

ECONOMIC DIGEST

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In January...

Nonfarm Employment

Connecticut 1,689,000
 Change over month +0.2%
 Change over year +0.33%

United States 147,810,000
 Change over month +0.14%
 Change over year +1.45%

Unemployment Rate

Connecticut 4.5%
 United States 4.1%

Consumer Price Index

United States 247.867
 Change over year +2.1%

Connecticut Economic Recovery Slows Down Further in 2017

By Jungmin Charles Joo, DOL

As predicted this time last year, Connecticut's economy did continue to improve in 2017, and at a slower pace than in 2016 (March 2017 article). For the seventh year in a row, the revised total nonfarm employment increased, while the unemployment rate fell. However, real personal income decreased for the last two years, and more economic indicators pointed in negative directions than in 2016.

Nonfarm Employment

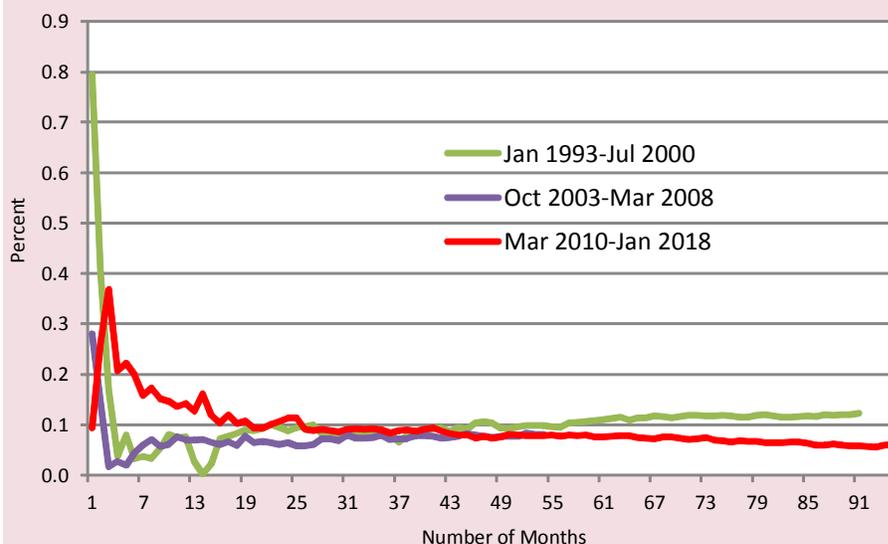
After our annual revision, Connecticut gained (based on annual average, not seasonally adjusted data) 1,800 jobs (+0.1%) in 2017, which was fewer than the 4,800 jobs (+0.3%) in 2016. By contrast, employment grew much

faster at 1.8% in 2016 and 1.6% in 2017 in the nation.

Last year's Connecticut employment recovery was the slowest in the last seven years. In fact, the current 2010-2018's monthly job recovery rate has been trending downward from the beginning, averaging below 0.1 percent throughout the most of its 95-month employment recovery so far. In contrast, the 2003-2008 recovery period showed rising recovery rate, and during the 1993-2000 period, the monthly job growth rate had risen steadily, increasing above the 0.1 percent threshold in later years of its employment recovery (see Chart 1).

On a monthly seasonally adjusted basis through January 2018, Connecticut has now

CHART 1. CT Monthly Job Recovery Rate (Cumulative Average)



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recovered 80% (+94,800) of the total nonfarm jobs lost during the March 2008-February 2010 employment recession (-119,100), while the total private sector regained 100% of its job loss. On the other hand, the U.S. has not only fully regained all of the jobs lost during its January 2008-February 2010 employment downturn, but also added 108% more jobs by January of this year.

Unemployment

This year, Local Area Unemployment Statistics (LAUS) were revised back to 2010, due to methodological changes and models improvement. The new annual average unemployment rate remained at 5.1% in 2016, and 4.7% in 2017. Last year's rate was the lowest since 2007 when it was 4.5%. Meanwhile, the nation's rate fell from 4.9% in 2016 to 4.4% in 2017.

