

# ECONOMIC DIGEST

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**Nonfarm Employment**

Connecticut..... 1,685,000  
 Change over month ..... -0.31%  
 Change over year ..... +0.8%

United States ..... 144,747,000  
 Change over month ..... +0.11%  
 Change over year ..... +1.7%

**Unemployment Rate**

Connecticut..... 5.4%  
 United States ..... 5.0%

**Consumer Price Index**

United States ..... 241.428  
 Change over year ..... +1.5%

## Introducing the State Economic Indexes (SEI)

*By Jungmin Charles Joo, DOL*

Of the 50 states and the District of Columbia, Connecticut ranked 38<sup>th</sup> in the State Economic Indexes (SEI) in 2015. Our state’s index of 118.9 was below the nationwide value of 124.1 (see table on page 2). Over the last five years, Connecticut’s overall index performed the worst in 2013, ranking 45<sup>th</sup>. However, last year was the best since 2011, bringing up the state to 38<sup>th</sup> position. As the chart on page 3 shows, Colorado ranked first in the nation with the highest index last year (137.9), while New Mexico came in last (107.2).

**SEI: Methodology**

Using the same components and methodology of the Connecticut Town Economic Indexes (CTEI), the Connecticut Department of Labor’s Office of Research also developed the State Economic Indexes, an annual composite index of each of the 50 states and the District of Columbia (DC). With recently available annual average data from the Quarterly Census Employment and Wages (QCEW) program, along with the annual average unemployment rate from Local Area Unemployment Statistics (LAUS), which reflects revised population controls and model reestimation, annual SEI can be constructed from 2010 to 2015.

These indexes provide an overall economic strength of

each state that can be compared and ranked. Four annual average state economic indicators were used as components, which are the number of the total covered business establishments, total covered employment, real covered wages, and the unemployment rate.

Establishments are the physical work units located in the state. Employment is the number of employees on payroll in the establishments that are located in the state who are covered under the unemployment insurance law (nearly the universe count of all the employees on payroll in each state). Average annual pay is the aggregate wages earned divided by the total average employment. Establishments, employment and wages are proxy for each state’s business activities and its overall economic strength, while the unemployment rate measures the overall economic health of each state’s working residents.

Each of the four components of the SEI is given a 25 percent weight. SEI’s base year is 2010, which equals 100. The wage component is adjusted to 2010 dollars and unemployment rate changes are inversed to reflect the right direction. By combining these four major economic indicators, the index gives a broad measure of business and resident economic health of each state and can then be compared and analyzed.

# ECONOMIC DIGEST

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### STATE ECONOMIC INDEXES (2010=100), 2011-2015\*

