

# ECONOMIC DIGEST

Vol.17 No.1 A joint publication of the Connecticut Department of Labor & the Connecticut Department of Economic and Community Development

## JANUARY 2012

### IN THIS ISSUE...

**The 2012 Economic Outlook**  
..... 1-3, 5

#### Economic Indicators

of Employment .....	4
on the Overall Economy .....	5
Individual Data Items .....	6-8
Comparative Regional Data .....	9
Economic Indicator Trends .....	10-11
Business & Economic News .....	15
Business and Employment Changes Announced in the News Media .....	19
<b>Labor Market Areas:</b>	
Nonfarm Employment .....	12-17
Sea. Adj. Nonfarm Employment .....	14
Labor Force .....	18
Hours and Earnings .....	19
<b>Cities and Towns:</b>	
Labor Force .....	20-21
Housing Permits .....	22
Technical Notes .....	23
At a Glance .....	24

### In November...

#### Nonfarm Employment

Connecticut..... 1,628,700  
Change over month ..... +0.01%  
Change over year ..... +0.5%

United States ..... 131,708,000  
Change over month ..... +0.09%  
Change over year ..... +1.2%

#### Unemployment Rate

Connecticut..... 8.4%  
United States ..... 8.6%

#### Consumer Price Index

United States ..... 226.2  
Change over year ..... 3.4%

## The 2012 Economic Outlook

By Stan McMillen, Ph.D., Managing Economist (Stan.McMillen@ct.gov), and Mark Prisloe, Associate Economist (Mark.Prisloe@ct.gov), DECD

### The Nation

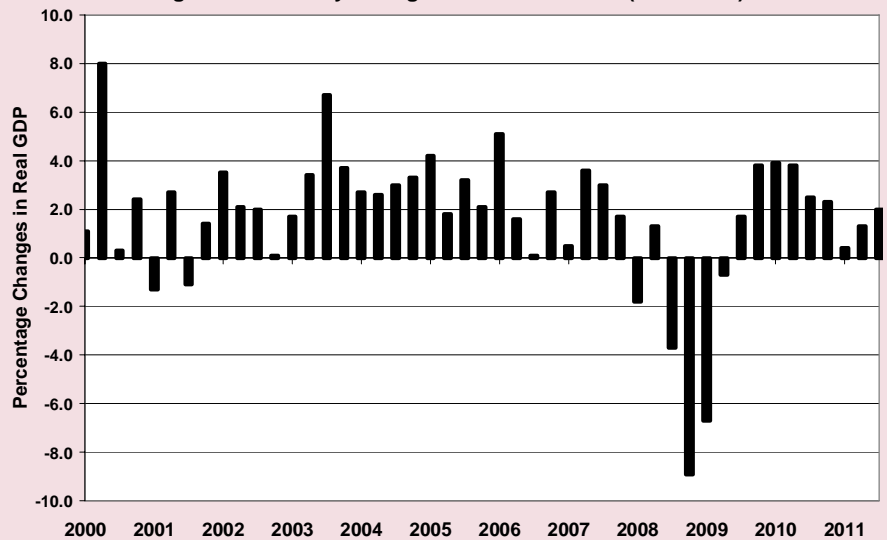
Since the “Great Recession” ended in Q2-2009 per the National Bureau of Economic Research (NBER) Business Cycle Dating Committee, real gross domestic product (RGDP) growth has been positive. The growth rate of the constant dollar value of all goods and services produced by labor and capital located in the U.S. has averaged 2.5% at an annual rate from the preceding quarter (Figure 1).<sup>1</sup> In 2010, RGDP grew 3.0%, after decreasing by 0.3% in 2008 and 3.5% in 2009. We believe U.S. RGDP growth will be between 1.5% and 2% in 2012. The New England Economic Partnership (NEEP), a consortium of government, business and academia, in its proprietary forecast sees RGDP growth at 1.8% in 2012.<sup>2</sup> The National Association of Business

Economists (NABE) outlook panel sees 2.4% growth in 2012.<sup>3</sup>

### U.S. Employment and Unemployment

Total seasonally adjusted nonfarm payroll employment, since the putative end of the recession, has increased by 2.2 million jobs after averaging losses of 488,000 jobs per month in the second half of 2009, with gains of 70,000 jobs a month in 2010 and improving to 126,000 jobs per month through October in 2011 (Figure 2). We expect this modest job growth trend to continue in 2012. However, at this rate an additional 1.5 million jobs in 2012 would not likely reduce the U.S. unemployment rate, currently at 9.0%, to below 8.5% by 2013.<sup>4</sup> It is notable that while the private sector has added 2.8 million jobs, government has shed nearly 600,000 jobs before substantive

Figure 1: Quarterly Changes in U.S. Real GDP (2000-2011)



*The Connecticut Economic Digest* is published monthly by the Connecticut Department of Labor, Office of Research, and the Connecticut Department of Economic and Community Development. Its purpose is to regularly provide users with a comprehensive source for the most current, up-to-date data available on the workforce and economy of the state, within perspectives of the region and nation.