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 from 10.8% in 2016 to 10.1% in 2017 for the state, the lowest rate since 2007's 8.2%. Moreover, the number of average weekly initial claims of unemployment dropped in 2017 (3,716) for the sixth straight year to the lowest level since 2000 (3,426). The insured unemployment rate also fell for the eighth consecutive year to 2.36% in 2017, the lowest rate since 2001 (2.35%).

Employment by Industry

As shown in the table on page 3, Connecticut has added jobs for the

seventh year. Four of the ten major industry sectors gained jobs over the year, down from five in 2016. Manufacturing actually led the employment growth (1.9%), adding 2,900 jobs, and breaking a five-year losing streak. Education and health services, leisure and hospitality, and other services (such as repair and maintenance, personal and laundry, and religious services) all added jobs last year as well.

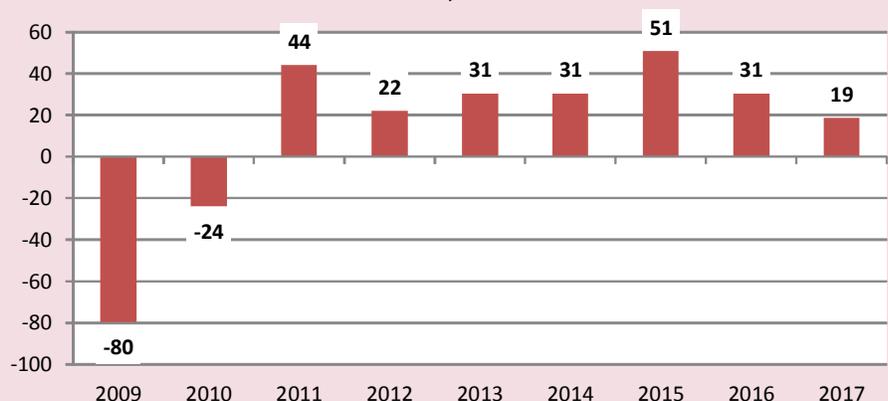
On the other end of the spectrum, the information sector experienced the fastest job loss (-3.1%). The government sector continued to be the biggest job loser (-3,500) in 2017. The public sector has been shedding jobs every year since 2009. Financial activities, construction and mining, trade, transportation and utilities, and professional and business services sectors also shed jobs in 2017.

Employment by LMA

In 2017, only four of nine labor market areas (LMAs) in Connecticut added jobs. Once again, the Norwich-New London LMA experienced the biggest job growth, after turning around in 2015. The Bridgeport-Stamford LMA, however, lost employment last year for the first time since 2010. The charts on page 4 also show long-term seasonally adjusted total nonfarm employment trends of Connecticut and all its nine LMAs from 2004 to January 2017.

-continued on page 5-

CHART 2. CT Annual Diffusion Index (ADI) of Economic Indicators, 2009-2017

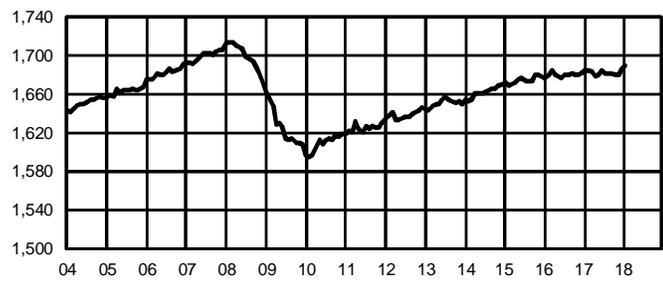


Connecticut Economic Indicators, 2008-2017 (Annual Averages)

