

ECONOMIC DIGEST

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In January...

Nonfarm Employment

Connecticut 1,696,100
 Change over month +0.15%
 Change over year +0.46%

United States 152,186,000
 Change over month +0.15%
 Change over year +1.37%

Unemployment Rate

Connecticut 3.7%
 United States 3.6%

Consumer Price Index

United States 257.971
 Change over year +2.5%

Connecticut's Overall Economy Sends Mixed Signals in 2019

By Jungmin Charles Joo, Research Analyst, Department of Labor

Employment fell in Connecticut for the first time since 2010 and the overall economy weakened in 2019. After having increased for eight straight years, the revised annual average total nonfarm employment fell slightly last year, although the unemployment rate continued to fall since 2011. While real personal income continued to increase for the last six years, the value of the annual diffusion index of 58 state economic indicators dropped to the lowest level since 2010, indicating a slowing but still positive level of growth.

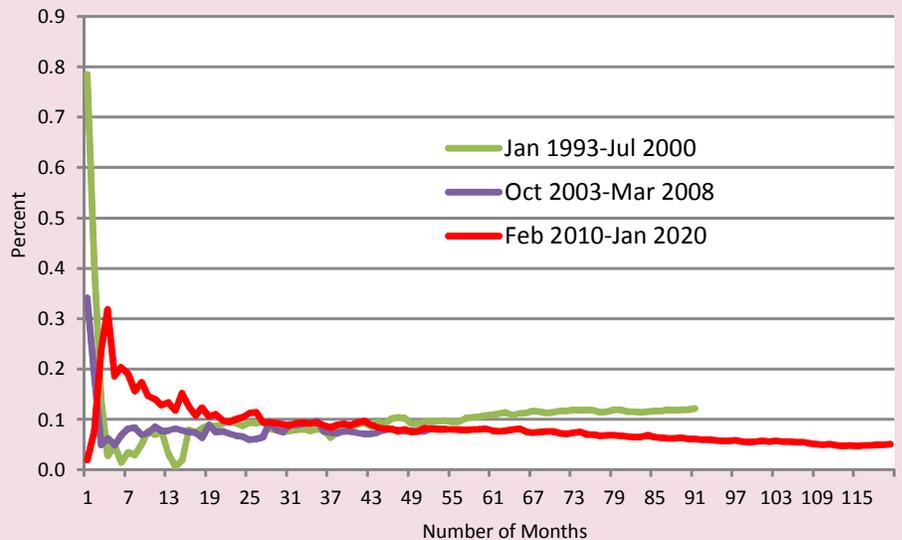
Nonfarm Employment

After our latest annual revision (based on annual average, not seasonally adjusted data), in 2019

Connecticut actually lost employment for the first time since 2010 (-3,300 jobs, -0.2%). In 2018, 2,600 jobs were created (+0.2%). By contrast, employment grew much faster in the nation (1.6% in 2018 and 1.4% in 2019). Employment growth appears to be slowing nationally and in our neighbor states partially due to very low unemployment rates.

The past three years of Connecticut’s employment recovery has been the slowest of the last eight years. In fact, the current 2010-2020 monthly job recovery rate has been trending downward, averaging below 0.1 percent throughout most of the 120-month employment recovery period to date. In contrast, the 2003-2008 recovery period showed a rising recovery rate,

CHART 1. CT Monthly Job Recovery Rate (Cumulative Average)



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and during the 1993-2000 period, the monthly job growth rate rose steadily, increasing above the 0.1 percent threshold in later years of its employment recovery (Chart 1). Slowing growth rates should be expected this long into a recovery.

Unemployment

On a positive note, unemployment indicators point to a healthier labor market situation. Local Area Unemployment Statistics (LAUS) were again revised back to 2010, due to changes in one of the input components, nonfarm employment. The annual average unemployment rate has trended downward over the past nine years, with last year's 3.7% being the lowest since 2001 (3.1%). Meanwhile, the nation's rate fell from 3.9% in 2018 to 3.7% in 2019.

In addition, the U-6 rate, a broader measure of labor underutilization which also includes those who are marginally attached workers and part-timers that want full-time work, fell from 8.9% in 2018 to 7.9% in 2019 for the state, the lowest rate since 2006's 7.8%. Moreover, the number of average weekly initial claims for unemployment dropped further in 2019 (3,443) for the eighth straight year to the lowest level since 2000 (3,426). Also, the insured unemployment rate fell for the tenth consecutive year to 2.02% in 2019, the lowest rate since 2000 (1.77%).

