

ECONOMIC DIGEST

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In January...

Nonfarm Employment

Connecticut 1,570,700
 Change over month -0.01%
 Change over year -7.50%

United States 142,631,000
 Change over month +0.03%
 Change over year -6.31%

Unemployment Rate

Connecticut 8.1%
 United States 6.3%

Consumer Price Index

United States 261.582
 Change over year +1.4%

Connecticut's Economy Shrinks Due to the Pandemic in 2020

By Jungmin Charles Joo, Department of Labor

Employment fell sharply in Connecticut for the first time since 2010 and the overall economy shrank in 2020. After having increased for eight straight years, the revised annual average total nonfarm employment fell slightly in 2019, and drastically last year, due to the impact from the pandemic. Correspondingly, last year's unemployment rate rose significantly, while after having increased in the last six years, real personal income fell markedly. Not surprisingly the value of annual diffusion index of 58 state economic indicators dropped dramatically as well in 2020.

As in past years, this article focuses on the annual average.

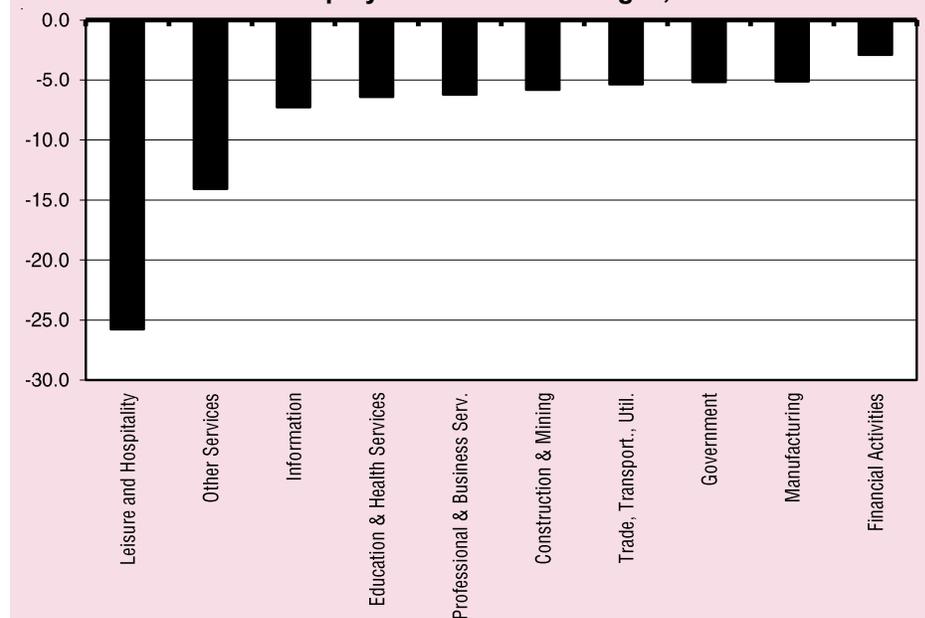
However, 2020 was unusual for many reasons. There were sharp job declines concentrated in a few months in the first half of the year followed by several months of strong growth - although not strong enough to fully overcome the large job losses caused by the pandemic.

Nonfarm Employment

After our latest annual revision (based on annual average, not seasonally adjusted data), in 2020 Connecticut lost 131,400 jobs, or -7.8%. In 2019, 3,400 jobs were lost (-0.2%). Meanwhile, national employment fell 5.8% in 2020 after rising 1.3% in 2019.

As shown in the chart 1, Connecticut has lost many jobs

CHART 1. CT Employment Percent Changes, 2019 to 2020



ECONOMIC DIGEST

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in 2020 from the severe impact of the COVID-19 pandemic. All of the ten major industry sectors shed jobs over the year.

Especially hit hard were leisure and hospitality (-25.8%) and other services (-14.1%) with the biggest percentage employment loss. The largest job losses occurred in leisure and hospitality (-40,600), educational and health services (-22,300), and trade, transportation, and utilities (-15,700). The only exception was the increase in jobs in transportation, warehousing, and utilities subsector (+3,800).

Unemployment

Accordingly, unemployment indicators point to a deteriorated labor market situation. Local Area Unemployment Statistics (LAUS) were again revised back to 2010, due to changes in one of the input components, nonfarm employment. The annual average unemployment rate has trended downward over the past nine years, then sharply rose last year, from 3.6% in 2019 to 7.9% in 2020. Meanwhile, the nation's rate increased from 3.7% in 2019 to 8.1% in 2020.

