

ECONOMIC DIGEST

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In January...

Nonfarm Employment

Connecticut 1,683,200
 Change over month +0.34%
 Change over year +0.3%

United States 145,554,000
 Change over month +0.16%
 Change over year +1.6%

Unemployment Rate

Connecticut 4.5%
 United States 4.8%

Consumer Price Index

United States 242.839
 Change over year +2.5%

Connecticut Economic Recovery Continues in 2016

By Jungmin Charles Joo, DOL

Although still yet to fully recover from the latest employment downturn, the Connecticut economy continued to improve in 2016, albeit at a slower pace. The total nonfarm employment increased for the sixth year. The unemployment rate fell for six consecutive years. Real personal income rose for the third year. Other economic indicators, however, were somewhat mixed.

Nonfarm Employment

After our annual revision, Connecticut gained (based on annual average, not seasonally adjusted data) 5,000 jobs (+0.3%) in 2016, which was fewer than the 12,600 jobs (+0.8%) in 2015. Last year's employment recovery was the slowest in the last six years.

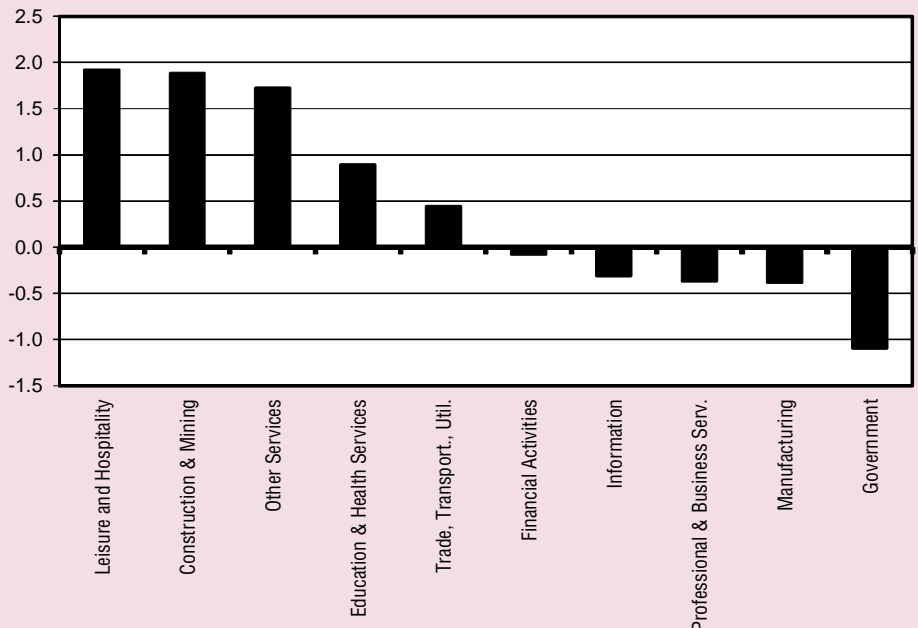
Nationally, employment grew faster at 2.1% in 2015 and 1.7% in 2016.

On a monthly seasonally adjusted basis through January 2017, Connecticut has now recovered 70% (+83,600) of the total nonfarm jobs lost during the March 2008-February 2010 employment recession (-119,100), while the total private sector regained 92% of its job loss. By contrast, the nation has not only fully regained all of the jobs lost during its January 2008-February 2010 employment downturn, but has also added 82% more jobs by January of this year.

Unemployment

This year, Local Area Unemployment Statistics (LAUS) were revised back to 2012. However, most of the significant changes in

CHART 1. 2015 to 2016 Job Percent Changes by Industry



ECONOMIC DIGEST

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the unemployment rate occurred in 2016. All in all, the annual average unemployment rate was revised up slightly from 5.6% to 5.7% in 2015 and was revised down from 5.3% to 5.1% in 2016. Last year's rate was the lowest since 2007 when it was 4.5%. Meanwhile, the nation's rate fell from 5.3% in 2015 to 4.9% in 2016.

The U-6 rate, a broader measure of labor underutilization which also includes those who are marginally attached workers and part-timers that want full-time work, also fell slightly from 10.9% in 2015 to 10.8% in 2016. Moreover, the number of average weekly initial claims of unemployment dropped in 2016 (3,879) for the fifth straight year to the lowest level since 2000 (3,426). The insured unemployment rate also fell to 2.50% in 2016, a consecutive seven-year decline, and the lowest rate since 2007.