Employment by Industry

As shown in the table on page 3, Connecticut has lost jobs in 2019.

Seven of the ten major industry sectors shed jobs over the year, whereas only three sectors lost jobs in 2018. All sectors, except mining and construction, manufacturing, and educational and health services, lost employment last year. Educational and health services continued to add jobs and led the job growth (1.2%), while manufacturing employment grew for the third year (0.8%).

On the other hand, trade, transportation, and utilities sector has lost jobs three years in a row, and experienced the fastest employment decline (-1.7%) from 2018. Financial activities sector has lost jobs for the fourth year. After having shed jobs every year since 2009, the government sector employment broke even in 2019.

Employment by LMA

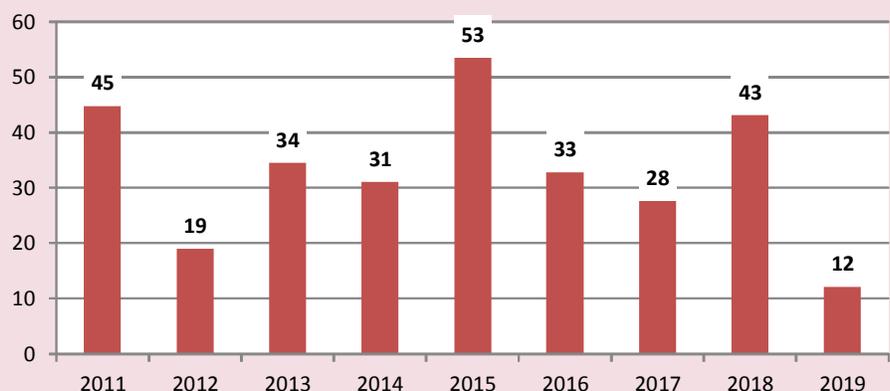
In 2019, five of nine labor market areas (LMAs) in Connecticut lost employment, up from only one in 2018. The biggest job decline occurred in the Bridgeport-Stamford LMA, while the Norwich-New London-Westerly region lost employment for the second year. The charts on page 4 also show long-term seasonally adjusted total nonfarm employment trends of Connecticut and all its nine LMAs from 2006 to January 2020.

Other Economic Indicators

In addition to employment and unemployment data, other

-continued on page 5-

CHART 2. CT Annual Diffusion Index (ADI) of 58 Economic Indicators, 2011-2019

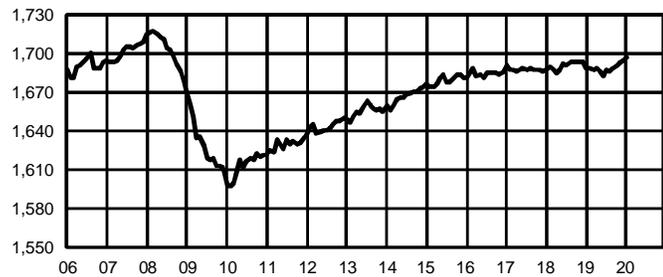


Connecticut Economic Indicators, 2010-2019 (Annual Averages/Totals)