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, shot up from 7.9% in 2019 to 14.1% in 2020 for Connecticut,

the highest rate since 2012's 14.7%. Moreover, the number of average weekly initial claims for unemployment soared sharply in 2020 (12,728) from 2019 (3,443), the highest level in historical data back to 1980. Also, the insured unemployment rate rose from 2.02% in 2019 to 9.06% in 2020, the highest rate since the data going back to 1982.

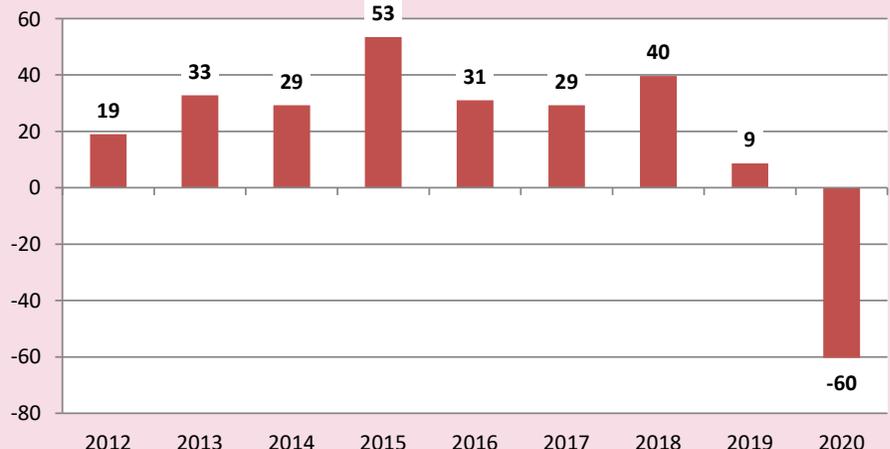
Employment by LMA

In 2020, all of the nine labor market areas (LMAs) in Connecticut lost employment. The biggest job decline occurred in the Norwich-New London-Westerly region (-12.6%). The charts on page 4 also show long-term seasonally adjusted total nonfarm employment trends of Connecticut and all its nine LMAs from 2007 to January 2021.

Other Economic Indicators

In addition to employment and unemployment data, most other economic indicators showed pandemic-related downturn last year. As the table on page 3 shows, inflation-adjusted total personal income and real Unemployment Insurance covered wages of state residents (3-quarter average) fell significantly over the year. Average weekly hours in the manufacturing sector and the Connecticut Manufacturing Production Index declined. New

CHART 2. CT Annual Diffusion Index (ADI) of 58 Economic Indicators, 2012-2020



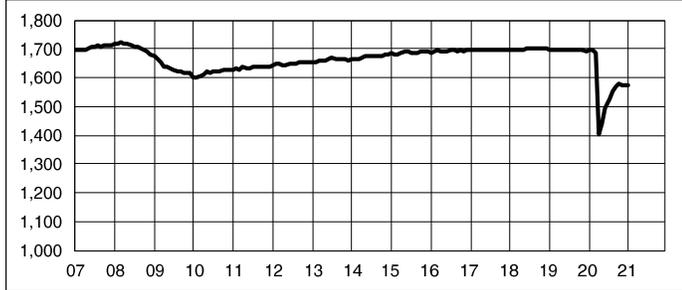
Connecticut Economic Indicators, 2011-2020 (Annual Averages/Totals)

