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IN THIS ISSUE...

Connecticut Exports: 2014 in Review 1-3,5

Occupational Employment and Wages: 2001-2013 4

Economic Indicators

- on the Overall Economy 5
- Individual Data Items 6-8
- Comparative Regional Data 9
- Economic Indicator Trends 10-11
- Help Wanted OnLine 15
- Business and Employment Changes Announced in the News Media 19
- Labor Market Areas:
 - Nonfarm Employment 12-17
 - Sea. Adj. Nonfarm Employment 14
 - Labor Force 18
 - Hours and Earnings 19
- Cities and Towns:
 - Labor Force 20-21
 - Housing Permits 22
- Technical Notes 23
- At a Glance 24

In February...

Nonfarm Employment

Connecticut 1,681,900
 Change over month -0.22%
 Change over year +1.6%

United States 141,126,000
 Change over month +0.21%
 Change over year +2.4%

Unemployment Rate

Connecticut 6.4%
 United States 5.5%

Consumer Price Index

United States 234.722
 Change over year 0.0%

Connecticut Exports: 2014 in Review

By Laura Jaworski, Office of International and Domestic Business Development, DECD

Opening foreign markets to U.S. goods and services is critical for economic competitiveness, growth and job creation. As such, President Obama commenced the second phase of the National Export Initiative, “NEI/NEXT,” to strengthen partnerships among the export community. At a May 2014 launch, U.S. Department of Commerce Secretary Penny Pritzker announced that through NEI/NEXT, federal agencies are developing policy improvements to “provide exporters more tailored assistance and information; streamline export reporting requirements; expand

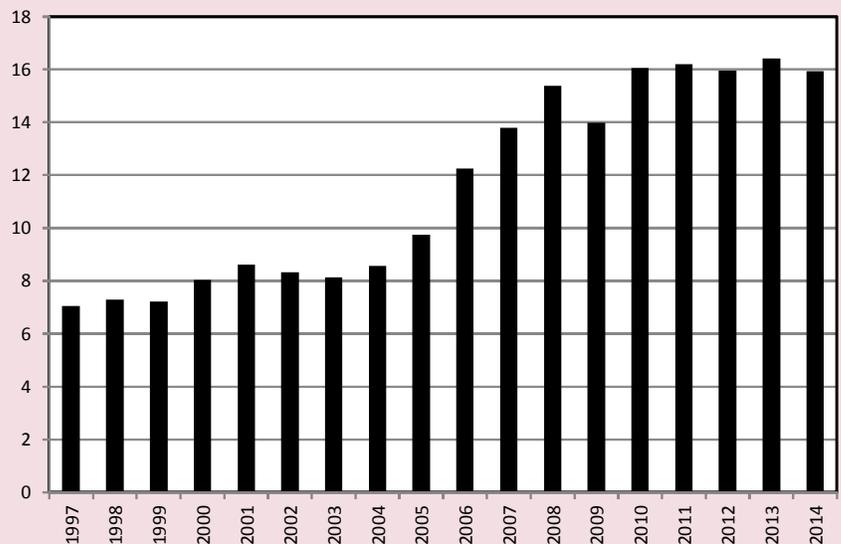
access to export financing; ensure market access and a level playing field; and collaborate with state and local organizations.”¹

Connecticut recognizes that exports are a significant contributor to the state’s economy. To assess Connecticut’s export status, a review of several key categories follows.

Annual Export Figures

In 2014, Connecticut’s commodity exports totaled \$15.94 billion, a 2.94% decrease from the \$16.42 billion registered in 2013.²

CHART 1: Connecticut’s Exports, 1997-2014 (\$ in billions)



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(Chart 1) It is important to note, as significant as commodity exports are, they omit service exports, for which the collection of data is inexact and unavailable at the state level. All U.S. states face this data gap. This means that export figures for a state like Connecticut- with a large concentration of insurance, financial and other services- understate the true magnitude of its overall export value.

