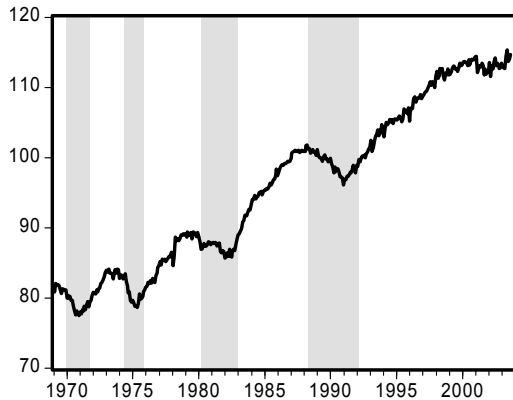
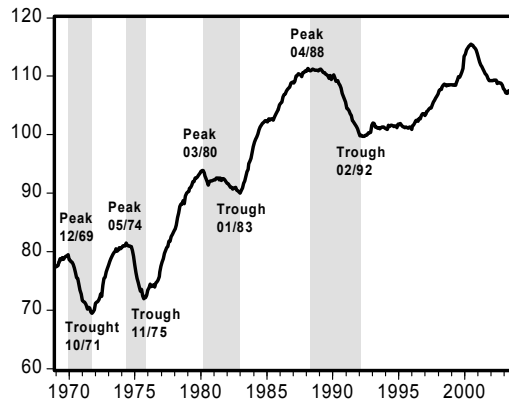


LEADING INDEX



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.

Mergers Create Uncertainty in Connecticut's Job Picture

Recent economic statistics paint an encouraging picture for the U.S. economy. For example, the Gross Domestic Product (GDP) grew at a 7.2 percent annualized rate in the third quarter of 2003, the overall unemployment rate fell from 6.1 percent in September 2003 to 6.0 percent in October 2003. New claims for unemployment benefits fell in the first two weeks in November. All these are encouraging signs, but we are certainly not out of the woods yet. For one thing, the strong GDP growth is not sustainable over the long run. The strong GDP growth, however, did rekindle inflation fears, with the accompanying expectations that the Federal Reserve may raise short-term interest rates. Fortunately, the Federal Reserve was quick with its assurance that it sees no compelling reasons to raise short-term interest rates anytime soon.

For September 2003, our indicators provided us with some very mixed signals for the Connecticut economy. The revised CCEA-ECRI

Connecticut coincident employment index fell on a year-to-year basis from 108.8 in September 2002 to 107.1 in September 2003. All four components are negative contributors to the index, with a higher insured unemployment rate, a higher total unemployment rate, a higher total non-farm employment, and lower total employment. On a sequential month-to-month basis, the revised CCEA-ECRI Connecticut coincident employment index also fell, but only slightly, from 107.3 in August 2003 to 107.1 in September 2003. Two components are negative contributors, with lower total non-farm employment and lower total employment. Both insured unemployment rate and total unemployment rate remained constant.

We have better news with the revised CCEA-ECRI Connecticut leading employment index. It rose from 113.3 in September 2002 to 114.69 in September 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, the CCEA-ECRI Connecticut leading employment index also rose from 114.02 in August to 114.69 in September. There are three positive contributors, a lower Moody's Baa corporate bond yield, higher total housing permits, and slightly higher 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 higher short duration (less than 15 weeks) unemployment rate, while the help wanted index remained stable.

The biggest news in Connecticut is the series of recently announced mergers. In addition to the merger between Fleet National Bank and Bank of America, Travelers Property Casualty Corp. announced its merger with St. Paul Cos., based in Minneapolis-St. Paul, and Cigna announced that it is selling its retirement services to

Prudential Financial Inc., based in New Jersey. While consolidation of operations is a certainty, the impacts on jobs in Connecticut, both short and long term remain an uncertainty. These developments merit careful monitoring. As we head into the holiday season, I want to wish all my readers a happy and restful Thanksgiving.

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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.