND TO THE SURVEY AT OUR
WEBSITE: [HTTP://CCEA.UCONN.EDU](http://CCEA.UCONN.EDU). THANK YOU!

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******* 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.