Data indicates that of the 5,895 companies who exported from Connecticut in 2012, 89% (5,232) were small and medium-sized enterprises with fewer than 500 employees.³

Connecticut's ranking among the states held steady at 27th in 2014.⁴ Texas, California, Washington, New York and Illinois were the top five export states in 2014, ranked in terms of export commodity dollars. Per capita, Connecticut exports ranked 18th.⁵

U.S. commodity exports totaled more than \$1.62 trillion in 2014, representing a 2.78% increase over the \$1.57 trillion recorded in 2013. These statistics indicate that the U.S. achieved its 5th consecutive year of record-setting growth, with U.S. exports supporting more than 11.7 million U.S. jobs in 2014.⁶

In New England in 2014, only Massachusetts' exports value ranked higher than Connecticut's, as has been the case since 2005. As a regional trading block, New England's commodity exports totaled more than \$56.51 billion in 2014, a 0.38% increase from 2013.

Connecticut Export Composition

Connecticut's top export commodities mirror the state's

historic strengths and there is a demonstrated consistency among the state's top exports. 2014 was no exception to such. In 2014 at the two-digit Harmonized System (HS) commodity code level, Connecticut's top five export commodities were (1) aircraft, spacecraft and parts thereof; (2) industrial machinery, including computers; (3) electric machinery, sound equipment, TV equipment, parts; (4) optic, photo, medical or surgical instruments and (5) plastics and articles thereof. Please refer to Table A.

Drilling down an additional layer into the HS commodity codes reveals the transportation sector's dominance of Connecticut exports. At the four-digit HS level, the state's top exports included civilian aircraft, engines and parts; electric generating sets and rotary converters and turbojets, turbopropellers and other gas turbines.

To put these figures into national and regional context, the U.S. and New England states' top export commodities were similar to Connecticut's. In 2014, the top five U.S. export commodities were (1) industrial machinery, including computers; (2) electric machinery, sound equipment, TV equipment, parts; (3) mineral fuel, oil, bitumin substances, mineral wax; (4) aircraft, spacecraft and parts thereof and (5) vehicles, except railway or tramway, and parts. In 2014, the New England region's top five export commodities were (1) electric machinery, sound equipment, TV equipment, parts; (2) industrial machinery, including computers; (3) aircraft, spacecraft, and parts thereof; (4) optic, photo, medical or surgical instruments and (5) natural or

Table A: 2014 Connecticut Exports by Commodity

Rank	Description	ANNUAL 2013	ANNUAL 2014	%2012- 2013	%2013- 2014
	TOTAL ALL COMMODITIES	16,423,647,575	15,941,193,565	3.48	-2.94
1	Aircraft, Spacecraft, And Parts Thereof	7,712,416,643	6,943,197,290	12.57	-9.97
2	Industrial Machinery, Including Computers	2,011,592,660	2,249,266,879	2.34	11.82
3	Electric Machinery Etc; Sound Equip; Tv Equip; Pts	1,334,938,746	1,637,185,434	-3.7	22.64
4	Optic, Photo Etc, Medic Or Surgical Instrments Etc	1,170,601,613	1,203,877,598	-6.92	2.84
5	Plastics And Articles Thereof	504,568,251	484,454,800	-7.15	-3.99
6	Copper And Articles Thereof	396,982,472	373,502,109	-4.45	-5.91
7	Special Classification Provisions, Nesoi	297,042,124	293,498,723	1.95	-1.19
8	Inorg Chem; Prec & Rare-Earth Met & Radioact Compd	230,272,361	234,001,989	-3.36	1.62
9	Vehicles, Except Railw ay Or Tramw ay, And Parts Etc	158,655,669	174,688,740	-15.72	10.11
10	Iron And Steel	228,516,553	155,510,938	-25.69	-31.95

Table B: 2014 Connecticut Exports by Partner Country

Rank	Description	ANNUAL 2013	ANNUAL 2014	%2012- 2013	%2013- 2014
	TOTAL ALL PARTNER COUNTRIES	16,423,647,575	15,941,193,565	3.48	-2.94
1	France	2,425,332,103	2,211,402,104	27.21	-8.82
2	Canada	1,909,604,929	1,895,299,689	-0.27	-0.75
3	Germany	1,397,238,655	1,712,172,017	-5.96	22.54
4	Mexico	1,213,262,393	1,280,832,296	6.22	5.57
5	United Arab Emirates	1,212,073,836	1,142,042,833	11.31	-5.78
6	China	912,642,907	903,533,825	-9.72	-1
7	United Kingdom	693,206,264	719,427,768	10.87	3.78
8	Korea, Republic Of	569,452,904	672,568,563	3.34	18.11
9	Japan	529,028,015	540,218,757	-7.76	2.12
10	Netherlands	486,667,921	489,495,358	-4.34	0.58

cultured pearls, precious stones, precious metal clad materials, imitation jewelry and coins.