The annual subscription is \$50. Send subscription requests to: *The Connecticut Economic Digest*, Connecticut Department of Labor, Office of Research, 200 Folly Brook Boulevard, Wethersfield, CT 06109-1114. Make checks payable to the Connecticut Department of Labor. Back issues are \$4 per copy. The Digest can be accessed free of charge from the DOL Web site. Articles from *The Connecticut Economic Digest* may be reprinted if the source is credited. Please send copies of the reprinted material to the Managing Editor. The views expressed by the authors are theirs alone and may not reflect those of the DOL or DECD.

**Managing Editor:** Jungmin Charles Joo

**Associate Editor:** Sarah C. York

We would like to acknowledge the contributions of many DOL Research and DECD staff and Rob Damroth to the publication of the Digest.

**Connecticut Department of Labor**

Glenn Marshall, Commissioner  
Dennis Murphy, Deputy Commissioner

Andrew Condon, Ph.D., Director  
Office of Research  
200 Folly Brook Boulevard  
Wethersfield, CT 06109-1114  
Phone: (860) 263-6275  
Fax: (860) 263-6263  
E-Mail: dol.econdigest@ct.gov  
Website: http://www.ctdol.state.ct.us/lmi



**Connecticut Department of Economic and Community Development**

Catherine Smith, Commissioner  
Ronald Angelo, Deputy Commissioner

Stan McMillen, Ph.D., Managing Economist  
505 Hudson Street  
Hartford, CT 06106-2502  
Phone: (860) 270-8000  
Fax: (860) 270-8200  
E-Mail: decd@ct.gov  
Website: http://www.decd.org



federal deficit reduction measures. The Conference Board Leading Economic Index™ (LEI) for the U.S. in 2011 exhibited steady upward direction (1.8%) in the March to October 2011 period, an encouraging indicator going into 2012. Ataman Ozyildirim, an economist at The Conference Board, said: “The October rebound of the LEI — largely due to the sharp pick-up in housing permits — suggests that the risk of an economic downturn has receded.”<sup>5</sup> Ken Goldstein added (see footnote 5): “The LEI is pointing to continued growth this winter, possibly even gaining a little momentum by spring. The lack of confidence has been the biggest obstacle in generating forward momentum, domestically or globally. As long as it lasts, there is a glimmer of hope.”

Growth prospects remain positive despite downside risks from the European financial crisis, the lack of substantive federal debt reduction, rising commodity and energy prices, among other potential threats. Among positive developments heading into 2012 is the National Export Initiative (NEI) intending to double U.S. exports by 2014 and is likely to be buoyed by newly enacted free trade pacts with Columbia, Panama, and South Korea. U.S. real exports increased 4.0% in Q3-2011, compared with an increase of 3.6% in Q2-2011.

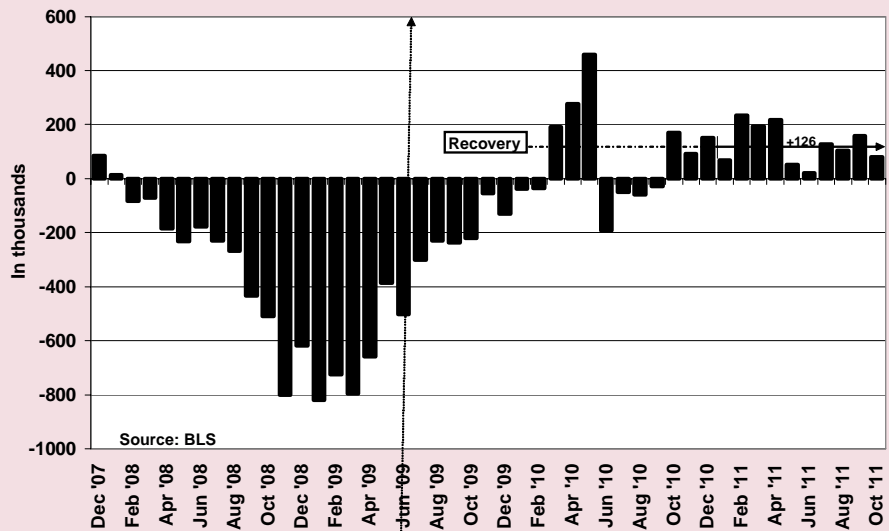
Consumer spending increased 2.4% in Q3-2011, compared with an increase of 0.7% in Q2-2011. Real nonresidential fixed investment (purchases of plant and equipment) climbed 16.3% in Q3-2011, compared with 10.3% in Q2-2011 (see footnote 1). There is continued momentum in auto sales, which is projected to be up 30% in 2012 over 2009.<sup>6</sup> Meanwhile, U.S. inflation remains relatively tame even though Social Security recipients will receive a Cost of Living Adjustment (COLA) of 3.6% in 2012.

