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In January...

Nonfarm Employment

Connecticut 1,616,100
 Change over month -0.17%
 Change over year +1.4%

United States 130,265,000
 Change over month +0.03%
 Change over year +0.8%

Unemployment Rate

Connecticut 9.0%
 United States 9.0%

Consumer Price Index

United States 220.2
 Change over year 1.6%

Connecticut Recovery Began in January 2010

By Jungmin Charles Joo, Research Analyst, jungmin.joo@ct.gov

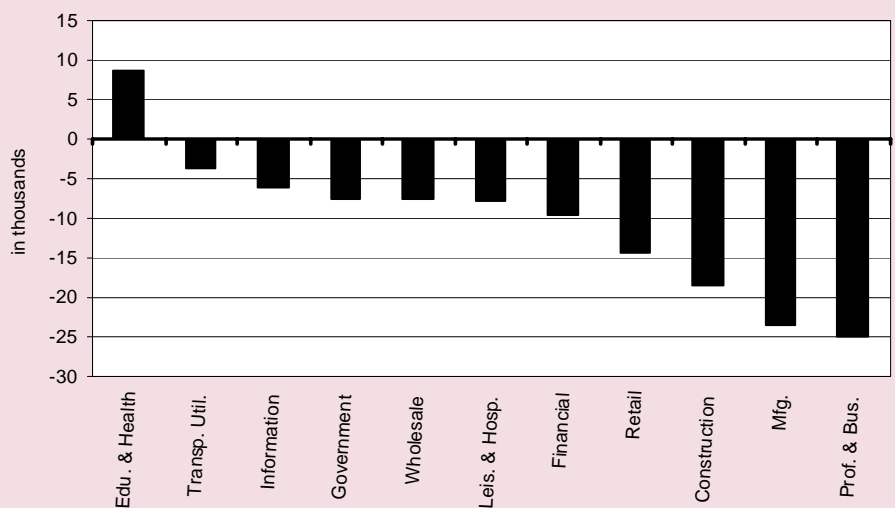
The Great Recession II that began in March 2008 has ended in January 2010 for Connecticut, as measured by the total nonfarm employment. The newly revised seasonally adjusted employment data showed January 2010 to be the bottom of this awful economic downturn, one month later than originally anticipated. Over the 22 months of the recession, 119,200 jobs were lost, about 20,000 more than originally estimated last March (see “Connecticut Recession to End in December 2009?” Connecticut Economic Digest, March 2010).

Though this downturn lasted far less than the 38 months in the July 2000-September 2003 recession and the 46 months in 1989-1992’s Great Recession, the severity of employment drop is astounding. The 7.0% job loss in the March 2008-January 2010 recession was more drastic than 2000-2003’s 3.7%, though not

as severe as the 9.3% decrease in the February 1989-December 1992 downturn, which lasted the longest at 46 months, and cost 157,000 jobs. Moreover, when the employment losses through 22 months into recession were compared, the latest recession was even deeper than the 1989-1992 one (-7.0% vs. -5.3%). In fact, this recession experienced the worst job loss since the 1943-1945 downturn (-9.5%).

Nationally, employment peaked in January 2008 and bottomed out in February 2010. During its 25-month employment recession, the U.S. has lost 8,750,000 jobs (-6.3%). Thus, Connecticut’s employment lagged by two months going into recession but came out of it one month earlier than the nation’s. Nevertheless, during that period, Connecticut underwent a worse employment decline than the nation.

CHART 1. Job Changes by Industry in the 2008-2010 Recession



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The 2008-2010 Recession

As Chart 1 shows, during the 2008-2010 recession, Connecticut's professional and business services sector lost over 25,000 jobs which made up one fifth of the total loss in the state. Manufacturing experienced the second most job losses (-23,500), followed by construction (-18,500), retail trade (-14,300), and financial services (-9,500). The only sector to actually gain jobs during that recession was educational and health services (+8,700).

In terms of the rate of job losses, the construction sector was the most dramatic, falling a whopping 27% from the peak in March 2008. Information, manufacturing, and professional and business services sectors also experienced fast declines in employment over the latest downturn.