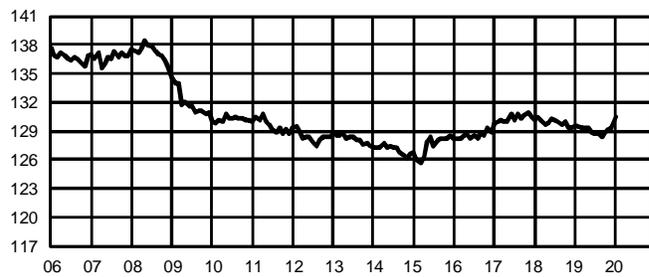
STATEWIDE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NONFARM EMPLOYMENT (000s)										
TOTAL NONFARM.....	1,612.3	1,628.3	1,642.2	1,654.7	1,666.0	1,679.0	1,683.9	1,687.4	1,690.0	1,686.7
TOTAL PRIVATE.....	1,361.5	1,381.3	1,396.6	1,409.5	1,421.2	1,435.2	1,443.0	1,448.9	1,453.6	1,450.3
GOODS PRODUCING.....	213.3	215.4	213.9	214.2	213.4	215.5	216.3	217.7	220.0	222.3
SERVICE PROVIDING.....	1,399.0	1,412.9	1,428.3	1,440.5	1,452.7	1,463.5	1,467.6	1,469.7	1,469.9	1,464.4
MINING.....	50.6	52.0	52.0	54.0	56.1	58.6	59.8	58.9	59.3	60.3
CONSTRUCTION.....	50.0	51.5	51.4	53.4	55.6	58.0	59.2	58.4	58.8	59.8
MANUFACTURING.....	162.8	163.4	161.9	160.3	157.3	157.0	156.5	158.7	160.7	162.0
Durable Goods.....	127.4	128.5	128.4	127.1	124.1	123.6	122.8	124.3	126.3	127.4
Non-Durable Goods.....	35.4	34.9	33.5	33.1	33.2	33.3	33.7	34.4	34.4	34.6
TRADE, TRANSPORT., UTILITIES.....	285.1	288.0	290.5	293.2	295.0	296.3	297.3	297.1	296.7	291.7
Wholesale Trade.....	61.9	62.2	62.2	62.1	61.8	61.6	61.5	61.5	61.3	59.7
Retail Trade.....	178.3	180.1	181.8	183.1	184.3	184.7	184.7	183.5	180.7	175.0
Transport, Warehousing, & Utilities.....	45.0	45.8	46.6	47.9	48.8	50.1	51.1	52.1	54.7	57.0
INFORMATION.....	31.8	31.4	31.4	32.1	32.1	32.5	32.4	31.6	31.7	31.5
FINANCIAL ACTIVITIES.....	135.2	135.0	133.1	130.6	128.7	130.1	129.5	127.9	125.5	123.8
PROFESSIONAL & BUSINESS SERV.....	194.9	201.1	207.0	210.2	215.1	219.2	219.1	219.6	221.0	219.5
EDUCATIONAL & HEALTH SERV.....	306.9	313.0	317.1	320.4	324.1	326.6	329.8	333.3	335.2	339.2
LEISURE AND HOSPITALITY.....	133.6	137.1	142.2	146.8	149.9	151.2	154.0	156.6	157.8	157.3
OTHER SERVICES.....	60.5	60.3	61.5	61.9	62.9	63.9	64.7	65.1	65.6	65.0
GOVERNMENT.....	250.8	247.0	245.6	245.2	244.8	243.7	240.9	238.5	236.4	236.4
TOTAL NONFARM EMPLOYMENT IN LABOR MARKET AREAS										
Bridgeport-Stamford.....	389.4	393.5	398.2	402.6	406.0	410.0	410.8	408.0	408.4	405.8
Danbury.....	72.6	74.1	75.3	76.4	77.5	78.4	78.4	78.0	78.1	77.7
Hartford.....	549.5	554.2	558.9	563.7	569.1	574.5	575.9	578.3	581.9	583.4
New Haven.....	266.3	268.6	273.2	276.2	279.0	281.0	283.3	285.7	287.5	288.7
Norwich-New London-Westerly.....	130.2	129.5	128.4	128.2	127.1	127.5	128.5	130.3	129.9	129.1
Waterbury.....	65.0	65.7	66.7	67.3	67.5	67.5	67.8	67.9	68.8	68.2
Enfield.....	44.2	44.8	45.1	44.5	44.9	45.5	44.9	44.9	44.9	44.6
Torrington-Northwest.....	32.3	32.5	32.7	32.9	33.0	33.1	33.0	32.5	32.8	33.0
Danielson-Northeast.....	25.7	25.9	26.1	26.8	27.2	27.0	27.0	26.9	26.9	27.3
ALL EMPLOYEES HOURS & EARNINGS										
Total Private Average Weekly Hours.....	33.3	33.9	34.0	33.6	33.6	33.5	33.6	33.7	33.9	33.8
Real Tot Priv Avg Hrly Earn (82-84\$).....	\$12.88	\$12.56	\$12.26	\$12.01	\$11.90	\$12.29	\$12.68	\$12.71	\$12.76	\$12.92
Real Tot Priv Avg Wkly Earn (82-84\$).....	\$428.82	\$425.63	\$416.72	\$403.37	\$399.72	\$411.87	\$425.95	\$428.49	\$432.50	\$436.56
UNEMPLOYMENT										