State Export Partners

The state's top five commodity export destinations were France, Canada, Germany, Mexico and the United Arab Emirates (UAE). Please refer to Table B. Despite an 8.82% decrease in 2014, France remained the #1 destination for Connecticut commodity exports, with \$2.21 billion in state exports recorded in 2014. Connecticut exported over \$1 billion to each of its remaining top five trade partners in 2014. Among the state's top five partners, Germany

experienced the greatest growth in Connecticut commodity exports at 22.54%. Connecticut exports to Germany were dominated by civilian aircraft, engines, parts; machine tools for material removal by laser and turbojets, turbopropellers and other gas turbines. Rounding out the state's top ten trade partners in 2014 were China, the United Kingdom, the Republic of Korea, Japan and the Netherlands, ranking 6-10, respectively.

In 2014, the top five destinations for U.S. commodity exports were Canada, Mexico, China, Japan and the United Kingdom, while the top five destinations for the

New England states were Canada, Mexico, China, Germany and the United Kingdom.

Challenges

The cultivation of international markets is important, but there are concerns and circumstances that present challenges to exporters. Chief among them are the state of the global economy and its correlation to demand and consumer spending. Unpredictable international events affect markets and export growth as well. Economic and geo-political circumstances that may impact trade include fallen oil prices, the Eurozone market,

-continued on page 5-

-continued from page 3-

the European economies, as well as the crisis in the Ukraine. A most interesting situation that requires monitoring is the policy shift on Cuba, and President Obama's December 2014 announcement of relations with Cuba and the opening of an embassy in Havana for the first time in more than a half-century.

Regulatory barriers present a challenge as well, as navigating the complex issue of export compliance and licensing requires time, effort and resources.

Partners, Programs and Services

The Connecticut Department of Economic and Community Development (DECD) works with partners such as the U.S. Department of Commerce (USDOC) Export Assistance Center, the U.S. Small Business Administration (SBA), the Connecticut Small Business Development Center (SBDC), the Connecticut District Export

Council (DEC) and the Connecticut Center for Advanced Technology (CCAT). Examples of export programs and services include export data, trade missions, marketing and internationalization, export training opportunities, export B2B matchmaking and participation in the Connecticut booth at trade shows including Medica, Hannover Messe, the Farnborough and Paris Air Shows and ArabHealth.

Through its concierge service, DECD acts as the one point of contact to help business access the wide array of technical assistance and financial resources available to help start and grow in the state. DECD is committed to assisting local companies compete in the global marketplace, whether it is helping a company reach new markets or raising awareness of the many export opportunities that may help a business thrive and grow. For more information about DECD's concierge service or international programs, please contact Laura Jaworski at 860-

270-8068 or
laura.jaworski@ct.gov. ■

¹ "Department of Commerce Announces Twenty-Six States Achieved Record Export Levels in 2014," U.S. Department of Commerce press release, February 26, 2015.

² Data Source: World Institute for Strategic Economic Research (WISER), <http://www.wisertrade.org>.

³ "Connecticut: Exports, Jobs, and Foreign Investment," U.S. Department of Commerce International Trade Administration, August 2014.

⁴ Omitting Puerto Rico and various export sales attributed to "unknown state," Connecticut actually ranked 25th. In the state export data series, low-value export estimates are credited to "unknown state," as export statistics are collected only for export commodity shipments over \$2,500.

⁵ *Connecticut Economic Review*, 2014, p. 19.

⁶ "U.S. Exports Support a Record 11.7 Million Jobs in 2014," U.S. Department of Commerce press release, March 4, 2015.

GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	4Q	4Q	CHANGE		3Q
	2014	2013	NO.	% ⁴	2014
General Drift Indicator (1996=100)*					
Leading	NA	NA	NA	NA	NA
Coincident	NA	NA	NA	NA	NA
Farmington Bank Business Barometer (1992=100)**	129.8	127.6	2.2	1.7	128.0
Philadelphia Fed's Coincident Index (July 1992=100)***	Feb	Feb			Jan
<i>(Seasonally adjusted)</i>	2015	2014			2015
Connecticut	NA	NA	NA	NA	NA
United States	NA	NA	NA	NA	NA

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).