STATEWIDE	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NONFARM EMPLOYMENT (000s)										
TOTAL NONFARM.....	1,633.8	1,648.2	1,661.2	1,673.2	1,686.9	1,692.5	1,696.6	1,699.5	1,696.1	1,564.7
TOTAL PRIVATE.....	1,386.8	1,402.6	1,415.9	1,428.4	1,443.2	1,451.7	1,458.1	1,463.2	1,460.1	1,340.9
GOODS PRODUCING.....	215.4	213.9	214.2	213.4	215.5	216.3	217.7	220.0	222.1	210.3
SERVICE PROVIDING.....	1,418.4	1,434.3	1,446.9	1,459.9	1,471.4	1,476.3	1,478.9	1,479.5	1,474.0	1,354.3
MINING.....	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5
CONSTRUCTION.....	51.5	51.4	53.4	55.6	58.0	59.2	58.4	58.8	59.7	56.2
MANUFACTURING.....	163.4	161.9	160.3	157.3	157.0	156.5	158.7	160.7	161.9	153.6
Durable Goods.....	128.5	128.4	127.1	124.1	123.6	122.8	124.3	126.3	127.3	121.5
Non-Durable Goods.....	34.9	33.5	33.1	33.2	33.3	33.7	34.4	34.4	34.6	32.1
TRADE, TRANSPORT, UTILITIES.....	288.0	290.5	293.2	295.0	296.3	297.3	297.1	296.7	292.6	276.9
Wholesale Trade.....	62.2	62.2	62.1	61.8	61.6	61.5	61.5	61.3	59.6	56.0
Retail Trade.....	180.1	181.8	183.1	184.3	184.7	184.7	183.5	180.7	175.7	159.8
Transport, Warehousing, & Utilities.....	45.8	46.6	47.9	48.8	50.1	51.1	52.1	54.7	57.4	61.2
INFORMATION.....	31.4	31.4	32.1	32.1	32.5	32.4	31.6	31.7	31.6	29.3
FINANCIAL ACTIVITIES.....	135.0	133.1	130.6	128.7	130.1	129.5	127.9	125.5	123.7	120.1
PROFESSIONAL & BUSINESS SERV.....	201.1	207.0	210.2	215.1	219.2	219.1	219.6	221.0	218.9	205.3
EDUCATIONAL & HEALTH SERV.....	318.5	323.0	326.8	331.3	334.6	338.5	342.5	344.7	348.1	325.8
LEISURE AND HOSPITALITY.....	137.1	142.2	146.8	149.9	151.2	154.0	156.6	157.8	157.6	117.0
OTHER SERVICES.....	60.3	61.5	61.9	62.9	63.9	64.7	65.1	65.6	65.4	56.2
GOVERNMENT.....	247.0	245.6	245.2	244.8	243.7	240.9	238.5	236.4	236.0	223.8
TOTAL NONFARM EMPLOYMENT IN LABOR MARKET AREAS										
Bridgeport-Stamford.....	395.2	400.0	404.5	407.9	411.4	412.1	409.3	409.6	406.9	369.5
Danbury.....	74.1	75.3	76.4	77.5	78.4	78.4	78.0	78.1	77.7	71.0
Hartford.....	555.6	560.6	565.4	571.1	576.7	578.4	581.2	585.1	587.0	546.1
New Haven.....	269.6	274.3	277.4	280.5	283.3	285.8	288.3	290.1	292.1	277.6
Norwich-New London-Westerly.....	129.9	128.8	128.7	127.7	128.1	129.1	130.9	130.6	129.8	113.4
Waterbury.....	66.1	67.2	67.8	68.0	68.1	68.4	68.6	69.6	69.0	63.0
Enfield.....	44.8	45.1	44.5	44.9	45.5	44.9	44.9	44.9	44.6	41.5
Torrington-Northwest.....	32.5	32.7	32.9	33.0	33.1	33.0	32.5	32.8	33.0	30.4
Danielson-Northeast.....	25.9	26.1	26.8	27.2	27.0	27.0	26.9	26.9	27.2	25.3
L EMPLOYEES HOURS & EARNINGS										
Total Private Average Weekly Hours.....	33.9	34.0	33.6	33.6	33.5	33.6	33.7	33.9	33.8	34.1
Real Tot Priv Avg Hrly Earn (82-84\$).....	\$12.56	\$12.26	\$12.01	\$11.90	\$12.29	\$12.68	\$12.71	\$12.76	\$12.91	\$13.16
Real Tot Priv Avg Wkly Earn (82-84\$).....	\$425.63	\$416.72	\$403.37	\$399.72	\$411.87	\$425.95	\$428.49	\$432.50	\$436.47	\$448.62
UNEMPLOYMENT										