Breaking down by the areas, the Hartford Labor Market Area (LMA) lost the most jobs in the state (-32,800), which is also the biggest share of the job loss (27.5%) out of all major LMAs in the state. Danbury (-9.2%) and Waterbury (-9.2%) regions experienced the deepest employment decline during this recession. While all other areas are regaining jobs, the Norwich-New London area has yet to reach a bottom.

First Year of Recoveries

During the first 12 months of the current recovery, employment grew

by 1.1%. As Chart 2 shows, this was much weaker growth than the first 12 months of 1983-1989's average monthly growth of 2.6%, but faster than 1992-2000's 0.6% and 2003-2008's 0.4%. Even if the temporary decennial Census jobs were taken out, making it an average growth of 1.0%, this present recovery, though slow and bumpy, so far has not been the worst of the past seven recoveries.

Slow Rebound from 2009 to 2010

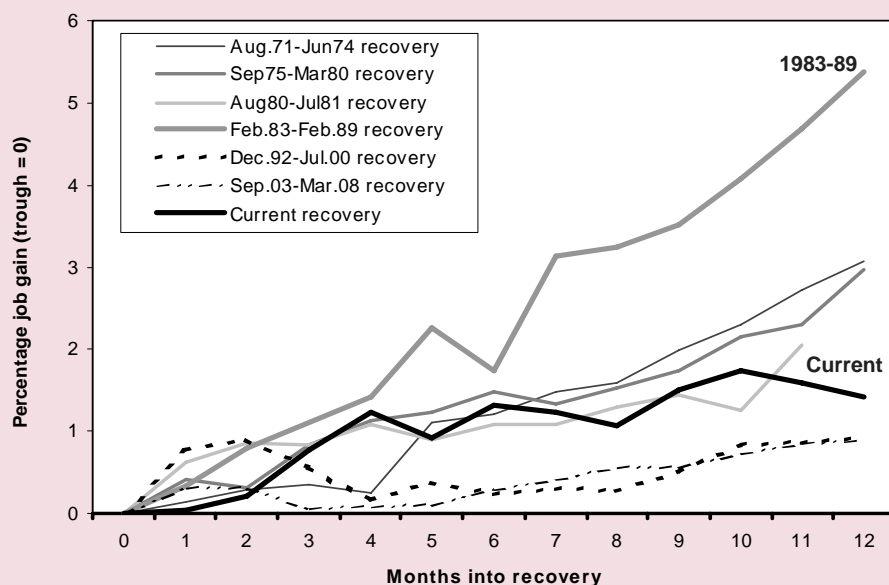
Connecticut economic indicators have shown signs of a rebound last year. Analyzing on an annual average basis (see table on page 3), Connecticut employment declined by 18,600 last year (-1.1%), after having lost 72,400 jobs (-4.3%) in 2009. The nation fared slightly better with a 0.8% drop in jobs last year.

Job losses continued in 2010 across most of the major industry sectors. However, unlike in 2009, when only educational and health services managed to add jobs, professional and business services and leisure and hospitality also eked out job gains last year. Manufacturing continued to lead the employment losses in 2010, followed by construction, government, information, and financial activities.

All nine labor market areas continued to experience employment

--Continued on page 5--

CHART 2. First 12 Months of Recoveries



Connecticut Economic Indicators, 2001-2010 (Annual Averages)