State	2011	2012	2013	2014	2015
Alabama	102.0	108.4	112.6	115.9	118.3
Alaska	101.5	105.1	106.7	107.9	110.0
Arizona	102.4	108.2	111.1	117.2	120.5
Arkansas	99.8	103.0	105.3	111.7	119.9
California	102.1	106.4	112.3	121.1	131.0
Colorado	100.9	104.5	110.4	124.5	137.9
<b>Connecticut</b>	<b>100.9</b>	<b>103.5</b>	<b>106.1</b>	<b>112.5</b>	<b>118.9</b>
Delaware	102.8	105.0	108.5	116.5	120.1
District of Columbia	98.9	103.0	104.7	108.8	118.5
Florida	102.7	109.6	116.7	124.7	129.5
Georgia	100.8	105.2	110.0	117.1	126.2
Hawaii	100.0	104.8	112.4	117.7	128.2
Idaho	101.5	106.2	112.7	125.3	131.5
Illinois	102.4	106.2	107.1	117.0	123.1
Indiana	104.0	108.3	111.4	122.4	127.7
Iowa	102.4	106.4	110.4	115.9	119.3
Kansas	102.3	106.4	109.7	116.2	118.1
Kentucky	101.9	107.6	110.2	119.8	126.1
Louisiana	99.9	103.8	106.4	108.5	109.3
Maine	100.4	102.7	107.0	113.4	124.5
Maryland	101.9	104.3	106.5	111.1	114.4
Massachusetts	104.6	107.9	109.2	116.7	119.5
Michigan	105.3	110.6	112.5	120.9	127.9
Minnesota	103.9	110.2	115.5	123.1	124.3
Mississippi	100.6	104.7	107.3	112.3	117.8
Missouri	103.1	110.8	113.5	118.0	124.5
Montana	101.6	107.5	112.2	118.8	124.5
Nebraska	101.3	108.1	111.6	117.8	121.7
Nevada	100.4	106.0	112.6	122.1	130.7
New Hampshire	102.0	103.0	106.2	113.2	121.2
New Jersey	100.0	100.4	104.5	111.9	119.7
New Mexico	101.9	104.4	105.1	107.7	107.2
New York	101.3	102.1	105.8	114.0	121.1
North Carolina	101.9	106.4	112.4	122.8	127.4
North Dakota	106.2	116.9	122.8	129.2	126.8
Ohio	104.7	111.6	111.9	123.1	125.3
Oklahoma	104.7	110.2	111.5	118.7	117.4
Oregon	103.5	107.7	112.3	120.0	126.6
Pennsylvania	102.5	104.3	105.8	114.5	119.0
Rhode Island	100.2	102.9	107.2	114.9	126.4
South Carolina	101.5	107.1	115.6	124.0	127.5
South Dakota	102.1	106.3	111.3	116.8	120.2
Tennessee	102.0	108.2	109.3	117.1	121.5
Texas	102.1	109.0	113.2	122.7	128.7
Utah	104.5	113.8	122.1	133.3	133.1
Vermont	102.7	106.7	111.9	116.1	116.8
Virginia	102.1	106.5	108.4	112.3	118.8
Washington	102.0	108.3	115.6	122.1	123.5
West Virginia	102.5	106.1	109.8	111.0	108.9
Wisconsin	103.4	108.0	110.7	119.8	124.1
Wyoming	103.0	107.3	111.7	118.0	114.2
<b>UNITED STATES</b>	<b>102.4</b>	<b>106.6</b>	<b>110.5</b>	<b>118.5</b>	<b>124.1</b>

\* 2010 = 100 for all 50 states and District of Columbia

Index developed by Connecticut Department of Labor, Office of Research

Data Source: Bureau of Labor Statistics

**SEI: 2014 to 2015**

Reflecting an ongoing economic recovery in the nation, business and labor conditions of most of the states continued to improve over the year. The biggest percentage increase in SEI occurred in Colorado (+10.7%), Rhode Island (+10.0%), and Maine (+9.8%). Connecticut ranked 17<sup>th</sup> among states, with 5.7% SEI growth over the year. Meanwhile, the U.S. index rose 4.7% from 2014 to 2015. The states that experienced a decline in 2015 were Wyoming (-3.2%), North Dakota (-1.8%), West Virginia (-1.8%), Oklahoma (-1.1%), New Mexico (-0.5%), and Utah (-0.2%).

**SEI: 2010 to 2015**

Looking at a longer term, all 50 states and DC showed positive SEI growth. Colorado (+37.9%), Utah (+33.1%), Idaho (+31.5%), California (+31.0%), and Nevada (+30.7%) topped the list, when new business formations, jobs, real wages, and unemployment rates are all factored in. The Connecticut index increased

18.9% over the last five years, below the nation’s growth rate of 24.1%. Among the six New England states, Connecticut ranked 5<sup>th</sup>, slightly above Vermont. Rhode Island’s economy fared the best since 2010. All in all, nearly half of the states recovered faster than the national average from 2010 to 2015.

At the early stage of the latest economic recovery, only two states’ indexes fell in 2011, then all 50 states and DC indexes rose in 2012, 2013, and 2014. However, the SEI in six states have fallen in 2015, possibly suggesting a slowdown of the U.S. economy. We will have to see what 2016 numbers look like before considering if the national recession is around the corner.

**The Components of SEI:**

**Establishments**

In terms of the number of establishments, Virginia experienced the fastest growth over the year at 5.9%, followed by Oregon (+5.5%) and DC

(+4.8%). Minnesota (-2.2%), Washington (-1.6%), and Illinois (-0.4%) were the only states with declines from 2014. Connecticut’s establishment growth rate was 1.5%, which was below the national rate of 2.0%.