Labor Force (000s).....	1,911.7	1,914.8	1,887.4	1,863.3	1,887.4	1,889.0	1,891.8	1,897.6	1,900.7	1,913.5
Employed (000s).....	1,737.4	1,746.0	1,729.8	1,717.8	1,762.6	1,780.9	1,794.5	1,808.3	1,821.9	1,842.2
Unemployed (000s).....	174.3	168.8	157.6	145.6	124.9	108.1	97.3	89.3	78.8	71.4
Unemployment Rate.....	9.1%	8.8%	8.3%	7.8%	6.6%	5.7%	5.1%	4.7%	4.1%	3.7%
Average Weekly Initial Claims.....	5,414	5,450	5,081	4,792	4,290	3,910	3,879	3,716	3,515	3,443
Insured Unemployment Rate.....	4.32%	3.79%	3.57%	3.34%	3.02%	2.61%	2.50%	2.36%	2.18%	2.02%
U-6 Rate.....	15.7%	15.4%	14.7%	13.9%	12.6%	10.9%	10.8%	10.1%	8.9%	7.9%
MANUFACTURING ACTIVITY										
Average Weekly Hours.....	41.2	40.6	40.5	41.1	40.8	40.5	42.6	41.6	41.5	42.3
Real Average Hourly Earnings (82-84\$).....	\$11.07	\$11.19	\$10.58	\$9.50	\$9.62	\$11.07	\$11.41	\$10.46	\$10.94	\$10.92
Real Average Weekly Earnings (82-84\$).....	\$456.24	\$454.26	\$428.68	\$390.51	\$392.44	\$448.38	\$486.13	\$435.21	\$453.72	\$461.46
CT Mfg. Production Index (2009=100).....	105.2	105.6	109.7	110.6	108.4	108.1	101.8	97.8	96.8	95.6
INCOME (mil.\$)										
Real Personal Income, SA (1982-84 \$).....	\$101,892	\$101,792	\$101,628	\$98,074	\$100,956	\$103,361	\$103,989	\$105,287	\$108,779	\$110,914
Real UI Covered Wages, SA (1982-84 \$).....	\$43,450	\$43,787	\$43,879	\$43,763	\$44,532	\$45,842	\$45,701	\$45,303	\$45,039	\$46,405
OTHER ECONOMIC INDICATORS										
New Housing Permits.....	3,765	3,113	5,240	5,762	5,297	5,883	5,341	4,606	4,570	6,481
Construction Contracts (1980=100).....	280.7	283.4	269.2	389.2	320.6	412.6	322.1	451.3	381.5	356.2
New Auto Registrations.....	152,079	178,571	186,452	195,819	197,779	168,269	267,284	223,577	222,223	211,264
Exports (bil.\$).....	\$16.03	\$16.23	\$15.87	\$16.43	\$15.96	\$15.24	\$14.39	\$14.78	\$17.40	\$16.29
S&P 500: Monthly Close (December).....	1,257.64	1,257.60	1,426.19	1,848.36	2,058.90	2,043.94	2,238.83	2,673.61	2,506.85	3,230.78
Total All Taxes (mil.\$).....	\$12,862.7	\$14,337.7	\$15,825.5	\$16,892.6	\$16,379.1	\$18,563.9	\$17,302.4	\$17,770.1	\$19,854.9	\$19,992.0
Corporate Tax (mil.\$).....	\$645.1	\$801.0	\$717.5	\$852.5	\$691.3	\$846.3	\$988.6	\$968.9	\$1,297.2	\$2,369.0
Personal Income Tax (mil.\$).....	\$6,766.0	\$7,672.3	\$8,300.6	\$8,819.3	\$8,790.7	\$9,913.9	\$9,158.5	\$9,436.0	\$10,496.8	\$9,508.1
Real Estate Conveyance Tax (mil.\$).....	\$94.8	\$112.1	\$140.4	\$168.7	\$182.8	\$212.6	\$207.5	\$201.5	\$212.2	\$217.3
Sales & Use Tax (mil.\$).....	\$3,233.3	\$3,532.1	\$3,958.4	\$4,079.0	\$4,134.8	\$4,690.0	\$4,283.4	\$4,359.0	\$4,707.0	\$4,822.9
Gaming Payments (mil.\$).....	\$360.7	\$354.6	\$318.7	\$289.3	\$273.0	\$266.0	\$266.5	\$273.7	\$266.1	\$247.8
Occupancy Rate.....	54.8%	58.6%	58.3%	58.8%	59.6%	60.2%	60.6%	61.6%	62.1%	62.6%
Gaming Slots (mil.\$).....	\$17,062.0	\$16,306.0	\$14,772.0	\$13,778.1	\$13,066.4	\$12,837.9	\$13,032.0	\$13,348.8	\$13,051.2	\$12,047.3