**Connecticut**

Connecticut’s economy should continue to experience modest growth in 2012. Connecticut’s real state gross domestic product (SGDP), the broadest measure of the state’s economic health, declined 2.6% in 2009 but grew by 3.1% in 2010.<sup>7</sup> It is projected to be in the 3.5% range by the end of 2011, according to NEEP.

Connecticut should see growth in that range again for 2012. While personal income dropped 2.8% in 2009, not adjusted for inflation, it improved by 2.6% in Q1-2011 and 1.2% in Q2-2011 relative to their preceding quarters.<sup>8</sup> The Connecticut Department of Labor forecasts personal income for Q1-2012 will increase by 3.9% from Q1-2011.<sup>9</sup>

Figure 2: U.S. Total Nonfarm Employment Monthly Change

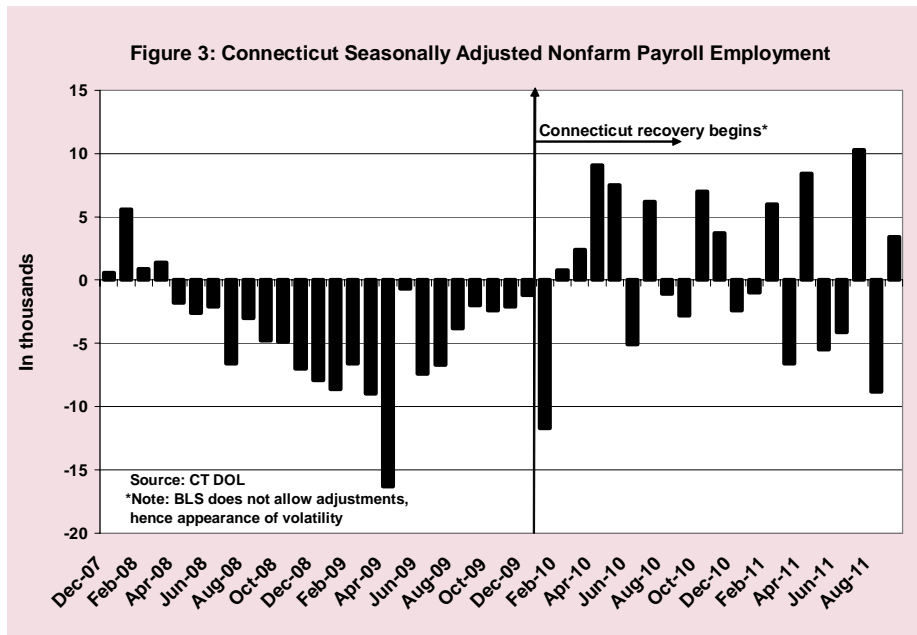


The Connecticut recession from March 2008 through December 2009 saw the loss of 119,000 jobs (Figure 3). Jobs regained numbered 24,300 from January 2010 to January 2011 (see footnote 9), and 9,800 from January 2011 through October 2011 (0.6%). The state has set a target of creating 26,000 new net jobs by the end of 2012.<sup>10</sup> However, NEEP forecasts Connecticut will lose about 6,400 jobs, or -0.4% in 2012.

The state's unemployment rate has remained between 9.0% and 9.1% for most of 2011, dipping to 8.7% in October. NEEP forecasts Connecticut's unemployment rate will be 9.0% in 2012. Initial claims for unemployment insurance peaked at 30,137 in March 2009, but have since declined to 26,593 (-13.5%) in September 2011. Through October there were increases of the number of employed in six of ten months, ranging from 2,900 (July) to 8,400 (April) in 2011.

