



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

Steady but Unspectacular Gain in December

The Federal Open Market Committee (FOMC) kept the target federal funds rate at 5.25% at its first 2007 meeting. The message appeared to be that although inflationary pressure is moderating, it poses a threat to the economy. Partly because of the belief that the FOMC can engineer a “soft landing”, the Dow Jones Industrial Index set several record closings in February. Amid the good news however, are ominous signs. For example, the Chicago Federal Reserve Bank’s National Activity Index fell to its lowest level since September 2005, and housing starts plunged to their lowest level in nine years. However, none of these changes

the expectation that the U.S. economy will slow this year and likely avoid a recession.

The revised CCEA-ECRI Connecticut coincident employment index rose on a year-to-year basis from 109.19 in December 2005 to 111.80 in December 2006. The four components of this index each contribute positively, with lower insured and total unemployment rates, higher total non-farm employment, and higher total employment. On a sequential, month-to-month basis, this index rose from 111.57 in November 2006 to 111.80 in December 2006. Three of the four components are positive contributors to the index; the

exception is the insured unemployment rate, which rose marginally from the month before.

The revised Connecticut Coincident Index published by the Philadelphia Federal Reserve Bank (FRB) rose from 153.27 in December 2005 to 157.83 in December 2006. On a sequential month-to-month basis, the Philadelphia FRB's revised Connecticut Coincident Index rose from 157.31 in November to 157.83 in December 2006. Thus, the CCEA-ECRI and the Philadelphia FRB indexes are in agreement on a year-to-year and on a month-to-month basis.

The revised CCEA-ECRI Connecticut leading employment index rose from 119.20 in December 2005 to 119.47 in December 2006. 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 are the four positive contributors. However, lower total housing permits, and a lower Hartford help-wanted advertising index are the two negative contributors. On a sequential, month-to-month basis, the revised CCEA-ECRI Connecticut leading employment index rose from 118.56 in November 2006 to 119.47 in December 2006. A small increase in the Moody's Baa corporate bond yield is the only negative contributor to the index. The Hartford help-wanted advertising index remained unchanged, while the remaining four components are all positive contributors

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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.