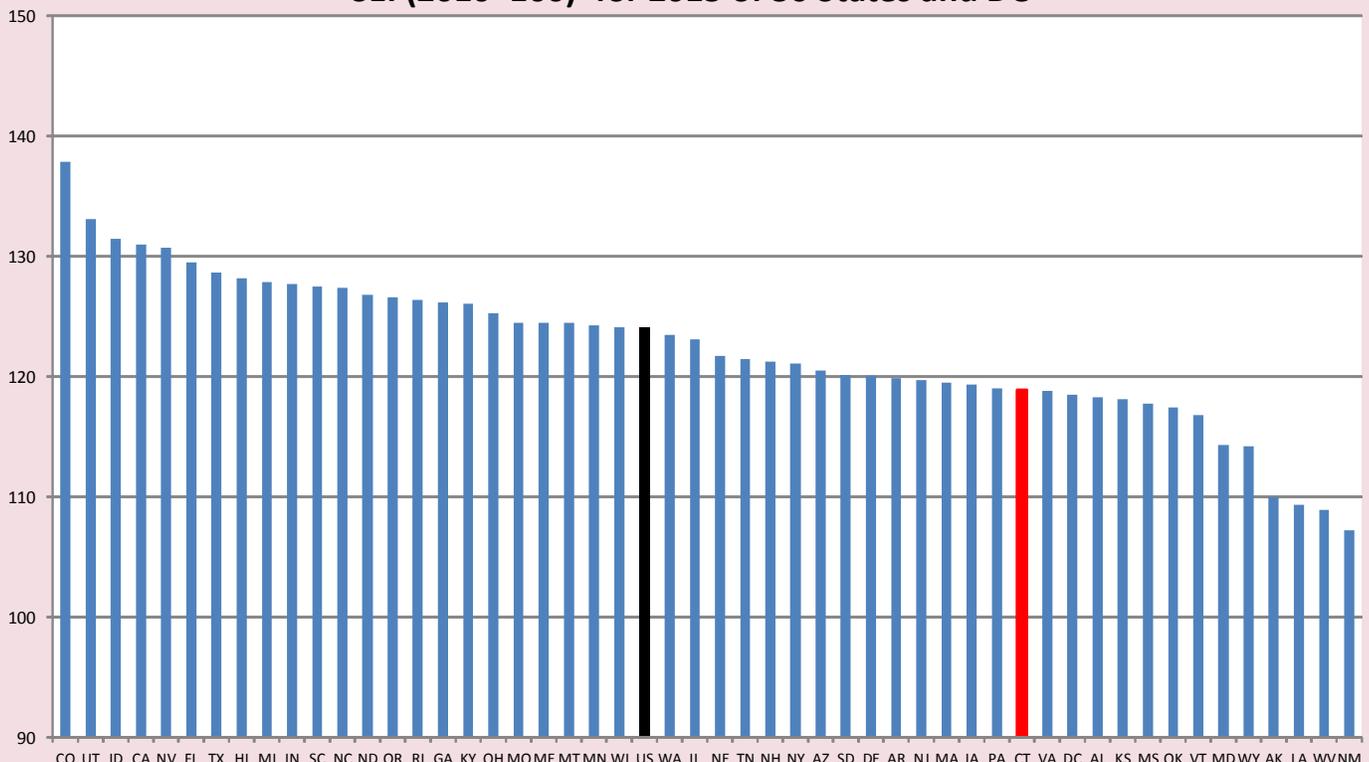
Over the last five years, North Dakota (+22.9%), Nebraska (+18.6%), and Oregon (+12.1%) had the fastest business formations. Connecticut added businesses at a modest 4.2%, still below the U.S. rate of 6.2%. There were five states (Michigan, Louisiana, New Jersey, Minnesota, and Kansas) that experienced a decline in the number of establishments from 2010 to 2015.

**Employment**

Last year’s average nationwide employment grew 2.1% from 2014. Utah ranked first in terms of the job growth over the year (+3.8%), while Connecticut came in at 46<sup>th</sup> (+0.6%). Three states lost jobs over the year, namely North Dakota, West Virginia, and Wyoming.

