



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.

### Finally, a Month of Healthy Job Growth in Connecticut

As expected, the FOMC raised the Federal Funds rate by another 25 basis points to 4 percent at its meeting on November 1. Also as expected, the Senate Banking Committee voted to approve Ben Bernanke to be the next chairman of the Federal Reserve. Barring any unforeseen circumstances, Mr. Bernanke should be approved by the full Senate. The new chairman will face many challenges. On the domestic front, inflation continues to pose a threat to the economy, at the same time that the economy is predicted to slow down next year, although no one is predicting a recession. Both the federal budget deficit and the current account deficit are also of concern. However, from Mr. Bernanke's testimony, he made

it quite clear that there would be no substantial change from the current policy objectives - that economic growth consistent with stable prices will continue to be the main objectives of the Federal Reserve.

In September, the revised CCEA-ECRI Connecticut coincident employment index rose on a year-to-year basis from 107.60 in September 2004 to 108.44 in September 2005. Three components of this index are positive contributors, with a lower insured unemployment rate, higher total non-farm employment, and higher total employment. A higher total unemployment rate is the sole negative contributor. On a sequential month-to-month basis, the revised CCEA-ECRI Connecticut coincident

employment index rose from 107.90 in August 2005 to 108.44 in September 2005. A lower total unemployment rate and higher total employment contributed positively to this index. A marginally higher insured unemployment rate and a slight decrease in total non-farm employment are the two negative contributors. The revised Connecticut Coincident Index published by the Philadelphia Federal Reserve Bank also shows an increase from 148.26 in September 2004 to 153.64 in September 2005, and an increase from 152.28 in August to 153.64 in September. Interestingly, the revised Philadelphia Federal Reserve Bank index shows a much stronger year-to-year growth, but a smaller month-to-month growth for Connecticut than the revised CCEA-ECRI index.

The revised CCEA-ECRI Connecticut leading employment index rose from 116.47 in September 2004 to 119.09 in September 2005. A lower Moody's Baa corporate bond yield, higher initial claims for unemployment insurance, a lower short duration (less than 15 weeks) unemployment rate, and higher average weekly hours worked in manufacturing and construction are positive contributors to this index. A decrease in total housing permits is the only negative contributor, while the Hartford help-wanted advertising index remained constant at its level of a year ago. On a

sequential month-to-month basis, the revised CCEA-ECRI Connecticut leading employment index rose from 118.31 in August to 119.09 in September 2005. An increase in total housing permits, lower initial claims for unemployment insurance, a lower short duration (less than 15 weeks) unemployment rate, and a higher Hartford help-wanted advertising index are the four positive contributor, while a lower Moody's Baa corporate bond yield, and lower average weekly hours worked in manufacturing and construction are the two negative contributors.

Total employment shows healthy growth from August to September, increasing by 10,700. The total unemployment rate also fell from 5.4 percent in August to 5.2 percent in September. This is the best showing for Connecticut thus far this year, giving me reasons to be optimistic for the last quarter of 2005. ■

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**Economic Cycle Research Institute, developed  
the leading and coincident employment indexes.**

\*\*\*\*\* 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.