STATEWIDE	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NONFARM EMPLOYMENT (000s)										
TOTAL NONFARM.....	1,681.1	1,664.9	1,644.5	1,649.8	1,662.0	1,680.6	1,698.2	1,699.0	1,626.6	1,608.0
TOTAL PRIVATE.....	1,436.7	1,415.6	1,398.5	1,407.0	1,418.3	1,434.7	1,449.0	1,446.5	1,378.4	1,363.3
GOODS PRODUCING.....	292.8	275.4	262.6	263.6	261.9	261.4	260.1	253.3	226.4	216.2
SERVICE PROVIDING.....	1,388.3	1,389.5	1,381.9	1,386.2	1,400.2	1,419.2	1,438.1	1,445.7	1,400.2	1,391.8
CONST., NAT. RES. & MIN.....	66.1	64.2	62.6	66.4	66.6	67.9	69.3	66.1	55.2	50.2
MANUFACTURING.....	226.7	211.2	200.0	197.2	195.2	193.5	190.8	187.3	171.2	166.0
Durable Goods.....	168.5	156.3	147.7	146.3	145.5	145.2	144.4	143.5	131.8	127.6
Non-Durable Goods.....	58.2	54.8	52.4	50.8	49.7	48.2	46.4	43.8	39.4	38.4
TRADE, TRANSPORT., UTILITIES.....	312.2	309.2	305.5	307.9	310.5	310.9	311.8	309.9	293.3	289.1
Wholesale Trade.....	67.4	66.0	65.5	65.8	66.5	67.5	68.3	69.2	64.9	62.6
Retail Trade.....	194.5	194.2	191.3	192.0	192.0	191.3	191.1	188.1	178.4	177.6
Transport., Warehousing, & Utilities.....	50.3	49.0	48.8	50.1	52.1	52.2	52.3	52.7	50.0	48.8
INFORMATION.....	44.7	41.0	39.6	39.0	38.1	37.9	38.4	37.8	34.3	31.7
FINANCIAL ACTIVITIES.....	142.9	142.6	142.7	140.7	142.3	144.3	144.6	143.4	137.6	135.0
PROFESSIONAL & BUSINESS SERV.....	209.9	202.0	196.8	197.1	199.9	204.3	206.4	204.9	189.4	189.9
EDUCATIONAL & HEALTH SERV.....	252.7	259.7	264.0	268.7	273.3	279.6	287.8	296.7	302.4	307.1
LEISURE AND HOSPITALITY.....	119.5	122.8	125.1	127.6	129.5	132.6	135.7	137.3	133.7	133.8
OTHER SERVICES.....	62.1	62.8	62.2	62.5	62.8	63.7	64.1	63.1	61.3	60.6
GOVERNMENT.....	244.4	249.3	246.0	242.8	243.8	245.9	249.2	252.5	248.2	244.7
TOTAL NONFARM EMPLOYMENT IN LABOR MARKET AREAS										
Bridgeport-Stamford.....	422.2	414.4	410.4	409.9	411.3	416.3	419.8	417.3	398.7	396.5
Danbury.....	69.2	69.3	68.4	68.4	69.0	69.2	70.0	69.5	65.5	64.9
Hartford.....	552.6	543.5	535.4	537.5	543.9	550.3	556.2	558.2	539.9	532.3
New Haven.....	273.5	274.5	270.0	271.8	273.4	276.1	277.7	276.9	266.2	264.4
Norwich-New London.....	130.8	133.8	134.0	134.0	135.7	135.7	136.3	136.8	131.6	129.5
Waterbury.....	69.7	69.0	68.5	68.8	68.7	68.6	68.2	66.7	62.9	62.0
Enfield.....	NA	NA	45.1	46.0	46.9	48.6	48.5	48.3	45.6	44.1
Torrington.....	NA	NA	36.4	36.6	36.7	37.0	36.9	37.2	35.1	34.8
Willimantic-Danielson.....	NA	NA	36.0	35.9	36.6	37.2	37.9	37.5	36.0	35.6
ALL EMPLOYEES HOURS & EARNINGS										
Total Private Average Weekly Hours.....	NA	NA	NA	NA	NA	NA	34.3	34.0	33.0	33.3
Real Tot Priv Avg Hrlly Earn (82-84\$).....	NA	NA	NA	NA	NA	NA	\$12.82	\$12.87	\$12.96	\$12.88
Real Tot Priv Avg Wkly Earn (82-84\$).....	NA	NA	NA	NA	NA	NA	\$439.86	\$437.66	\$427.84	\$428.86
UNEMPLOYMENT										
Labor Force (000s).....	1,754.8	1,779.0	1,795.0	1,792.1	1,807.0	1,826.8	1,846.2	1,868.9	1,886.8	1,897.4
Employed (000s).....	1,700.0	1,700.9	1,696.9	1,703.9	1,718.6	1,746.0	1,761.6	1,763.9	1,730.1	1,724.0
Unemployed (000s).....	54.8	78.0	98.1	88.2	88.4	80.8	84.6	105.0	156.7	173.4
