*All of Connecticut Town Economic Indexes Fell in 2020 Due to the COVID-19 Pandemic*

*By Jungmin Charles Joo and Dana Placzek, Department of Labor*

Connecticut’s overall economy shrank last year because of the COVID-19 pandemic, as all of 169 municipalities’ fell in 2020. The indexes on page 3 give a broad measure of business and resident economic well-being of each town, allowing comparisons among them.

**The CTEI Methodology**

 The Connecticut Town Economic Indexes (CTEI) were introduced in 2015 and are released annually. The Connecticut Department of Labor’s Office of Research developed the composite indexes of all 169 municipalities in the state to measure each town or city’s overall economic health, which then can be ranked and compared to others to gain perspective. The four annual average town economic indicators used as components are total covered business establishments, total covered employment, inflation-adjusted covered annual average wages, and the unemployment rate.

 Establishments are the physical work units located in the municipality. Employment is the number payroll employees in establishments that are located in the town. Wages are the aggregate payroll pay divided by the total average employment. These three measures come from the Quarterly Census of Employment and Wages (QCEW) program and include all those who are covered under unemployment insurance law, thus capturing nearly 100 percent of all payroll employees in each town.

 Establishments, employment and wages are proxy for each municipality’s business activities and its overall economic strength, while the unemployment rate measures the overall economic health of its residents. Each of the four components was given a 25 percent weight. The CTEI’s base year is 2010, which equals 100. The wage component was adjusted to 2010 dollars and unemployment rate changes were inversed to reflect the right economic direction. By combining these four major economic indicators, the index allows comparisons among towns.

**CTEI: 2019 to 2020**

 Due to the impact from the pandemic, all of the cities and towns saw business and labor market conditions deteriorate. Because the town sizes can vary greatly, a same change in one index value of a small town would not necessarily mean the same degree of economic growth as a large city. Therefore, the comparisons were grouped in three categories: towns with a population (2019) under 25,000, towns or cities with a population between 25,000 and 100,000, and cities with over 100,000.

 Among the towns with a population under 25,000, Ledyard and Montville’s overall economy shrank the fastest from 2019 to 2020. Norwich and New London had the two fastest declines over the year among the towns or cities with a population between 25,000 and 100,000. Of the five largest cities with a population of 100,000 or more, Stamford and Bridgeport fared the worst last year.

**CTEI: 2010 to 2020**

 When compared with 2010, when the employment recovery began in Connecticut, all but five cities and towns’ indexes (Montville, Sprague, Ledyard, Preston, Southbury) showed increases in 2020. Among the small towns with residents fewer than 25,000, Montville and Sprague experienced the fastest economic decline between 2010 and 2020. New London, Norwich and Trumbull were the only ones to dip in index figures among those with a population between 25,000 and 100,000.

 Among the largest cities (population over 100,000), as Chart 1 shows, Stamford and Bridgeport’s economy grew the least in the last ten years. The map on page 4 also shows the different ranges of economic recovery rate of each municipality in the state.

**LMA Indexes: 2010-2020**

 The index by Labor Market Area (LMA) is the average of all town indexes that make up that labor market area. The index in all nine regions in Connecticut grew from 2010 to 2020. The Danielson-Northeast LMA’s overall economy continued to grow the fastest, followed by the Waterbury and Torrington-Northwest areas. Norwich-New London and Bridgeport-Stamford LMA indexes, however, increased at a slower pace than the statewide index.

**The Components of CTEI:**

**Establishments**

 The total number of business establishments in Connecticut rose by 1.9% to 125,313 in 2020, a faster growth than the 0.7% from the year before. Stamford continued to dominate, with the largest number of businesses (6,302) of the 169 cities and towns. Since 2010, Connecticut’s overall number of businesses increased 12.6%. Overall, 72% of the total municipalities added new establishments over the year, and 92% since 2010.

**Employment**

 Last year’s average statewide employment fell 7.5% from 2019, the second consecutive decline in 11 years. Only 5% of the cities and towns in the state experienced job recovery over the year, compared to 44% from 2018 to 2019. Overall, 44% of the municipalities in the state have added jobs since the employment recovery began in 2010.

**Real Wages**

 In 2020, 97% of all cities and towns in the state posted inflation-adjusted wage gains over the year, significantly up from 61% in 2019. The statewide real annual average wage was $61,328 per worker, a 6.2% increase over 2019 and a 3.1% increase from 2010. The highest real average wages were in businesses located in Greenwich at $127,600 last year.

**Unemployment Rate**

 Norwich posted the highest unemployment rate (14.0%) last year, a sharp increase from 3.9% in 2019. Overall, the statewide rate rose from 3.6% in 2019 to 7.9% in 2020. For a detailed analysis and the complete table of unemployment rates for all 169 municipalities, see “2020 Unemployment Rate by Town” in the June 2021 issue of the Connecticut Economic Digest.

**CTEI Diffusion Index: 2006-2020**

 One way to measure aggregate performance of the CTEI of 169 cities and towns in Connecticut is to use a diffusion index. For each town, the index figure is up, down, or unchanged over the year. The diffusion index is calculated by subtracting the share of towns that experienced decreases in their indexes from the share that had increases over the year.

 As expected, during the 2008-2010 period, the index values were -100, -100, and -91, respectively, when Connecticut was in an employment downturn. The state economy gradually recovered from 2011, as the diffusion index numbers indicate on Chart 2, and by 2015 nearly all towns were gaining (+99). After slowing down during 2016 and 2017, the index picked up in 2018 (+95), but then slowed to +88 in 2019, before falling to -100 last year, when all 169 cities and towns’ economies were inexorably affected by the pandemic. Nevertheless, as the pandemic situation gradually improves, 2021’s index is expected to recover accordingly. n