Nonfarm Employment by Industry

As shown in the table on page 3, Connecticut has added jobs six years in a row, on an annual average basis. Half of the ten major industry sectors gained jobs over the year (Chart 1). Leisure and hospitality, construction and mining, other services (such as repair and maintenance, personal and laundry, and religious services), education and health services, and trade, transportation, and utilities all added jobs last year, and have been on a growth trend in recent years.

Manufacturing, however, has been cutting jobs in the last five

years. But last year's 0.4% job loss was the smallest. Also encouraging is that the real average weekly earnings of manufacturing workers rose in the past three years. The Connecticut Manufacturing Production Index (CMPI) has also increased for the second year. The government sector was the biggest job loser in 2016, which has been shedding jobs every year since 2009. Professional and business services sector lost jobs last year, after having added every year since 2010. Information and financial activities were essentially flat over the year.

Nonfarm Employment by Labor Market Area

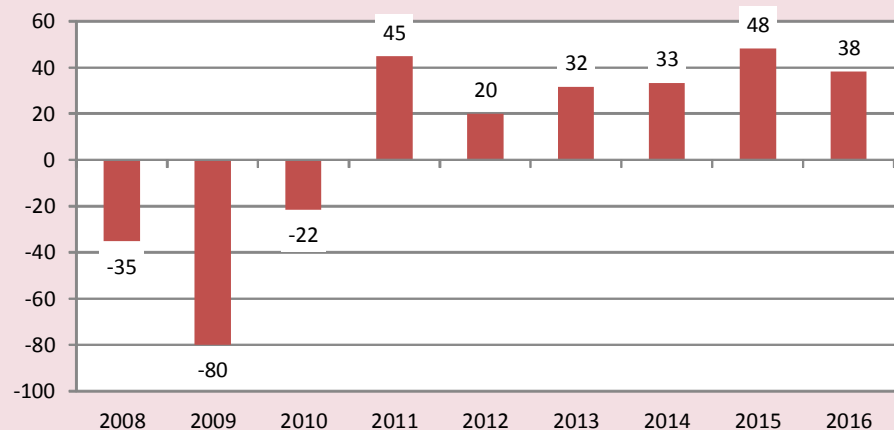
In 2016, seven of nine labor market areas (LMAs) added jobs. The Norwich-New London LMA experienced the biggest job growth, after turning around in 2015. Enfield and Torrington-Northwest regions, however, lost jobs over the year. The charts on page 4 also show long-term seasonally adjusted total nonfarm employment trends of Connecticut and all its nine LMAs from 2003 to January 2017.

Other Economic Indicators

In addition to employment and unemployment data, many other economic indicators support a continuation of Connecticut's economic recovery last year. First, real total personal income of state residents continued to rise for the

-continued on page 5-

CHART 2. Connecticut Economic Indicators Diffusion Index, 2008-2016



Connecticut Economic Indicators, 2007-2016 (Annual Averages)