Labor Force (000s).....	1,914.4	1,887.5	1,867.4	1,889.1	1,892.1	1,893.2	1,903.3	1,905.4	1,917.3	1,872.6
Employed (000s).....	1,742.0	1,729.7	1,718.8	1,764.1	1,785.8	1,801.4	1,819.4	1,831.0	1,848.5	1,724.6
Unemployed (000s).....	172.5	157.9	148.5	125.0	106.3	91.8	83.9	74.4	68.8	148.0
Unemployment Rate.....	9.0%	8.4%	8.0%	6.6%	5.6%	4.9%	4.4%	3.9%	3.6%	7.9%
Average Weekly Initial Claims.....	5,450	5,081	4,792	4,290	3,910	3,879	3,716	3,515	3,443	12,728
Insured Unemployment Rate.....	3.79%	3.57%	3.34%	3.02%	2.61%	2.50%	2.36%	2.18%	2.02%	9.06%
U-6 Rate.....	15.4%	14.7%	13.9%	12.6%	10.9%	10.8%	10.1%	8.9%	7.9%	14.1%
MANUFACTURING ACTIVITY										
Average Weekly Hours.....	40.6	40.5	41.1	40.8	40.5	42.6	41.6	41.5	42.3	40.6
Real Average Hourly Earnings (82-84\$).....	\$11.19	\$10.58	\$9.50	\$9.62	\$11.07	\$11.41	\$10.46	\$10.94	\$10.92	\$11.51
Real Average Weekly Earnings (82-84\$).....	\$454.26	\$428.68	\$390.51	\$392.44	\$448.38	\$486.13	\$435.21	\$453.90	\$461.72	\$467.12
CT Mfg. Production Index (2009=100).....	105.6	109.7	110.6	108.4	108.1	101.8	97.8	96.8	96.7	93.2
INCOME (mil.\$)										
Real Personal Income, SA (1982-84 \$).....	\$101,792	\$101,628	\$98,075	\$100,957	\$103,471	\$104,238	\$104,581	\$106,467	\$107,784	\$82,641
Real UI Covered Wages, SA (1982-84 \$).....	\$45,131	\$45,398	\$45,267	\$46,043	\$47,416	\$47,189	\$46,806	\$46,606	\$47,077	\$34,367
OTHER ECONOMIC INDICATORS										
New Housing Permits.....	3,113	5,240	5,762	5,297	5,883	5,341	4,606	4,570	6,481	5,767
Construction Contracts (1980=100).....	283.4	269.2	389.2	320.6	412.6	322.1	451.3	373.3	365.8	374.6
New Auto Registrations.....	178,571	186,452	195,819	197,779	168,269	267,284	223,577	222,223	211,264	171,479
Exports (bil.\$).....	\$16.23	\$15.87	\$16.43	\$15.96	\$15.24	\$14.39	\$14.78	\$17.40	\$16.24	\$13.80
S&P 500: Monthly Close (December).....	1,257.60	1,426.19	1,848.36	2,058.90	2,043.94	2,238.83	2,673.61	2,506.85	3,230.78	3,756.07
Total All Taxes (mil.\$).....	\$14,337.7	\$15,825.5	\$16,892.6	\$16,379.1	\$18,563.9	\$17,302.4	\$17,770.1	\$19,854.9	\$19,992.0	\$19,749.4
Corporate Tax (mil.\$).....	\$801.0	\$717.5	\$852.5	\$691.3	\$846.3	\$988.6	\$968.9	\$1,297.2	\$2,376.3	\$2,261.0
Personal Income Tax (mil.\$).....	\$7,672.3	\$8,300.6	\$8,819.3	\$8,790.7	\$9,913.9	\$9,158.5	\$9,436.0	\$10,496.8	\$9,508.1	\$9,524.0
Real Estate Conveyance Tax (mil.\$).....	\$112.1	\$140.4	\$168.7	\$182.8	\$212.6	\$207.5	\$201.5	\$212.2	\$217.3	\$258.9
Sales & Use Tax (mil.\$).....	\$3,532.1	\$3,958.4	\$4,079.0	\$4,134.8	\$4,690.0	\$4,283.4	\$4,359.0	\$4,707.0	\$4,822.9	\$4,832.7
Gaming Payments (mil.\$).....	\$354.6	\$318.7	\$289.3	\$273.0	\$266.0	\$266.5	\$273.7	\$266.1	\$247.8	\$165.5
Occupancy Rate.....	58.6%	58.3%	58.8%	59.6%	60.2%	60.6%	61.6%	62.1%	62.6%	40.4%
Gaming Slots (mil.\$).....	\$16,306.0	\$14,772.0	\$13,778.1	\$13,066.4	\$12,837.9	\$13,032.0	\$13,348.8	\$13,051.2	\$12,047.3	\$7,807.7