STATEWIDE	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
NONFARM EMPLOYMENT (000s)										
TOTAL NONFARM.....	1,699.1	1,626.6	1,608.0	1,623.9	1,637.5	1,650.1	1,661.5	1,674.1	1,678.9	1,680.7
TOTAL PRIVATE.....	1,444.2	1,376.0	1,361.5	1,381.2	1,396.6	1,409.5	1,421.3	1,435.2	1,443.0	1,448.3
GOODS PRODUCING.....	250.6	223.6	213.3	215.3	213.8	214.2	213.3	215.4	216.2	218.2
SERVICE PROVIDING.....	1,448.5	1,403.1	1,394.7	1,408.5	1,423.7	1,436.0	1,448.2	1,458.7	1,462.6	1,462.5
MINING.....	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
CONSTRUCTION.....	65.3	54.6	50.0	51.4	51.4	53.4	55.5	57.9	59.1	58.2
MANUFACTURING.....	184.5	168.4	162.7	163.3	161.9	160.2	157.2	156.9	156.5	159.4
Durable Goods.....	143.5	131.8	127.3	128.5	128.4	127.1	124.1	123.6	122.8	124.8
Non-Durable Goods.....	41.0	36.5	35.4	34.9	33.5	33.1	33.2	33.3	33.7	34.6
TRADE, TRANSPORT., UTILITIES.....	305.7	289.0	285.8	288.7	291.3	293.9	295.8	297.1	298.2	297.7
Wholesale Trade.....	69.2	64.9	62.7	63.0	63.0	62.9	62.7	62.4	62.5	62.7
Retail Trade.....	188.1	178.4	178.2	180.0	181.7	183.1	184.3	184.7	184.6	183.1
Transport, Warehousing, & Utilities.....	48.4	45.7	45.0	45.8	46.6	47.9	48.8	50.0	51.0	51.9
INFORMATION.....	37.8	34.3	31.7	31.3	31.3	32.0	32.0	32.4	32.4	31.4
FINANCIAL ACTIVITIES.....	143.4	137.6	135.2	135.0	133.1	130.6	128.7	130.1	129.5	128.0
PROFESSIONAL & BUSINESS SERV.....	209.6	194.3	194.4	200.5	206.4	209.7	214.4	218.5	218.4	218.0
EDUCATIONAL & HEALTH SERV.....	296.7	302.4	306.9	313.0	317.1	320.4	324.1	326.6	329.8	334.3
LEISURE AND HOSPITALITY.....	137.3	133.7	133.6	137.1	142.2	146.8	149.9	151.1	153.9	155.7
OTHER SERVICES.....	63.1	61.3	60.5	60.3	61.5	61.9	62.9	63.9	64.7	64.9
GOVERNMENT.....	254.9	250.6	246.5	242.6	240.9	240.6	240.2	239.0	235.9	232.4
TOTAL NONFARM EMPLOYMENT IN LABOR MARKET AREAS										
Bridgeport-Stamford.....	409.3	391.1	389.1	393.0	397.7	402.1	405.4	409.5	410.1	406.5
Danbury.....	77.6	73.3	72.7	74.1	75.3	76.5	77.7	78.7	78.5	78.2
Hartford.....	568.6	550.2	543.5	548.2	552.8	557.9	563.5	568.5	569.8	572.1
New Haven.....	278.8	267.8	265.5	267.6	272.3	275.3	278.0	279.9	282.4	283.9
Norwich-New London-Westerly.....	138.2	132.8	130.9	130.1	128.9	128.6	127.5	127.8	128.8	130.3
Waterbury.....	69.7	65.8	64.4	65.1	66.1	66.7	66.9	66.8	67.2	66.9
Enfield.....	47.8	45.3	44.2	44.8	45.1	44.5	44.9	45.5	44.9	45.0
Torrington-Northwest.....	34.8	33.0	32.3	32.5	32.7	32.9	33.0	33.1	33.0	32.5
Danielson-Northeast.....	27.1	26.1	25.7	25.9	26.1	26.8	27.2	27.0	27.0	27.0
ALL EMPLOYEES HOURS & EARNINGS										
Total Private Average Weekly Hours.....	33.9	33.0	33.3	33.9	34.0	33.6	33.6	33.5	33.6	33.7
Real Tot Priv Avg Hrly Earn (82-84\$).....	\$12.87	\$12.96	\$12.88	\$12.56	\$12.26	\$12.01	\$11.90	\$12.29	\$12.68	\$12.72
Real Tot Priv Avg Wkly Earn (82-84\$).....	\$436.36	\$427.84	\$428.84	\$425.63	\$416.72	\$403.37	\$399.72	\$411.87	\$425.95	\$428.50
UNEMPLOYMENT										