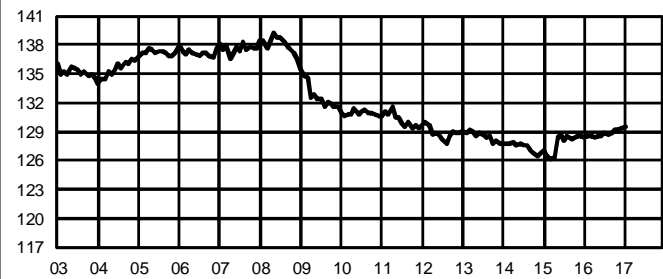
STATEWIDE	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NONFARM EMPLOYMENT (000s)										
TOTAL NONFARM.....	1,698.2	1,699.0	1,626.6	1,608.0	1,623.9	1,637.5	1,650.1	1,661.5	1,674.1	1,679.1
TOTAL PRIVATE.....	1,449.0	1,446.5	1,378.4	1,361.4	1,381.3	1,396.6	1,409.5	1,421.3	1,435.2	1,442.8
GOODS PRODUCING.....	259.6	252.7	225.7	215.4	217.4	215.9	216.4	215.5	215.4	215.9
SERVICE PROVIDING.....	1,438.6	1,446.3	1,400.9	1,392.6	1,406.5	1,421.6	1,433.7	1,446.0	1,458.7	1,463.2
MINING.....	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
CONSTRUCTION.....	69.3	66.1	55.2	50.0	51.4	51.4	53.4	55.5	57.9	59.0
MANUFACTURING.....	190.2	186.7	170.5	164.8	165.4	164.0	162.4	159.4	156.9	156.3
Durable Goods.....	144.4	143.5	131.8	127.3	128.5	128.4	127.1	124.1	123.6	122.7
Non-Durable Goods.....	45.9	43.2	38.7	37.5	36.9	35.6	35.3	35.4	33.3	33.5
TRADE, TRANSPORT., UTILITIES.....	311.8	309.9	293.3	285.8	288.7	291.3	293.9	295.8	297.1	298.4
Wholesale Trade.....	68.3	69.2	64.9	62.7	63.0	63.0	62.9	62.7	62.4	62.7
Retail Trade.....	191.1	188.1	178.4	178.2	180.0	181.7	183.1	184.3	184.7	184.6
Transport., Warehousing, & Utilities.....	52.3	52.7	50.0	45.0	45.8	46.6	47.9	48.8	50.0	51.1
INFORMATION.....	38.4	37.8	34.3	31.7	31.3	31.3	32.0	32.0	32.4	32.3
FINANCIAL ACTIVITIES.....	144.6	143.4	137.6	135.2	135.0	133.1	130.5	128.7	130.1	130.0
PROFESSIONAL & BUSINESS SERV.....	207.0	205.5	190.1	192.3	198.4	204.3	207.5	212.2	218.5	217.7
EDUCATIONAL & HEALTH SERV.....	287.8	296.7	302.4	306.9	313.0	317.1	324.0	324.1	326.6	329.5
LEISURE AND HOSPITALITY.....	135.7	137.3	133.7	133.6	137.1	142.2	146.8	149.9	151.1	154.0
OTHER SERVICES.....	64.1	63.1	61.3	60.5	60.3	61.5	61.9	62.9	63.9	65.0
GOVERNMENT.....	249.2	252.5	248.2	246.5	242.6	240.9	240.6	240.2	238.9	236.3
TOTAL NONFARM EMPLOYMENT IN LABOR MARKET AREAS										
Bridgeport-Stamford.....	412.0	409.4	391.2	389.1	393.1	397.8	402.1	405.4	409.5	410.2
Danbury.....	77.8	77.5	73.2	72.7	74.1	75.3	76.5	77.7	78.7	78.8
Hartford.....	566.3	568.7	550.2	543.5	548.2	552.8	557.9	563.5	568.5	569.8
New Haven.....	279.7	278.9	267.8	265.5	267.6	272.3	275.3	278.0	279.9	281.8
Norwich-New London-Westerly.....	137.5	138.1	132.8	130.9	130.1	128.9	128.6	127.5	127.8	128.8
Waterbury.....	71.4	69.7	65.7	64.4	65.1	66.1	66.7	66.9	66.8	67.2
Enfield.....	48.4	47.8	45.3	44.2	44.8	45.1	44.5	44.9	45.5	44.9
Torrington-Northwest.....	34.4	34.8	33.0	32.3	32.5	32.7	32.9	33.0	33.1	33.0
Danielson-Northeast.....	27.4	27.1	26.1	25.7	25.9	26.1	26.8	27.2	27.0	27.1
ALL EMPLOYEES HOURS & EARNINGS										
Total Private Average Weekly Hours.....	34.3	34.0	33.0	33.3	33.9	34.0	33.6	33.7	33.5	33.6
Real Tot Priv Avg Hrlly Earn (82-84\$).....	\$12.82	\$12.87	\$12.96	\$12.88	\$12.56	\$12.26	\$12.01	\$11.90	\$12.29	\$12.68
Real Tot Priv Avg Wkly Earn (82-84\$).....	\$439.84	\$437.65	\$427.84	\$428.84	\$425.63	\$416.72	\$403.37	\$400.32	\$411.87	\$425.95
UNEMPLOYMENT										
Labor Force (000s).....	1,856.2	1,881.5	1,891.1	1,911.7	1,914.8	1,887.4	1,868.8	1,883.7	1,890.5	1,891.8