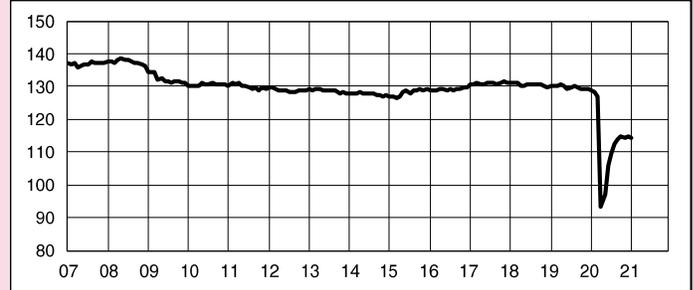
* 2020: three-quarter average

Seasonally Adjusted Nonfarm Employment Trends by Labor Market Area, 2007 - Jan. 2021

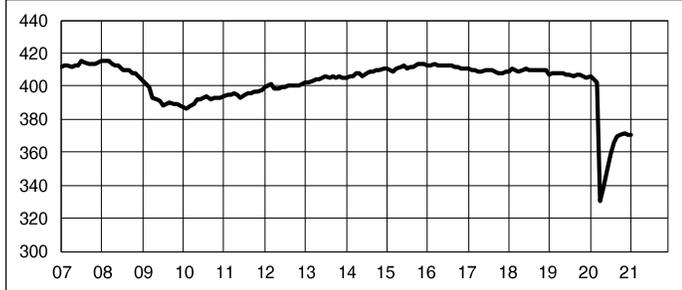
TOTAL NONFARM EMPLOYMENT, SA, 000s



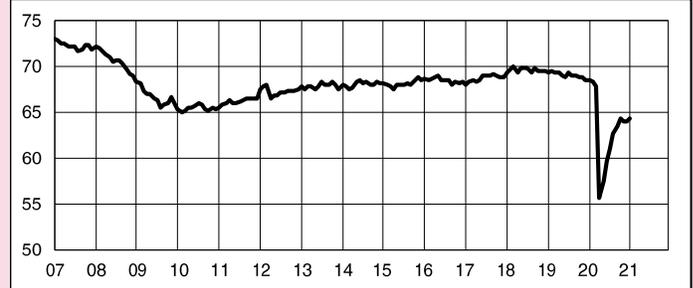
NORWICH-NEW LONDON LMA EMP., SA, 000s



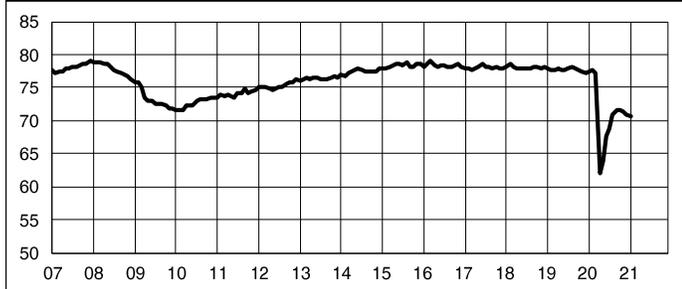
BRIDGEPORT-STAMFORD LMA EMP., SA, 000s



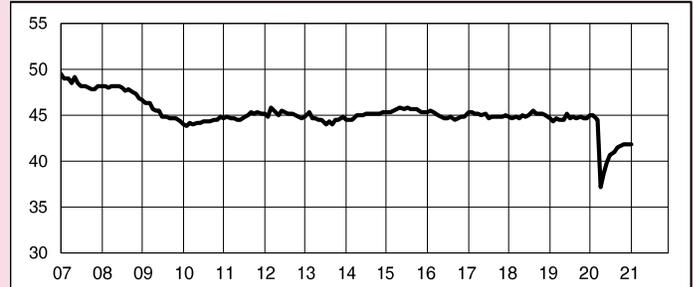
WATERBURY LMA EMP., SA, 000s



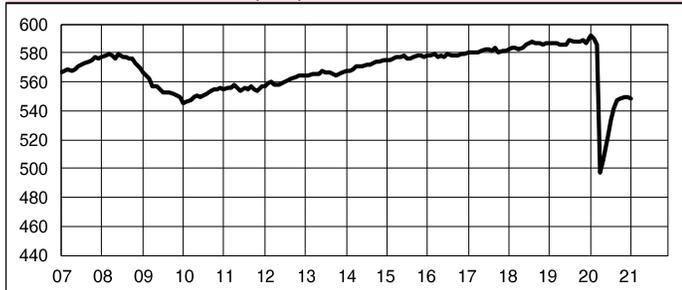
DANBURY LMA EMP., SA, 000s



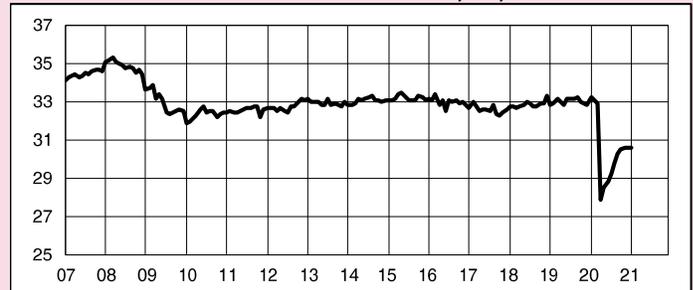
***ENFIELD LMA EMP., SA, 000s**



HARTFORD LMA EMP., SA, 000s



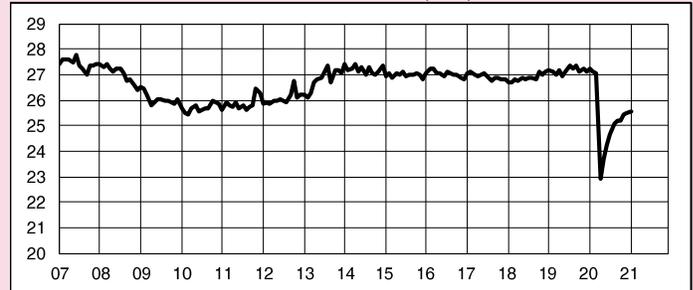
***TORRINGTON-NORTHWEST LMA EMP., SA, 000s**



NEW HAVEN LMA EMP., SA, 000s



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



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

housing permits, new auto registrations, exports, total taxes collected, occupancy rate, and gaming slots all fell over the year. Real total private sector average weekly earnings, construction contracts, and the stock market, however, did manage to stay positive last year.

Annual Diffusion Index

An Annual Diffusion Index (ADI) is one way to measure overall economic activity by summarizing all 58 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 58 indicators, 33 (57%) went up and 22 (38%) went down, and three were unchanged in 2012. The ADI is then calculated by subtracting 38 from 57, resulting in an indicator of 19. 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 weakened significantly in 2019 (+9), and then precipitously dropped to a contraction territory in 2020 (-60), as evidenced by the negative impact of the COVID pandemic.

Looking Ahead