### Connecticut Fiscal Outlook

The fiscal outlook for 2012 has improved considerably. Connecticut's fiscal crisis was largely tackled in 2011, with an Executive Order directing the full implementation of Generally Accepted Accounting Principles (GAAP) by 2014 and the adoption of a new biennial budget for fiscal years (FY) 2012-2013, containing spending cuts, tax increases, and a ratified state employee (SEBAC) labor agreement. The governor's budget office estimated "that with projected economic growth, its proposed revenue reforms would bring total state revenue to \$18.268 billion dollars in FY 2012, exceeding its recommended appropriations by \$192 million."<sup>11</sup> In October, the Office of Policy and Management (OPM) estimated "Consensus Revenues" in FY 2012 would be \$18.786 million.<sup>12</sup> Adjusting that revenue for legislation that passed during the October 2011 special session, the Connecticut legislature's Office of Fiscal Analysis (OFA) projects a \$101.2 million surplus for FY 2012, shown in Table 1.<sup>13</sup> The



outlook for ensuing fiscal years is brighter in as much as the SEBAC agreement alone is estimated to yield in excess of \$21.5 billion in 20-year projected cost savings.

### Connecticut Housing

Connecticut's housing market outlook in 2012 is much less rosy than most of the economic variables discussed above. On a year-to-date basis permit authorizations through October 2011 decreased 19.1%, compared to a gain of 8.9% in 2010 over the same period. As reported in July 2011: "The anemic housing permit growth, weak home price increases, and fewer residential real estate transactions ... when coupled with high unemployment, a jobless economic recovery and a rising foreclosure rate — suggest that the state's housing doldrums may continue."<sup>14</sup> NEEP expects Connecticut housing permits that peaked at 12,269 in Q3-2005 and reached bottom at 3,529 in Q1-2009 to total 3,112 in 2011, and 3,783 in 2012. According to NEEP, existing Connecticut single family

median home prices peaked at \$326,800 in Q2-2007, but fell to \$262,900 in Q4-2010, and may drop to a low of \$259,600 in Q1-2012, averaging \$260,300 for that year. Existing home sales might show a gain from 32,200 in 2011 to 42,600 in 2012.<sup>15</sup>

### Conclusion

Connecticut and the nation's recovery are affected by large uncertainties. As in past years, these include many of the same issues: the fiscal and economic effects of financial reform, health care reform, immigration reform, the sovereign debt crisis in the Eurozone, China's slowdown, and potentially Iran's ongoing intervention with the global economy. On balance, however, we expect quite modest developments in 2012 for employment growth, investment in plant and equipment, auto sales, personal income, consumer expenditures and Connecticut's fiscal outlook.

This year will be much like 2011 with sluggish employment

--Continued on page 5--

Table 1: Connecticut Budget Outlook

(\$-millions)	FY 12 \$	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Est. Expenditures	18,676.50	18,897.20	19,980.60	20,928.30	21,581.60
Est. Revenue	18,777.70	19,353.00	20,291.40	21,276.20	22,297.20
<b>Surplus/(Deficit)</b>	<b>101.20</b>	<b>455.80</b>	<b>310.80</b>	<b>347.90</b>	<b>715.60</b>
% of Est. Expenditures	0.54%	2.41%	1.56%	1.66%	3.32%

--Continued from page 3--

growth and little improvement in the unemployment rate because, unlike previous recessions in which Connecticut lagged the nation in its entry into and exit from those recessions, the state is now in lock step with the nation. Given the potential slide of Europe into deeper recession and the lack of U.S. fiscal resolve in 2012, the nation and Connecticut are on thin ice. The housing market will remain depressed with repercussive effects. Until Connecticut implements a new jobs bill that will attract and expand small businesses and boost employment, expedite permitting, streamline brownfield redevelopment and cut the "business entity" tax, while stepping up training and technology transfer, commencing the Bioscience Connecticut Initiative and enhance job creation tax credits, establishing a revolving loan fund as well as nurturing innovation and increasing infrastructure investment and marketing, it will be an uphill battle. Changes in the state's regulatory environment are likely to yield gradual progress in

overcoming the inertia of two decades of paltry job growth and infrastructure investment. Yet, as 2012 begins, there is reason for hope that the state and national economies will be re-energized by bold efforts and diminished uncertainties. ■

<sup>1</sup> Bureau of Economic Analysis (BEA), Press release BEA 11-52: "Gross Domestic Product: Third Quarter 2011 (Advance Estimate)," Thursday, October 27, 2011.

<sup>2</sup> New England Economic Project, Fall Economic Outlook Conference: "New England Economic Forecast and Millennials, Baby Boomers, and New England's Future," November 18, 2011, p. 20.

