



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.

Steady But Modest Progress in 2003 for Connecticut

As 2003 ends, the U.S. economy shows definite signs of robust economic growth. The latest economic statistics are most encouraging. For example, GDP growth for the third quarter has been revised up to 8.2 percent (annual rate), the overall unemployment rate declined from 6 percent in October to 5.9 percent in November. Although the modest decline in the unemployment rate continues to be a concern, the flip side is the blistering growth in labor productivity. Labor productivity grew at an annual rate of 9 percent and 9.4 percent in the manufacturing and non-farm business sectors, respectively, in the third quarter. With inflation still almost nonexistent and the Federal Reserve, at its last FOMC meeting, sent strong signals that it

intends to keep short-term interest rates low in the foreseeable future, we can expect an even better 2004 for the U.S. economy.

For the month of October, our indicators provided us with some encouraging signals for the Connecticut economy. The revised CCEA-ECRI Connecticut coincident employment index fell on a year-to-year basis from 108.8 in October 2002 to 107.5 in October 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 revised CCEA-ECRI Connecticut coincident employment

index is more encouraging, rising from 107.1 in September 2003 to 107.5 in October 2003. All four components are positive contributors, with lower insured unemployment rate and total unemployment rate, and higher total non-farm employment and total employment.

The revised CCEA-ECRI Connecticut leading employment index provided us with very encouraging signs. It rose on a year-to-year basis from 113.0 in October 2002 to 115.13 in October 2003. Four components of this index are positive contributors, with a higher total housing permits, lower initial claims for unemployment insurance, a lower short duration (less than 15 weeks) unemployment rate, and a very slight increase in average weekly hours worked in manufacturing and construction. A lower Hartford help-wanted advertising index is the only negative contributor, while the Moody's Baa corporate bond yield is at the same level it was a year ago. On a sequential month-to-month basis, the revised CCEA-ECRI Connecticut leading employment index also rose from 114.69 in September to 115.13 in October. There are four positive contributors, a lower Moody's Baa corporate bond yield, a strong increase in total housing permits, a lower short

duration (less than 15 weeks) unemployment rate, and slight increase in average weekly hours worked in manufacturing and construction. Two components of this index are negative contributors, with higher initial claims for unemployment insurance, and a lower Hartford help-wanted index.

The gain in Connecticut thus far this year has been modest. We should take comfort, however, that the worst is probably over, and we can look forward to a better and brighter 2004. Once again, to my readers, I want to wish each of you a happy holiday.

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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.