Last year was undoubtedly an unprecedented year for both Connecticut and the nation. However, as the pandemic draws to an end, jobs in many sectors, especially leisure and hospitality and retail trade, should return and overall economy should rebound. It was also announced in the media that General Dynamics Electric Boat of Groton will be hiring thousands of employees over the next ten years, due to the unprecedented buildup in submarine production. Though the employment recovery in Connecticut and the country may not come back to the pre-pandemic level for a while, there is finally light at the end of the tunnel and better days are ahead. ■

GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	4Q	4Q	YoY CHG		3Q	QoQ CHG	
	2020	2019	NO.	%	2020	NO.	%
General Drift Indicator (1996=100)*							
Leading			0.0	####		0.0	####
Coincident			0.0	####		0.0	####
Real Gross Domestic Product**							
(2012 Chained \$, SAAR)							
Connecticut (\$ in millions)	242,765.5	251,046.5	-8,281.0	-3.3	226,222.0	16,543.5	7.3
United States (\$ in millions)	18,596,521	19,141,744	-545,223	-2.8	17,302,511	1,294,010	7.5
New England (\$ in millions)	958,935.4	992,084.5	-33,149.1	-3.3	890,906.1	68,029.3	7.6
Per Capita Personal Income**							
(Current \$, SAAR)							
Connecticut	80,530	77,132	3,398	4.4	81,437	-907	-1.1
United States	60,320	56,592	3,728	6.6	62,017	-1,697	-2.7
New England	74,900	69,706	5,194	7.5	77,594	-2,694	-3.5
Philadelphia Fed's Coincident Index (2007=100)***							
	Jan	Jan	YoY CHG		Dec	MoM CHG	
	2021	2020	NO.	%	2020	NO.	%
Connecticut	NA	NA	NA	NA	NA	NA	NA
United States	NA	NA	NA	NA	NA	NA	NA

Sources: *Dr. Steven P. Lanza, University of Connecticut **U.S. Bureau of Economic Analysis ***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 **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).