Employed (000s).....	1,773.2	1,774.7	1,741.0	1,737.4	1,746.0	1,729.8	1,723.9	1,759.1	1,782.3	1,795.5
Unemployed (000s).....	83.0	106.8	150.1	174.3	168.8	157.6	144.9	124.6	108.2	96.3
Unemployment Rate.....	4.5%	5.7%	7.9%	9.1%	8.8%	8.3%	7.8%	6.6%	5.7%	5.1%
Average Weekly Initial Claims.....	4,123	4,945	6,414	5,414	5,450	5,081	4,792	4,290	3,910	3,879
Insured Unemployment Rate.....	2.44%	2.93%	5.14%	4.32%	3.79%	3.57%	3.34%	3.02%	2.61%	2.50%
U-6 Rate.....	8.2%	10.3%	14.4%	15.7%	15.4%	14.7%	13.9%	12.6%	10.9%	10.8%
MANUFACTURING ACTIVITY										
Average Weekly Hours.....	42.3	42.4	40.8	41.2	40.6	40.4	41.1	40.8	40.5	42.6
Real Average Hourly Earnings (82-84\$).....	\$10.18	\$10.15	\$11.00	\$11.07	\$11.19	\$10.58	\$9.50	\$9.62	\$11.07	\$11.41
Real Average Weekly Earnings (82-84\$).....	\$430.46	\$430.55	\$448.81	\$456.24	\$454.26	\$427.62	\$390.51	\$392.28	\$448.38	\$486.21
CT Mfg. Production Index (2009=100).....	139.0	128.0	100.0	105.2	105.6	109.7	110.6	108.5	109.9	110.2
INCOME (mil.\$)										
Real Personal Income (1982-84 \$).....	\$98,551	\$100,837	\$100,342	\$101,974	\$101,917	\$101,790	\$98,995	\$101,307	\$104,089	\$106,102
Real UI Covered Wages (1982-84 \$).....	\$47,044	\$45,597	\$43,384	\$43,447	\$43,788	\$43,879	\$43,764	\$44,532	\$45,842	\$46,349
OTHER ECONOMIC INDICATORS										
New Housing Permits.....	7,746	5,220	3,343	3,765	3,113	5,240	5,762	5,297	5,883	5,341
Construction Contracts (1980=100).....	414.8	355.5	284.5	280.7	283.4	269.2	389.2	320.0	419.5	308.5
New Auto Registrations.....	213,992	189,955	146,994	152,079	178,571	186,452	195,819	197,779	168,269	267,284
Exports (bil.\$).....	\$13.80	\$15.38	\$13.98	\$16.03	\$16.21	\$15.96	\$16.43	\$15.96	\$15.24	\$14.40
S&P 500: Monthly Close (December).....	1,468.36	903.25	1,115.10	1,257.64	1,257.60	1,426.19	1,848.36	2,058.90	2,043.94	2,238.83
Total All Taxes (mil.\$).....	\$13,639.5	\$13,874.5	\$12,188.1	\$12,862.7	\$14,337.7	\$15,825.5	\$16,892.6	\$16,379.1	\$18,563.9	\$17,302.4
Corporate Tax (mil.\$).....	\$799.6	\$702.5	\$646.3	\$645.1	\$801.0	\$717.5	\$852.5	\$691.3	\$846.3	\$988.6
Personal Income Tax (mil.\$).....	\$7,039.2	\$7,368.9	\$6,324.7	\$6,766.0	\$7,672.3	\$8,300.6	\$8,819.3	\$8,790.7	\$9,913.9	\$9,157.9
Real Estate Conveyance Tax (mil.\$).....	\$211.3	\$123.3	\$87.6	\$94.8	\$112.1	\$140.4	\$168.7	\$182.8	\$212.6	\$207.5
Sales & Use Tax (mil.\$).....	\$3,628.8	\$3,531.8	\$3,214.8	\$3,233.3	\$3,532.1	\$3,958.4	\$4,079.0	\$4,134.8	\$4,690.0	\$4,283.4
Gaming Payments (mil.\$).....	\$421.2	\$394.8	\$364.9	\$360.7	\$354.6	\$318.7	\$289.3	\$273.0	\$266.0	\$266.5
Occupancy Rate.....	60.6%	57.8%	51.2%	54.8%	58.6%	58.3%	58.8%	59.6%	60.2%	59.6%
*Major Attraction Visitors (000s).....	1,716.5	1,676.0	1,675.5	1,540.4	1,601.8	1,691.8	1,621.2	6,782.9	6,804.3	6,618.2
Air Passenger Count (000s).....	6,519.2	6,113.0	5,317.4	5,381.0	5,607.8	5,381.9	5,422.0	5,875.8	5,933.8	6,060.9
Gaming Slots (mil.\$).....	\$19,710.1	\$18,621.1	\$17,161.0	\$17,062.0	\$16,306.0	\$14,772.0	\$13,778.1	\$13,066.4	\$12,837.9	\$13,032.0