Labor Force (000s).....	1,881.5	1,891.1	1,911.7	1,914.8	1,887.4	1,863.3	1,892.5	1,895.8	1,904.6	1,918.6
Employed (000s).....	1,774.7	1,741.0	1,737.4	1,746.0	1,729.8	1,717.8	1,767.3	1,787.4	1,806.6	1,828.9
Unemployed (000s).....	106.8	150.1	174.3	168.8	157.6	145.6	125.2	108.4	98.0	89.7
Unemployment Rate.....	5.7%	7.9%	9.1%	8.8%	8.3%	7.8%	6.6%	5.7%	5.1%	4.7%
Average Weekly Initial Claims.....	4,945	6,414	5,414	5,450	5,081	4,792	4,290	3,910	3,879	3,716
Insured Unemployment Rate.....	2.93%	5.14%	4.32%	3.79%	3.57%	3.34%	3.02%	2.61%	2.50%	2.36%
U-6 Rate.....	10.3%	14.4%	15.7%	15.4%	14.7%	13.9%	12.6%	10.9%	10.8%	10.1%
MANUFACTURING ACTIVITY										
Average Weekly Hours.....	42.4	40.8	41.2	40.6	40.5	41.1	40.8	40.5	42.6	41.6
Real Average Hourly Earnings (82-84\$).....	\$10.15	\$11.00	\$11.07	\$11.19	\$10.58	\$9.50	\$9.62	\$11.07	\$11.41	\$10.46
Real Average Weekly Earnings (82-84\$).....	\$430.55	\$448.81	\$456.24	\$454.26	\$428.68	\$390.51	\$392.44	\$448.38	\$486.13	\$435.23
CT Mfg. Production Index (2009=100).....	128.0	100.0	105.2	105.6	109.7	110.6	108.4	108.1	101.8	96.9
INCOME (mil.\$)										
Real Personal Income (1982-84 \$).....	\$100,837	\$100,342	\$101,974	\$101,917	\$101,790	\$98,995	\$100,986	\$103,343	\$103,283	\$102,471
Real UI Covered Wages (1982-84 \$).....	\$45,596	\$43,384	\$43,448	\$43,787	\$43,879	\$43,764	\$44,532	\$45,842	\$46,118	\$45,831
OTHER ECONOMIC INDICATORS										
New Housing Permits.....	5,220	3,343	3,765	3,113	5,240	5,762	5,297	5,883	5,341	4,606
Construction Contracts (1980=100).....	355.5	284.5	280.7	283.4	269.2	389.2	320.6	412.4	316.6	452.6
New Auto Registrations.....	189,955	146,994	152,079	178,571	186,452	195,819	197,779	168,269	267,284	223,577
Exports (bil.\$).....	\$15.38	\$13.98	\$16.03	\$16.23	\$15.87	\$16.43	\$15.96	\$15.24	\$14.39	\$14.76
S&P 500: Monthly Close (December).....	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	2,673.61
Total All Taxes (mil.\$).....	\$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	\$17,770.3
Corporate Tax (mil.\$).....	\$702.5	\$646.3	\$645.1	\$801.0	\$717.5	\$852.5	\$691.3	\$846.3	\$988.6	\$969.0
Personal Income Tax (mil.\$).....	\$7,368.9	\$6,324.7	\$6,766.0	\$7,672.3	\$8,300.6	\$8,819.3	\$8,790.7	\$9,913.9	\$9,158.5	\$9,436.0
Real Estate Conveyance Tax (mil.\$).....	\$123.3	\$87.6	\$94.8	\$112.1	\$140.4	\$168.7	\$182.8	\$212.6	\$207.5	\$201.5
Sales & Use Tax (mil.\$).....	\$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	\$4,359.0
Gaming Payments (mil.\$).....	\$394.8	\$364.9	\$360.7	\$354.6	\$318.7	\$289.3	\$273.0	\$266.0	\$266.5	\$273.7
Occupancy Rate.....	57.8%	51.2%	54.8%	58.6%	58.3%	58.8%	59.6%	60.2%	60.6%	61.6%
*Major Attraction Visitors (000s).....	1,676.0	1,675.5	1,540.4	1,601.8	1,691.8	1,621.2	6,782.9	6,804.3	6,616.3	6,372.7
Gaming Slots (mil.\$).....	\$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	\$13,348.8

