*Connecticut's Economy Continued to Grow in 2024*

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Connecticut employment continued to grow for the fourth year in a row, surpassing the pre-pandemic levels in 2024. The revised annual average total nonfarm employment rose 0.8% to a level of 1,708,300 in 2024. Last year’s annual average unemployment rate was unchanged over the year at 3.2%. Overall, the 2024 economy continued to grow moderately as per the annual diffusion index.

**Nonfarm Employment**

 After the latest annual revision (based on annual average, not seasonally adjusted data), in 2024 Connecticut gained 13,300 jobs (0.8%), fewer than the increase of 26,800 jobs (1.6%) in 2023. In the nation employment rose 1.3% in 2024, after having increased 2.2% in 2023. (Seasonally adjusted, Connecticut added 16,000 jobs from December 2023 to December 2024.)

 As shown in Chart 1, the majority of Connecticut’s industry sectors continued to add jobs last year. Six of eleven major industry sectors have gained employment over the year, while four shed jobs. The biggest job growth occurred in education and health services (10,900, +3.1%) and other services (1,200, +1.9%). However, information

(-500, -1.6%) and manufacturing (-1,700, -1.1%) posted the fastest employment decline in 2024.

**Unemployment**

 As the economy moved into expansionary territory after recovering all the jobs lost from the impact of the pandemic, unemployment indicators also pointed to a better labor market situation in 2024. The annual average unemployment rate remained steady at 3.2% for the second year, the lowest level since the pre-pandemic rate of 3.6% in 2019. By comparison, the nation’s rate increased from 3.6% in 2023 to 4.0% in 2024. Any unemployment rate around 4% would be considered low by historic standards.

 In addition, 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, was unchanged at 7.1% in 2024 for Connecticut, the lowest rate over the last ten years. The insured unemployment rate was also essentially unchanged over the year at 1.6%. The number of average weekly initial claims for unemployment fell from 4,009 in 2023 to 3,154 in 2024, the lowest level during the 10-year period.

**Employment by LMA**

 All but one (Putnam-Northeast) of seven labor market areas (LMAs) in Connecticut continued to add jobs. The biggest job gain occurred in the New Haven region, based on annual averages. The charts on page 4 also show long-term seasonally adjusted and not seasonally adjusted total nonfarm employment trends of Connecticut and all seven LMAs from 2011 to January 2025.

**Other Economic Indicators**

 In addition to employment and unemployment data, most other economic indicators reflected the continuing economic growth in Connecticut. As the table on page 3 shows, both inflation-adjusted total personal income and real Unemployment Insurance covered wages of state residents (3-quarter averages) rose for the second year in a row. Real average weekly earnings in both total private sector and manufacturing sector turned around after three years of decline. Both new housing permits and construction contracts soared for three consecutive years. New auto registration grew for the second year. Exports and occupancy rates rose for four years in a row. Both S & P 500 and gaming payments increased for the second year.

 On the other hand, newly updated Connecticut Manufacturing Production Index declined for the second year. Gaming slots dropped slightly for two years in a row as well.

**Annual Diffusion Index**

 An Annual Diffusion Index (ADI) is one way to measure overall economic activity by summarizing all 51 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 51 indicators, 35 (69%) went up and 13 (26%) went down, and three was unchanged in 2016. The ADI is then calculated by subtracting 26 from 69, resulting in an indicator of 43. If an ADI is positive, then that is generally interpreted as an expansion in economic activity (because more indicators are improving), while negative values are interpreted as a contraction (because more indicators are deteriorating) for that year. As Chart 2 shows, the revised ADI showed another year of continuing growth with an index number of +41 in 2024.

**Looking Ahead**

 This year is off to a solid start with a 2,300 gain in jobs and a very low unemployment rate in January (3.3%), as the pandemic losses are behind us and our economy is moving forward. All except one labor market areas added jobs for the fourth year, and employment in many of the industry sectors in Connecticut continued to rise last year. The diffusion index confirms that most indicators were positive in 2024. The largest risk to Connecticut's continued growth is the national economy. Federal changes to tariff policy and persistent inflationary pressure could lead to a national downturn according to some economists, which would impact Connecticut's economy and labor market. Our projections are for continued growth in 2025 based on recent trends and current data. We will be watching the monthly labor situation reports and other indicators carefully to measure the impact of changes at the national level on our outlook. n