Seasonally Adjusted Nonfarm Employment Trends by Labor Market Area, 2003 - Jan. 2017

TOTAL NONFARM EMPLOYMENT, SA, 000s



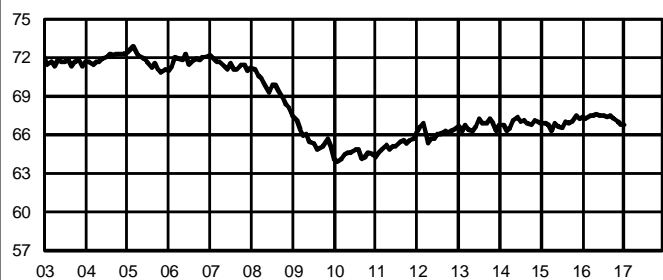
NORWICH-NEW LONDON LMA EMP., SA, 000s



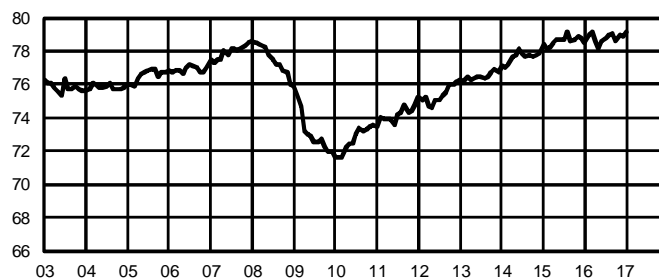
BRIDGEPORT-STAMFORD LMA EMP., SA, 000s



WATERBURY LMA EMP., SA, 000s



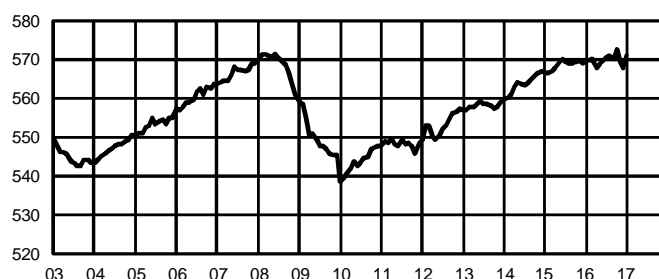
DANBURY LMA EMP., SA, 000s



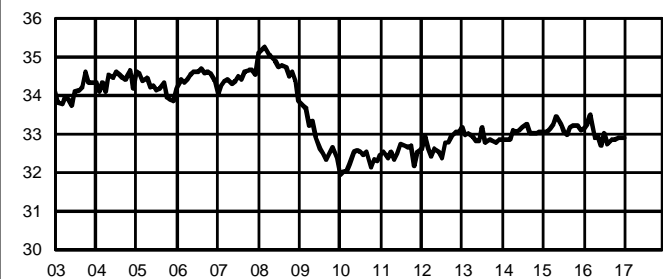
***ENFIELD LMA EMP., SA, 000s**



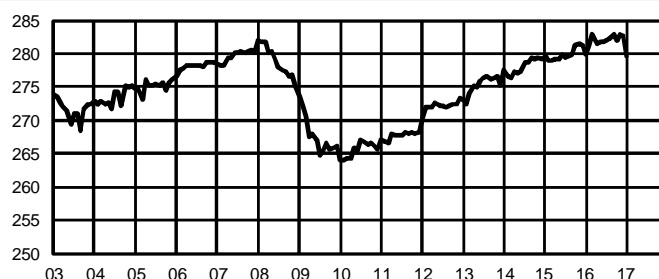
HARTFORD LMA EMP., SA, 000s



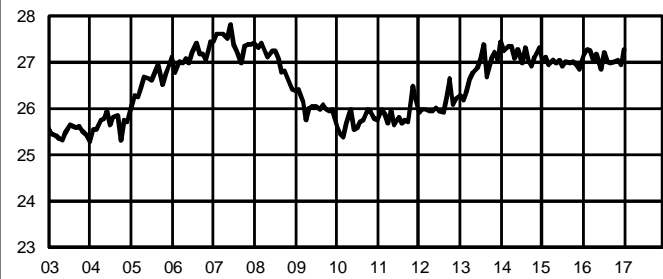
***TORRINGTON-NORTHWEST LMA EMP., SA, 000s**



NEW HAVEN LMA EMP., SA, 000s



***DANIELSON-NORTHEAST LMA EMP., SA, 000s**



* Unofficial seasonally adjusted estimates produced by the Connecticut Department of Labor

-continued from page 2-

third year. Total unemployment insurance covered wages (inflation-adjusted), the biggest component of total personal income, has also risen for the last three years. The number of new auto registrations processed increased in 2016. Ending with the upbeat market, the S&P 500 bounced back last year. Revenues from both gaming payments and slots finally turned the corner last year after having declined continuously since 2007. Lastly, the air passenger count rose for four straight years.

On the other hand, an increased number of other economic indicators painted a less rosy picture of our economy. To start off, both the number of new housing permits and the construction contracts index fell last year. Connecticut exports continued to decline for the third year. Total all taxes collected by the State last year declined. Revenues from major components such as personal income, real estate conveyance, and sales and use taxes all fell over the year. Corporate tax collection, however, rose in 2016. The hotel occupancy rate decreased in 2016, after experiencing three consecutive years of increase. Finally, the number of major attraction visitors dipped last year.

Diffusion Index

A diffusion index is one way to measure overall economic activity

by summarizing all 60 economic indicators on page 3. For each annual economic indicator, the movement is up, down, or unchanged over the year. Results are reported as a diffusion index that is calculated by subtracting the share of indicators with negative economic movement from the share that moved in a positive economic direction.