Seasonally Adjusted Nonfarm Employment Trends by Labor Market Area, 2004 - Jan. 2017

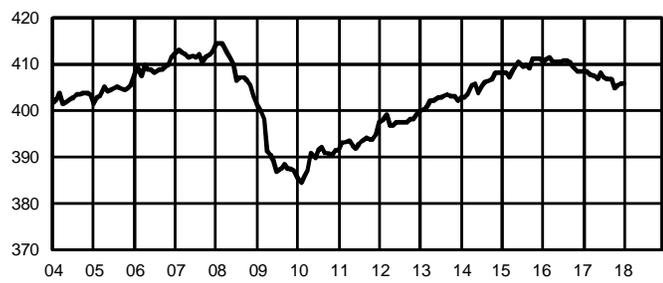
TOTAL NONFARM EMPLOYMENT, SA, 000s



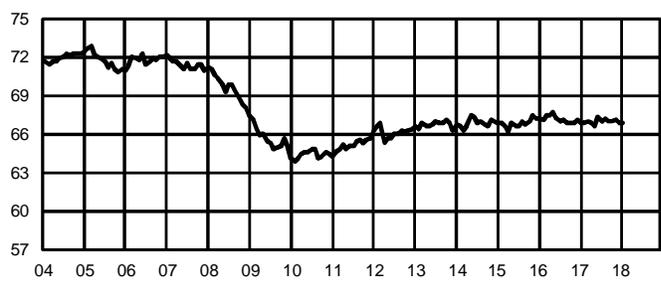
NORWICH-NEW LONDON LMA EMP., SA, 000s



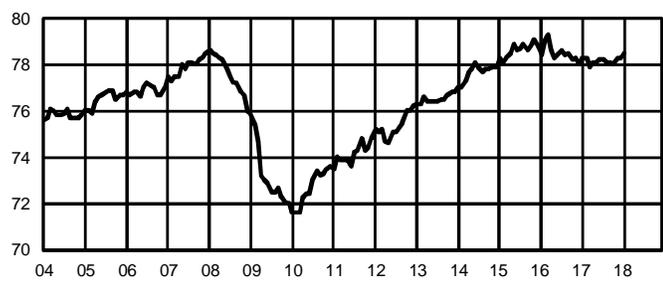
BRIDGEPORT-STAMFORD LMA EMP., SA, 000s



WATERBURY LMA EMP., SA, 000s



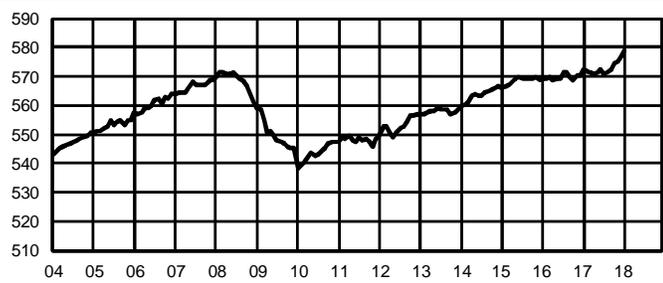
DANBURY LMA EMP., SA, 000s



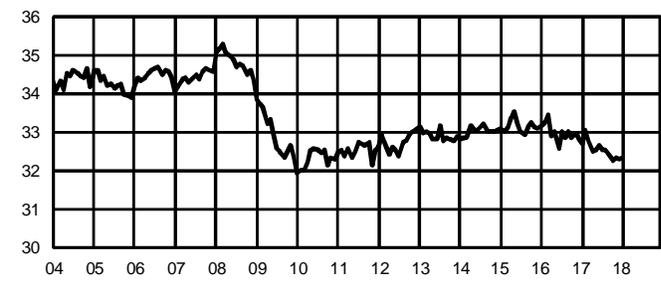
***ENFIELD LMA EMP., SA, 000s**



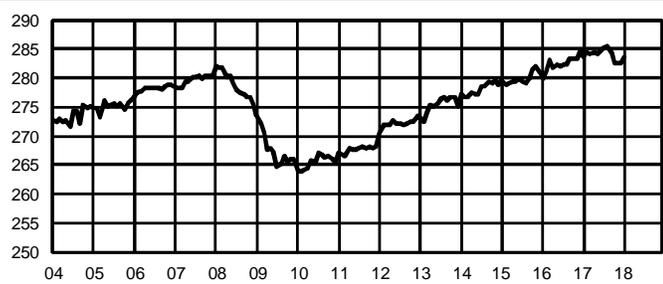
HARTFORD LMA EMP., SA, 000s



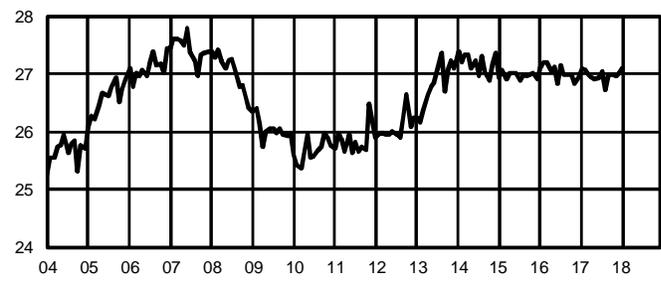
***TORRINGTON-NORTHWEST LMA EMP., SA, 000s**



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-

Other Economic Indicators

In addition to employment and unemployment data, other economic indicators reflect a continuation, but weaker, of Connecticut's economic recovery last year. As the table on page 3 shows, the construction contracts index increased, and exports rose for the first time in four years. The stock market continued to soar for the second year. Total taxes collected increased, and revenues from both gaming payments and slots all rose last year as well.

However, inflation-adjusted total personal income of state residents dipped for the second year in a row. The number of new housing permits declined two years in a row, as the new auto registrations annual total fell over the year. Moreover, the major attraction visitors figure shrank over the last two years.

Annual Diffusion Index

An Annual Diffusion Index (ADI) is one way to measure overall economic activity by summarizing all 59 economic indicators on page 3. For each 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 59 indicators, 6 (10%) went up and 53 (90%) went down in 2009. The ADI is then calculated by subtracting 90 from 10, resulting -80. If an ADI 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) for that year. This value of -80 makes sense, given that 2009 was the worst year during the 2008-2010 economic recession in Connecticut. As the Chart 2 shows, the ADI falling from 51 in 2015 to 31 in 2016, and to 19 in 2017 suggests a further slowdown of economic growth. At this trajectory, by the end of this year, we may be teetering on the edge of another downturn.