-continued on page 5-

**SEI (2010=100) for 2015 of 50 States and DC**



-continued from page 3-

Looking at a five-year trend, all 50 states and DC added jobs. North Dakota, in fact, experienced the fastest employment gain during the latest recovery at 21.9%. Utah, Colorado, Texas, and Florida rounded out the top five. Meanwhile, Connecticut's job growth was 4.2%, and in 43<sup>rd</sup> position. Overall, the nation's employment increased 9.1% between 2010 and 2015.

### Nominal Wages

All except two states posted wage gains over the year. California had the biggest annual pay gain (+4.5%), followed by Massachusetts (+4.1%) and Nebraska (+4.0%). Wyoming (-0.4%) and North Dakota (-0.3%) actually posted a slight decline in wages from 2014. Connecticut was 35<sup>th</sup> in terms of the wage growth (+2.5%), which was below the U.S.'s 3.1%.

The highest annual average pay was earned in District of Columbia at \$88,190 in 2015. After placing third for four years in a row, Connecticut slipped to fourth in 2014 and 2015 (\$65,516), following New York (\$67,491) and Massachusetts (\$66,709). Fourteen states and

DC posted wages higher than the nation's average of \$52,937 last year. The five states with the lowest pay were Mississippi, Idaho, Montana, South Dakota, and Arkansas.

Since 2010, all states experienced income gains, with North Dakota having the fastest increase at 33.0%. Connecticut's annual pay grew 10.2%, ranking 45<sup>th</sup> among the states, while the national average wage increased 13.2%. Overall, about one-third of the states' wages rose faster than the nation's from 2010 to 2015.

### Unemployment Rate

North Dakota posted the lowest unemployment rate in 2015 at 2.7%. In fact, that state had the lowest rate in every year during the 2010-2015 period. Nebraska (3.0%), South Dakota (3.1%), New Hampshire (3.4%), and Utah (3.5%) were the next lowest among the states last year.

Conversely, District of Columbia had the highest unemployment rate in 2015 at 6.9%, followed by West Virginia (6.7%), Nevada (6.7%), New Mexico (6.6%), and Mississippi (6.5%). Connecticut's rate of

5.6% ranked 32<sup>nd</sup>, and above the national rate of 5.3%. The biggest drop occurred in Michigan, from 7.3% in 2014 to 5.4% in 2015.

Over the longer term, Michigan also experienced the biggest unemployment rate drop, going from 12.6% in 2010 to 5.4% last year, a 7.2-percentage point decline. Nevada, California, Florida, and Indiana experienced huge decreases as well between 2010 and 2015. Connecticut's rate, meanwhile, dropped from a high of 9.1% in 2010 to 5.6% in 2015. Nationally, the rate fell from 9.6% to 5.3% during that same period.

### Conclusion

Based on the State Economic Index calculations, Connecticut's 38<sup>th</sup> place last year leaves some room for improvement. If the economy improves further in 2016, more states' SEI should reflect that. The SEI is yet another measure, using consistent methodology and major economic indicators, to annually keep track of how each state's overall economy is performing and how they rank among them. The 2016 SEI are planned to be published in the next November issue. ■

## GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	2Q	2Q	CHANGE		1Q
	2016	2015	NO.	%	2016
<b>General Drift Indicator (1996=100)*</b>					
<b>Leading</b>	NA	NA	NA	NA	NA
<b>Coincident</b>	NA	NA	NA	NA	NA
<b>Farmington Bank Business Barometer (1992=100)**</b>	135.1	132.1	3.0	2.3	134.3
<b>Philadelphia Fed's Coincident Index (July 1992=100)***</b>	<b>Sep</b>	<b>Sep</b>			<b>Aug</b>
<i>(Seasonally adjusted)</i>	<b>2016</b>	<b>2015</b>			<b>2016</b>
<b>Connecticut</b>	169.27	163.68	5.59	3.4	168.64
<b>United States</b>	178.87	173.91	4.96	2.9	178.51

Sources: \*Dr. Steven P. Lanza, University of Connecticut \*\*Farmington Bank \*\*\*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 **Farmington 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).