



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.

## Slow but Steady Growth in February 2007

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In late March, the Federal Open Market Committee indicated that the U.S. economy appeared to be expanding at a modest pace in the first quarter of 2007. Declines in residential construction activity continued to attenuate overall activity, and business investment softened considerably over the preceding months, especially in equipment used in the construction and motor vehicle industries. However, consumer spending increased in the early

part of 2007, and labor demand continued to expand at a somewhat slower pace than last year. Meanwhile, the twelve-month increase in core consumer prices was higher than its growth rate one year earlier.

The CCEA-ECRI Connecticut coincident employment index is a measure of contemporaneous activity. This index rose on a year-to-year basis from 110.2 in February 2006 to 111.8 in February 2007. Each index component contributes

positively, with a lower insured rate (2.39% vs. 2.43% a year ago) and a lower total unemployment rate (4.2% vs. 4.38% a year ago), as well as higher total non-farm employment (rising 1.05% since February 2006), and higher total employment (rising 1.36% over the year).

On a month-to-month basis, the coincident index rose from 111.6 in January 2007 to 111.8 in February 2007. Non-farm employment inched upward and the total unemployment rate eased downward contributing positively to the improvement. The total insured employment inched upward from 2.37 % last month to 2.39% and total employment declined by 200 jobs in February contributing negatively to this index. This implies that 200 farm and/or public sector jobs were lost in February.

The Connecticut Coincident Index published by the Philadelphia Federal Reserve Bank (FRB) rose from 154.79 in February 2006 to 160.34 in February 2007. On a month-to-month basis, the Philadelphia FRB's Connecticut Coincident Index rose from 159.71 in January 2007 to 160.34 in February 2007. The CCEA-ECRI and the Philadelphia FRB indexes agree on a year-to-year basis and on a month-to-month basis. The Philadelphia FRB's U.S. coincident

index increased 0.2 percent in February and 0.6 percent over the past three months.

The CCEA-ECRI Connecticut leading employment index declined from 120.2 in February 2006 to 120.1 in February 2007. Manufacturing employment that declined by 900 jobs from 193,700 a year ago, as well as initial claims for unemployment insurance that climbed by more than 4.4% from 18,355 a year ago contributed negatively to the annual change in this index. Seasonally-adjusted housing permits declined from 1,058 to 582 over the period and the short duration unemployment rate increased from 1.43% to 1.54% over the year both contributing negatively to the annual change in this index.

However, construction added 1,300 jobs over the year, and higher average weekly hours worked in construction offset the negative contributions.

The Moody's Baa bond yield was essentially unchanged at 6.28% over the year as was the help wanted index. Average weekly hours worked in manufacturing were essentially flat on a year-to-year basis at 42.3. The accelerating 12-month moving average growth rate (1.18%) of the leading index portends slow and positive growth in the Connecticut economy in the near term.

On a month-to-month basis, the revised CCEA-ECRI Connecticut leading employment index rose from 120 to 120.1. Negative contributors were reduced housing permits, increased initial claims for unemployment insurance, an increased short-duration unemployment rate, a lower help-

wanted index, fewer average weekly hours worked in construction, 700 fewer jobs in construction, and 100 fewer jobs in manufacturing. Offsetting these were increased average weekly hours worked in manufacturing and a lower Moody's Baa bond rate.

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**University of Connecticut 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.** The views expressed herein are the author's own and do not necessarily represent those of the Connecticut Department of Labor or the Connecticut Department of Economic and Community Development.

\*\*\*\*\* 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.