Looking Ahead

The Connecticut economy is off to a good start this year, having added 3,400 jobs in January. And more new jobs are coming this year and in the near future. For

example, it was announced in the media that ASML, one of the world's leading manufacturers of chip-making equipment, is planning to grow its Wilton operations through an expansion project that will add up to 524 new jobs. Pennsylvania-based department store, Boscov's, will be opening its second New England location at Connecticut Post Mall in Milford in October, bringing with it 300 new jobs.

However, layoffs and closures are coming as well. For instance, Pfizer, a pharmaceutical giant, will be laying off 100 workers in Groton, and MassMutual insurance company is closing its Enfield office, which employs 1,500, and will expand operations in Springfield and Boston.

The national economy is chugging along on an expansionary track, with its stock market going strong, and adding jobs at a modest pace. Connecticut's economy, however, has been struggling to keep up the pace, let alone regaining all the jobs lost in the last recession. The continuously falling monthly employment recovery rate and the declining ADI, along with the ongoing state budgetary situation, all seem to point to challenges to job growth in the near future. ■

GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	4Q	4Q	CHANGE		3Q
	2017	2016	NO.	%	2017
General Drift Indicator (1996=100)*					
Leading	NA	NA	NA	NA	NA
Coincident	NA	NA	NA	NA	NA
Farmington Bank Business Barometer (1992=100)**	135.8	135.7	0.1	0.1	135.8
Philadelphia Fed's Coincident Index (July 1992=100)***	Jan	Jan			Dec
<i>(Seasonally adjusted)</i>	2018	2017			2017
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).