Unemployment Rate.....	3.1%	4.4%	5.5%	4.9%	4.9%	4.4%	4.6%	5.6%	8.3%	9.1%
Average Weekly Initial Claims.....	4,928	5,379	4,934	4,212	4,192	4,045	4,123	4,945	6,414	5,414
Insured Unemployment Rate.....	2.35%	3.21%	3.34%	2.80%	2.53%	2.58%	2.44%	2.93%	5.14%	4.32%
U-6 Unemployment Rate.....	NA	NA	10.0%	9.1%	8.6%	7.8%	8.2%	10.3%	14.4%	15.7%
MANUFACTURING ACTIVITY										
Average Weekly Hours.....	41.7	41.6	41.4	41.8	42.2	42.2	42.3	42.4	40.8	41.2
Real Average Hourly Earnings (82-84\$).....	\$9.46	\$9.80	\$9.87	\$9.94	\$9.93	\$10.03	\$10.17	\$10.15	\$10.99	\$11.06
Real Average Weekly Earnings (82-84\$).....	\$394.63	\$407.88	\$408.57	\$415.70	\$418.62	\$423.39	\$430.30	\$430.43	\$448.52	\$455.84
CT Mfg. Production Index (2005=100).....	94.8	91.7	90.8	98.8	100.0	106.3	117.0	108.9	88.1	90.4
INCOME (mil. \$)										
Real Personal Income (1982-84 \$).....	\$84,436	\$83,139	\$82,517	\$85,457	\$86,433	\$91,294	\$95,101	\$93,142	\$90,315	\$90,917
Real UI Covered Wages (1982-84 \$).....	\$44,252	\$42,988	\$42,752	\$44,095	\$44,694	\$45,450	\$47,140	\$45,630	\$43,416	\$42,936
OTHER INDICATORS										
New Housing Permits.....	9,254	9,607	9,985	11,837	11,885	9,236	7,746	5,220	3,343	3,765
Construction Contracts (1980=100).....	297.9	330.6	334.0	348.2	404.3	503.3	414.8	355.1	282.2	269.3
New Auto Registrations.....	237,905	229,935	253,176	235,587	236,686	213,363	213,992	189,955	146,994	152,079
Air Cargo Tons.....	143,006	143,073	142,293	154,850	159,847	160,882	161,264	146,376	122,117	130,509
Exports (bil.\$).....	\$8.61	\$8.31	\$8.14	\$8.56	\$9.75	\$12.25	\$13.80	\$15.31	\$14.02	\$16.03
S&P 500: Monthly Close (December).....	1,148.08	879.82	1,111.92	1,211.92	1,248.29	1,418.30	1,468.36	903.25	1,115.10	1,257.64
Net Business Starts (SOS).....	16,642	19,785	15,491	19,111	20,088	20,370	19,496	14,018	12,495	13,612
Total All Taxes.....	\$9,883.2	\$9,300.9	\$9,680.9	\$10,685.3	\$11,820.3	\$12,605.9	\$13,639.5	\$13,874.5	\$12,188.1	\$12,862.9
Corporate Tax.....	\$474.7	\$442.2	\$431.7	\$627.1	\$708.9	\$850.1	\$799.6	\$702.5	\$646.3	\$645.1
Personal Income Tax.....	\$4,785.1	\$4,180.1	\$4,413.6	\$5,103.2	\$5,703.4	\$6,252.5	\$7,039.2	\$7,368.9	\$6,324.7	\$6,766.0
Real Estate Conveyance Tax.....	\$111.0	\$132.3	\$144.4	\$189.2	\$214.3	\$191.3	\$211.3	\$123.3	\$87.6	\$94.8
Sales & Use Tax.....	\$3,140.0	\$3,104.3	\$3,075.2	\$3,203.6	\$3,333.5	\$3,350.1	\$3,628.8	\$3,531.8	\$3,214.8	\$3,233.5
Indian Gaming Payments.....	\$380.0	\$397.6	\$397.6	\$411.4	\$421.0	\$433.6	\$421.2	\$394.8	\$364.9	\$360.7
Info Center Visitors.....	659,729	696,709	523,230	439,304	376,547	417,177	400,163	400,804	360,260	316,082
Major Attraction Visitors (000s).....	1,845.4	2,011.4	1,848.5	1,818.0	1,722.2	1,712.2	1,716.5	1,676.0	1,675.5	1,540.4
Air Passenger Count (000s).....	6,525.2	6,261.8	6,261.8	6,733.1	7,381.4	6,907.0	6,519.2	6,113.0	5,317.4	5,381.0
Indian Gaming Slots (mil.\$).....	\$18,832	\$19,429	\$19,429	\$20,180	\$19,744	\$19,943	\$19,710	\$18,621	\$17,161	\$17,062