For example, out of 60 indicators, 19 (32%) went up, 40 (67%) went down, and 1 stayed the same in 2008. The diffusion index is then calculated by subtracting 67 from 32, therefore -35. If a diffusion index is positive, then that is generally interpreted as an expansion in economic activity (because more indicators are saying improvement), while negative values are interpreted as a contraction (because more indicators are saying deterioration). This makes sense, given that Connecticut was in an economic recession in 2008. Thus, last year's index value of +38 suggests continuation of economic recovery, albeit at a slower pace than in 2015 (Chart 2).

Looking Ahead

The Connecticut economy is off to a good start in 2017. Our state added 5,700 jobs, and the unemployment rate was at a historical low of 4.5% in January.

Personal income is forecasted to continue to increase, the number of housing permits is up, net business starts increased, and total revenues rose in January.

And more new jobs are coming this year and in the near future. With the potential increase in the national defense budget, Connecticut's defense-related industries may get some boost. It was announced in the news media that Electric Boat, Pratt and Whitney, and Sikorsky are planning to add thousands of jobs in the coming years, many of which are high-paying. The Outlet Shoppes at Rentschler Field in East Hartford is set to open by summer of next year, bringing at least one thousand new jobs. Moreover, Yale is set to expand, which will create hundreds of jobs.

However, if the nation's economy slows down, Connecticut's economy will also be impacted. Plus, given the continued budget deficit problem, thousands of state government workers will be facing potential layoffs if the concessions with the unions do not come to fruition.

In the current trajectory, however, Connecticut may end up experiencing yet another year of economic recovery, though perhaps at a slower rate. Only time will tell. ■

GENERAL ECONOMIC INDICATORS

	4Q 2016	4Q 2015	CHANGE NO. %		3Q 2016
<i>(Seasonally adjusted)</i>					
General Drift Indicator (1996=100)*					
Leading	NA	NA	NA	NA	NA
Coincident	NA	NA	NA	NA	NA
Farmington Bank Business Barometer (1992=100)**	137.3	135.8	1.5	1.1	137.3
Philadelphia Fed's Coincident Index (July 1992=100)***	Jan	Jan			Dec
<i>(Seasonally adjusted)</i>	2017	2016			2016
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).