Seasonally Adjusted Nonfarm Employment Trends by Labor Market Area, 2006 - Jan. 2020

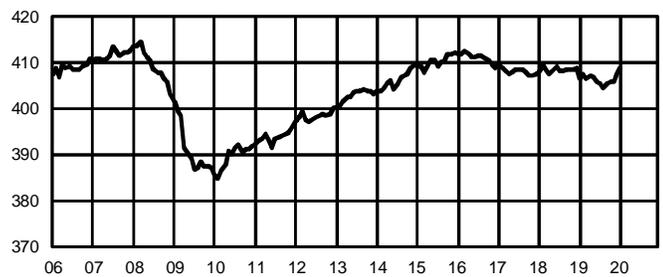
TOTAL NONFARM EMPLOYMENT, SA, 000s



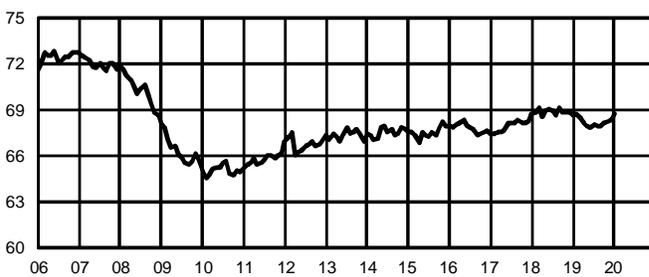
NORWICH-NEW LONDON LMA EMP., SA, 000s



BRIDGEPORT-STAMFORD LMA EMP., SA, 000s



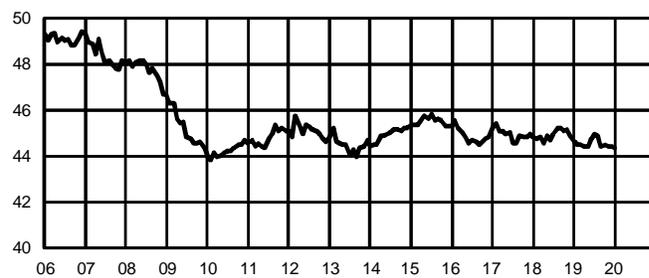
WATERBURY LMA EMP., SA, 000s



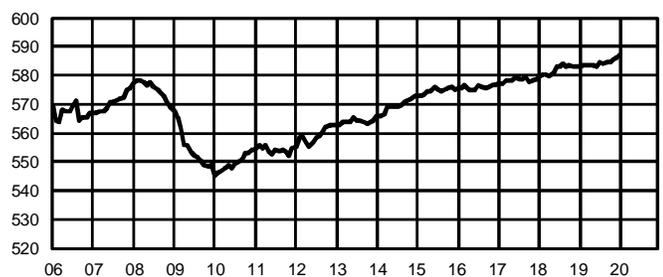
DANBURY LMA EMP., SA, 000s



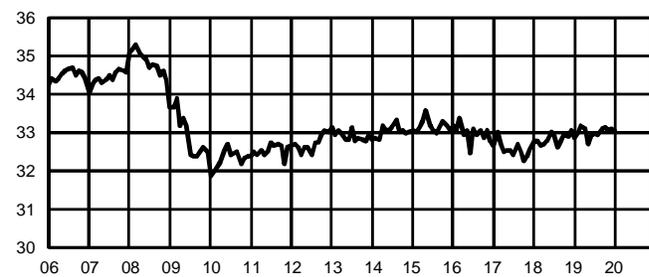
***ENFIELD LMA EMP., SA, 000s**



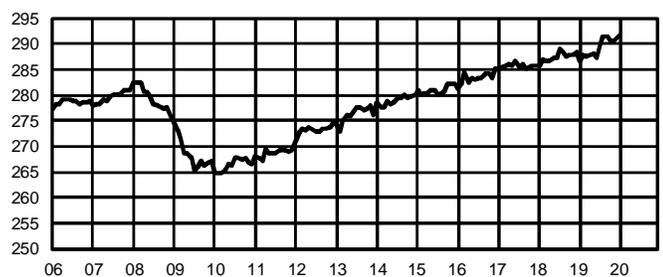
HARTFORD LMA EMP., SA, 000s



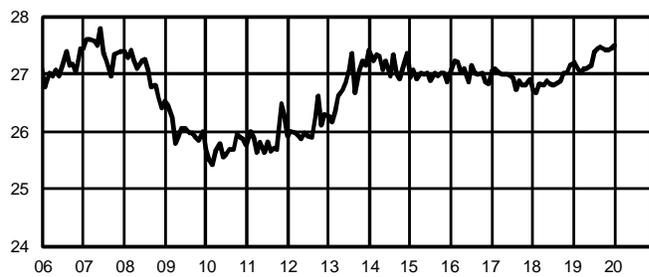
***TORRINGTON-NORTHWEST LMA EMP., SA, 000s**



