



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.

The Connecticut Economy: As Cool As this Spring's Weather

The most recent statistics on the U.S. economy continue to paint a picture of sluggish growth, at least for the next several months. The good news is that the Conference Board's Index of Leading Indicators rose in April, the first time in three months. On the other hand, economists in a recent survey by the Federal Reserve Bank of Philadelphia revised their Gross Domestic Product growth rate down from 2.5% to 2.2% for the year. Much of the downward revision was the result of revising downward the second quarter's growth rate, however. Currently, most economists are expecting more robust growth in the U.S. economy for second half of the year.

In Connecticut, we have mixed news for the month of March. The revised CCEA-ECRI coincident employment index fell on a year-to-year basis from 109.3 in March 2002 to 107.24 in March 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 also fell from 107.79 in February 2003 to 107.24 in March 2003. Once again, all four components are negative contributors.

The revised CCEA-ECRI Connecticut leading employment index, on the other hand, provided some good news in March, rising from 111.5 in March 2002 to 113.37 in March 2003. Two components of this index are positive contributors, with a lower Moody's Baa corporate bond yield, and lower initial claims for unemployment insurance. The four negative contributors are lower total housing permits, a higher 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. On a sequential month-to-month basis, the CCEA-ECRI Connecticut leading employment index also rose from 113.21 in February 2003 to 113.37 in March 2003. There are three positive contributors, with a lower Moody's Baa corporate bond yield, lower initial claims for unemployment insurance, and higher average weekly hours worked in manufacturing and construction. The remaining three components are negative contributors.

Connecticut's total unemployment rate stood at 5.2% in March. This is almost two and a half times higher than the low of 2.1% recorded in August of 2000. We can expect the total unemployment rate to continue to increase in the near future, even after we enter into a phase of

more robust and sustainable growth in the future. It will be a while before we see total unemployment rate in the 2% - 3% range again. On a more positive note, the Federal Reserve, at its last FOMC meeting hinted at the possibility of further reducing the Federal Funds rate at its next meeting in June. This, and President Bush's tax-cut package may very well pave the way for sunnier days in the near future.

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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.