--Continued from page 2--

declines over the year. The most job losses occurred in the Hartford (-7,600), Bridgeport-Stamford (-2,200), and Norwich-New London (-2,100) LMAs.

After declining two years in a row, average weekly hours for all employees on private nonfarm payrolls rose to 33.3. Inflation-adjusted hourly earnings, however, fell after two years of increase. Overall, real weekly earnings went up over the year.

The unemployment rate increased further to 9.1% in 2010 from 8.3% in prior year. The last time it was this high was in 1976. A broader measure of labor underutilization, U-6 unemployment rate, which also include those who are marginally attached workers and part-timers that want full-time work, rose for four consecutive years to 15.7% in 2010. This is the highest U-6 rate in the last eight years.

In 2010, initial claims for unemployment insurance finally fell after three consecutive years of increase. After two years of decline, real personal income of state residents rose last year. Overall state revenue grew by 5.5%. In fact, revenues from real estate taxes, personal income taxes, and sales and use taxes all

increased. However, revenue from corporate taxes still dropped over the year. Receipts from Indian gaming payments also continued to decline for the fourth year.

Other economic indicators suggest that Connecticut is on a slow but sure path of recovery. For example, the number of new automobile registrations, after two years of decrease, rose by 3.5 percent in 2010. New housing permits data also finally broke a four-year declining trend. The construction contracts index showed the smallest decline in the last four years. Both air cargo tons and air passenger count data were up over the year. Moreover, Connecticut's export number quickly bounced back last year to an all time high of \$16 billion since 1988. The stock market continued to improve for the second year after a huge loss in 2008. And net business starts turned the corner after three years of decline. The numbers of info center and major attraction visitors, however, dropped further in 2010.

Looking Ahead

While it is clear that Connecticut's economy is recovering, it remains to be seen how much better 2011 will be. With January employment down by 2,700, the Nutmeg state is not off to a good start, although this may be weather

related. The trend of employers doing more with less will continue until the economy shifts into more robust growth. Pfizer has announced it will be eliminating 1,100 jobs in Groton and New London over the next two years. Because Pfizer's jobs have a high economic multiplier effect, this will undoubtedly have a significantly negative impact on not only that region but for the state as a whole. Additionally, Foxwoods and Mohegan Sun Casinos have downsized and are continuing to trend down. State and local governments are currently facing extreme financial challenges, which may have a potential impact on overall employment levels. While Connecticut employers have begun to rehire as the economic condition improves, there are no major projects or businesses coming or expanding to help pick up the speed of job growth this year and beyond.

The present economic recovery, though not the slowest by historical standards, still has a long way to go. Budget shortfalls, persistent weak demand, and long-term unemployment all portend a continuing trend of a "jobless" recovery. Nevertheless, the worst is behind us and Connecticut, as in the past, will do whatever it takes to move on and move forward to a better future. ■

GENERAL ECONOMIC INDICATORS

	4Q	4Q	CHANGE		3Q
<i>(Seasonally adjusted)</i>	2010	2009	NO.	%	2010
Employment Indexes (1992=100)*					
Leading	116.3	114.3	2.0	1.8	116.2
Coincident	102.3	102.0	0.3	0.3	101.8
General Drift Indicator (1986=100)*					
Leading	NA	NA	NA	NA	NA
Coincident	NA	NA	NA	NA	NA
Farmington Bank Business Barometer (1992=100)**	124.1	123.3	0.8	0.6	123.6
Philadelphia Fed's Coincident Index (July 1992=100)***	JAN	JAN			DEC
<i>(Not seasonally adjusted)</i>	2011	2010			2010
Connecticut	NA	NA	NA	NA	NA
United States	NA	NA	NA	NA	NA

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).