<sup>3</sup> Bill McGuire, ABC News "Consumer Report" "U.S. Economy, Jobs Unchanged Next Year, Economists Predict," National Association of Business Economists, November 21, 2011. <http://abcnews.go.com/blogs/business/2011/11/us-economy-jobs-unchanged-next-year-economists-predict/>

<sup>4</sup> Kiplinger.com, [http://www.kiplinger.com/businessresource/economic\\_outlook/](http://www.kiplinger.com/businessresource/economic_outlook/), Nov. 9, 2011.

<sup>5</sup> The Conference Board, News Release, November 18, 2011. [http://www.conference-board.org/pdf\\_free/press/PressPDF\\_4341\\_1321607143.pdf](http://www.conference-board.org/pdf_free/press/PressPDF_4341_1321607143.pdf)

<sup>6</sup> Edmunds Auto Observer, <http://www.autoobserver.com/2011/10/edmunds-sees-2012-car-sales-near-135-million.html>. October 26, 2011.

<sup>7</sup> BEA, "News Release: GDP by State, "Economic Recovery Widespread across States in 2010." [http://www.bea.gov/newsreleases/regional/gdp\\_state/gsp\\_newsrelease.htm](http://www.bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm), June 7, 2011.

<sup>8</sup> BEA, "News Release: State Personal Income: Second Quarter 2011." <http://www.bea.gov/newsreleases/regional/spi/2011/pdf/spi0911.pdf>. September 22, 2011.

<sup>9</sup> *The Connecticut Economic Digest*, Vol. 16, No. 11, November 2011, p. 6.

<sup>10</sup> Stacom, Don. "Economic Development Chief Wants Fast, Bipartisan Jobs Legislation," *The Hartford Courant*, September 20, 2011. [http://articles.courant.com/2011-09-20/community/hc-bristol-economic-plan-0921-20110920\\_1\\_new-businesses-income-tax-commissioner-catherine-smith](http://articles.courant.com/2011-09-20/community/hc-bristol-economic-plan-0921-20110920_1_new-businesses-income-tax-commissioner-catherine-smith).

<sup>11</sup> Office of Policy and Management (OPM), *FY 2012 – FY 2013 Biennium: Economic Report of the Governor*. pp. 127-128 as cited by Joachim Hero, "An Analysis of the Governor's FY 2012 Revenue Proposals," Connecticut Voices for Children, March 2011.

<sup>12</sup> OPM, Letter of Benjamin Barnes and Alan Calandro, "Consensus Revenues" Pursuant to Section 2-36c of the C.G.S for FY 11-13 biennium and three ensuing fiscal years, October 14, 2011. [http://www.ct.gov/opm/lib/opm/Consensus\\_Revenue\\_FINAL.October2011.pdf](http://www.ct.gov/opm/lib/opm/Consensus_Revenue_FINAL.October2011.pdf).

<sup>13</sup> Table extracted from OFA, "Fiscal Accountability Report to the Appropriations and Finance Committees as required by CGS Sec. 2-36b," November 15, 2011, p. 2.

<sup>14</sup> Kolie Sun, "State's Housing Market: a Long Road to Recovery," *The Connecticut Economic Digest*, Vol. 16, No. 7, July 2011, p. 1.

<sup>15</sup> NEEP, See Note 2, pp. 12-13.

## GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	3Q	3Q	CHANGE		2Q
	2011	2010	NO.	%	2011
<b>Employment Indexes (1992=100)*</b>					
<b>Leading</b>	118.3	116.2	2.1	1.8	117.2
<b>Coincident</b>	102.2	102.1	0.1	0.1	102.6
<b>General Drift Indicator (1986=100)*</b>					
<b>Leading</b>	105.1	105.0	0.1	0.1	105.2
<b>Coincident</b>	107.6	106.9	0.7	0.7	108.0
<b>Farmington Bank Business Barometer (1992=100)**</b>	124.1	123.1	1.0	0.8	124.2
<b>Philadelphia Fed's Coincident Index (July 1992=100)***</b>	<b>NOV</b>	<b>NOV</b>			<b>OCT</b>
<i>(Not seasonally adjusted)</i>	<b>2011</b>	<b>2010</b>			<b>2011</b>
<b>Connecticut</b>	158.0	153.6	4.4	2.9	157.3
<b>United States</b>	154.4	150.1	4.3	2.9	154.1

Sources: \**The Connecticut Economy*, University of Connecticut \*\*Farmington Bank \*\*\*Federal Reserve Bank of Philadelphia

The *Connecticut Economy's* **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 four leading (housing permits, manufacturing average weekly hours, Hartford help-wanted advertising, and initial unemployment claims) economic variables, and are indexed so 1986 = 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).