NEW HAVEN LMA EMP., SA, 000s



***DANIELSON-NORTHEAST LMA EMP., SA, 000s**



* Unofficial seasonally adjusted estimates produced by the Connecticut Department of Labor

-continued from page 2-

economic indicators showed mixed results again last year. The good news is that, as the table on page 3 shows, inflation-adjusted total personal income of state residents rose for six consecutive years, and real Unemployment Insurance covered wages finally turned around in 2019, after three years of decline. New housing permits number, the stock market, and total taxes collected all rose over the year. Real GDP was also stronger through the first three quarters of 2019 than for the same period in 2018.

However, the construction contracts index, the new auto registrations total, exports, revenues from both gaming payments and slots all fell in 2019.

Annual Diffusion Index

An Annual Diffusion Index (ADI) is one way to measure overall economic activity by summarizing all

58 economic indicators on page 3. For each economic indicator, the movement is up, down, or unchanged over the year. Results are reported as a diffusion index that is calculated by subtracting the share of indicators with negative economic movement from the share that moved in a positive economic direction.

For example, out of 58 indicators, 42 (72%) went up and 16 (28%) went down in 2011. The ADI is then calculated by subtracting 28 from 72, resulting in an indicator of 45. If an ADI is positive, then that is generally interpreted as an expansion in economic activity (because more indicators are improving), while negative values are interpreted as a contraction (because more indicators are deteriorating) for that year. As Chart 2 shows, the ADI fell from 43

in 2018 to 12 in 2019, the lowest level seen over the nine-year period, suggesting a slowing of growth.

Looking Ahead

This year is off to a good start with a gain of 2,600 jobs and a low unemployment rate of 3.7% in January. More new jobs are expected this year and in the near future. For example, it was announced in the media that General Dynamics Electric Boat, a submarine manufacturer based in Groton, will be hiring thousands of employees over the next ten years.

However, given the current coronavirus situation and its potential global economic impact coupled with already weakened state economy, the future economic growths of both the nation and Connecticut remain uncertain. ■

GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	4Q	4Q	YoY CHG		3Q	QoQ CHG	
	2019	2018	NO.	%	2019	NO.	%
General Drift Indicator (1996=100)*							
Leading	119.4	117.7	1.7	1.5	119.2	0.2	0.2
Coincident	117.5	116.9	0.6	0.6	117.2	0.4	0.3
Liberty Bank Business Barometer (1992=100)**	142.2	142.0	0.3	0.2	141.7	0.5	0.4
Real Gross Domestic Product*** (2012 Chained \$, SAAR)							
Connecticut (\$ in millions)	249,471.6	246,431.1	3,040.5	1.2	248,173.3	1,298.3	0.5
United States (\$ in millions)	19,121,112	18,732,720	388,392	2.1	19,021,860	99,252	0.5
New England (\$ in millions)	991,703.7	971,721.2	19,982.5	2.1	986,526.9	5,176.8	0.5
Per Capita Personal Income*** (Current \$, SAAR)							
Connecticut	79,560	77,146	2,414	3.1	79,047	513	0.6
United States	56,832	54,721	2,111	3.9	56,398	434	0.8
New England	70,823	68,267	2,556	3.7	70,381	442	0.6
Philadelphia Fed's Coincident Index (2007=100)****							
Connecticut	NA	NA	NA	NA	NA	NA	NA
United States	NA	NA	NA	NA	NA	NA	NA

Sources: *Dr. Steven P. Lanza, University of Connecticut **Liberty Bank ***U.S. Bureau of Economic Analysis ****Federal Reserve Bank of Philadelphia

General Drift Indicators are composite measures of the four-quarter change in three coincident (Connecticut Manufacturing Production Index, nonfarm employment, and real personal income) and three leading (housing permits, manufacturing average weekly hours, and initial unemployment claims) economic variables, and are indexed so 1996 = 100.

The **Liberty Bank Business Barometer** is a measure of overall economic growth in the state of Connecticut that is derived from non-manufacturing employment, real disposable personal income, and manufacturing production.

The **Philadelphia Fed's Coincident Index** summarizes current economic condition by using four coincident variables: nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average).