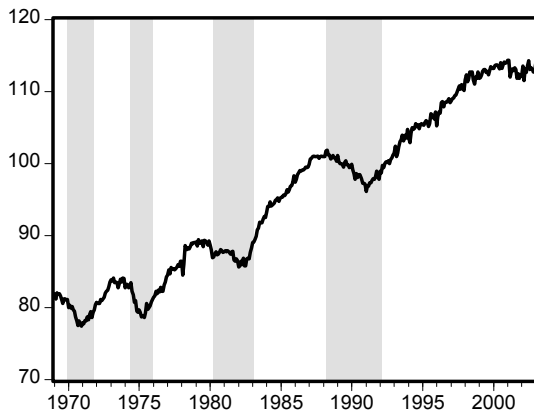
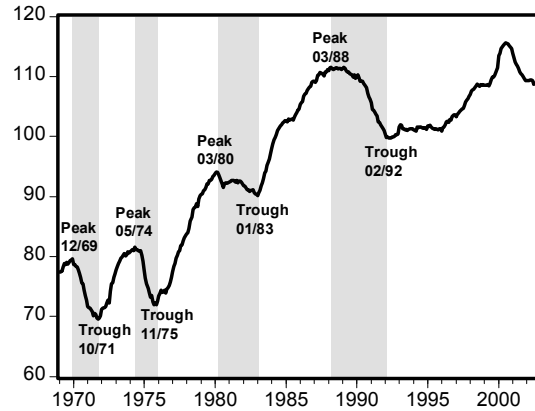


LEADING INDEX



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 Year 2002? Part Two

With the release of the CCEA-ECRI coincident and leading employment indexes for January of 2003, both indexes are recalibrated and re-benchmarked. I will start with a discussion of the new series for January 2003, and provide a summary comparison of the old and new series at the end.

For the month of January, the CCEA-ECRI coincident employment index (new series) fell on a year-to-year basis from 109.3 in January 2002 to 108.1 in January 2003. Three of the four components are negative contributors to the index, with a higher insured unemployment rate, a higher total unemployment rate, and lower total non-farm

employment. Total employment is the sole positive contributor to this index. On a sequential month-to-month basis, the CCEA-ECRI Connecticut coincident employment index (new series) declined from 108.5 in December 2002 to 108.1 in January 2003. Three components are negative contributors, with a higher insured unemployment rate, a higher total unemployment rate, and lower total employment, while total non-farm employment is the sole positive contributor.

The CCEA-ECRI Connecticut leading employment index (new series) provided some good news in January, rising from 112.1 in January 2002 to 114.3 in January 2003. Four components

of this index are positive contributors, with a lower Moody's Baa corporate bond yield, higher total housing permits, lower initial claims for unemployment insurance, and a lower short duration (less than 15 weeks) unemployment rate. The two negative contributors are a lower Hartford help-wanted advertising index, and lower average weekly hours worked in manufacturing and construction. On a sequential month-to-month basis, this index (new series) rose from 112.74 in December 2002 to 114.3 in January 2003. Five components are positive contributors, while the only negative contributor is lower average weekly hours worked in manufacturing and construction.

For 2002, the new series of the CCEA-ECRI Connecticut coincident employment index provides a brighter picture than the old series. The old series shows that the coincident index has fallen eight out of twelve months, has risen in three months, and remained stable in one month. The new series shows that the coincident index has fallen five out of twelve months, has risen in two months, and has remained stable in five months out of twelve. There is good and bad news in the individual components. The bad news is that, in the new series, the total unemployment rate is higher every month than in the old series. The good news is that the new series shows total employment being

higher every month than the old series. This may have more to do with the incorporation of Census household survey data into this component of the coincident employment index than with the recalibrating and re-benchmarking of this component of this index.

The old and new series of the CCEA-ECRI Connecticut leading employment index show only minor differences with one notable exception. In the new series, average weekly hours worked in manufacturing and construction are lower every month than in the old series.

The new series of the CCEA-ECRI coincident employment index suggests that my gloomy assessment of the performance of the Connecticut economy in 2002 in last month's issue may be slightly off the mark. The picture may be brighter, but clearly the new series do not yet suggest that we have emerged from the recession and are on our way to a healthy recovery.

**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. Leading and coincident employment indexes**

were developed by Professors Pami Dua and  
Stephen M. Miller, in cooperation with Anirvan  
Banerji at the Economic Cycle Research  
Institute.

PLEASE LET US KNOW HOW YOU USE THE INDICATORS..RESPOND TO THE SURVEY AT OUR  
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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.