



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.

More Positive Signs Point to a More Robust Second Half in Connecticut

The second half of 2003 began with many promising signs for a more robust growth in the U.S. economy. All the major indexes of the stock market, generally a reliable leading indicator of economic activities, are up sharply. A recent report released by the Federal Reserve Bank of Philadelphia showed that factory activities in the mid-Atlantic states are up stronger than expected. Many economists are raising their predictions of economic growth for the second half of the year. The FED at its last FOMC meeting opted to keep the Federal Funds rate constant, signaling its confidence in the economy. The only concern thus far is that the U.S. unemployment rate has not dropped in any meaningful manner. This hopefully will come in the not too distant future.

For the month of June, our indicators show mostly positive signs for the Connecticut economy. The revised CCEA-ECRI Connecticut coincident employment index fell on a year-to-year basis from 109.3 in June 2002 to 107.62 in June 2003. All four components are negative contributors to the index, with a higher insured unemployment rate, a higher total unemployment rate, lower total non-farm employment, and lower total employment. On a sequential month-to-month basis, the CCEA-ECRI Connecticut coincident employment index rose slightly from 107.48 in May 2003 to 107.62 in June 2003. Two of the four components are positive contributors, with a lower insured unemployment rate, and higher total employment. Total non-farm employment is the sole negative

contributor. The total unemployment rate remained steady at 4.9 percent in June, after a large drop from 5.3 percent in April to 4.9 percent in May. The CCEA-ECRI Connecticut coincident employment index has risen two months in a row, after falling in the first four months of this year.

The revised CCEA-ECRI Connecticut leading employment index had another good month in June. It rose from 113.1 in June 2002 to 114.95 in June 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. A lower Hartford help-wanted advertising index and lower average weekly hours worked in manufacturing and construction are the two negative contributors. On a sequential month-to-month basis, the CCEA-ECRI Connecticut leading employment index also rose from 114.4 in May to 114.95 in June. There are two positive

contributors, with a lower Moody's Baa corporate bond yield, and higher total housing permits. The Hartford help-wanted advertising index remained constant, while the remaining three components are negative contributors.

I continue to be optimistic about a more robust recovery for Connecticut in the second half of this year. The state budget impasse has been resolved at long last. As we head into the Labor Day weekend, I want to wish my readers a happy and restful Labor Day.

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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.