

ECONOMIC DIGEST

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IN THIS ISSUE...

State Economic Indexes Lower in 2019 1-5

Economic Indicators

on the Overall Economy	5
Individual Data Items	6-8
Comparative Regional Data	9
Economic Indicator Trends	10-11
Help Wanted OnLine	15
Business and Employment Changes Announced in the News Media	19
Labor Market Areas:	
Nonfarm Employment	12-17
Sea. Adj. Nonfarm Employment	14
Labor Force	18
Hours and Earnings	19
Cities and Towns:	
Labor Force	20-21
Housing Permits	22
Technical Notes	23
At a Glance	24

In September...

Nonfarm Employment

Connecticut 1,585,100
 Change over month +1.08%
 Change over year -6.11%

United States 141,720,000
 Change over month +0.47%
 Change over year -6.37%

Unemployment Rate

Connecticut 7.8%
 United States 7.9%

Consumer Price Index

United States 260.280
 Change over year +1.4%

State Economic Indexes Lower in 2019

By Jungmin Charles Joo and Dana Placzek, Department of Labor

Connecticut's economic performance ranked 32nd in 2019 when compared to other states and the District of Columbia (DC). This is up from 37th in 2018 and the best ranking in nine years.

For the second time, South Carolina came in first in the nation with the highest index of 192.3 last year, while Alaska continued to place last (113.2). Our state's index of 144.2 was below the nationwide value of 153.4 (see table on page 2).

SEI: Methodology

Applying the same components and methodology of the Connecticut Town Economic Indexes (See October 2020 issue), the Connecticut Department of Labor's Office of Research also developed the State Economic Indexes for all 50 states and DC. With recently available annual average data from the Quarterly Census Employment and Wages (QCEW) program, along with the revised annual average unemployment rate from Local Area Unemployment Statistics (LAUS), annual SEI is reestimated for the 2010-2019 period.

These indexes provide a measure of the overall economic strength of each state that can be compared and ranked. Four annual average state economic indicators were used as components: 1. the number of the total covered business establishments, 2. total covered employment, 3. real covered

wages, and 4. the unemployment rate.

Business establishments are the physical work units located in the state. Employment is the number of payroll employees in the establishments that are located in the state who are covered under the unemployment insurance law (nearly the universe count of all the payroll employees in each state). Average annual pay is the aggregate wages earned divided by the total average employment. Establishments, employment and wages are proxies for each state's business activities and its overall economic strength, while the unemployment rate measures the overall economic health of each state's working residents.

Each of the four components of the SEI is given a 25 percent weight. SEI's base year is 2010, which equals 100. The wage component is adjusted to 2010 dollars, and the unemployment rate change is inverted to reflect the right economic direction. By combining these four major economic indicators, the index gives a broad measure of business and resident economic conditions of each state that can then be compared and analyzed.

SEI: 2018 to 2019

Reflecting slower growth in the current economic recovery in the nation, business and labor conditions of seven of the 50 states and DC deteriorated from 2018 to 2019, compared to two with decreased SEI from 2017 to 2018. The fastest increase in the

-continued on page 3-

ECONOMIC DIGEST

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STATE ECONOMIC INDEXES (2010=100), 2015-2019*

State	2019 Rank	2015	2016	2017	2018	2019
Alabama	4	122.1	125.3	141.0	150.3	172.4
Alaska	51	111.1	107.8	106.9	109.6	113.2
Arizona	29	123.6	130.5	137.7	142.0	145.1
Arkansas	34	120.9	131.8	137.1	139.7	143.2
California	7	132.9	141.2	151.7	161.5	169.5
Colorado	6	139.8	151.4	165.7	158.6	171.5
Connecticut	32	119.5	124.4	128.7	136.7	144.2
Delaware	33	124.8	129.2	130.4	140.8	143.3
District of Columbia	44	115.7	121.3	123.0	126.8	130.0
Florida	2	133.6	142.7	152.9	166.2	181.6
Georgia	10	126.7	133.5	139.6	152.7	165.2
Hawaii	20	128.8	139.6	155.8	154.5	151.8
Idaho	8	135.8	142.6	156.5	166.8	168.8
Illinois	27	124.8	126.0	132.6	141.4	147.5
Indiana	11	134.4	140.3	154.9	158.5	164.4
Iowa	36	121.6	124.4	131.7	142.4	141.6
Kansas	39	121.6	124.6	129.5	135.1	137.7
Kentucky	28	130.7	133.3	135.5	143.8	145.2
Louisiana	50	110.1	110.8	118.0	121.0	123.2
Maine	18	125.6	134.5	142.1	146.4	152.6
Maryland	38	117.5	123.4	127.4	132.0	137.8
Massachusetts	14	126.3	137.8	142.5	149.4	162.1
Michigan	13	138.1	143.6	150.4	160.1	162.4
Minnesota	31	130.3	128.2	137.4	149.1	144.8
Mississippi	43	119.9	124.9	131.3	135.4	130.4
Missouri	16	129.9	134.9	149.9	160.4	160.6
Montana	35	125.8	128.0	132.9	138.7	141.8
Nebraska	45	123.4	123.1	126.4	127.1	127.1
Nevada	3	132.6	143.7	152.7	164.4	176.6
New Hampshire	30	124.2	132.5	137.3	140.8	145.0
New Jersey	24	118.9	126.1	131.1	138.6	148.6
New Mexico	46	110.0	109.9	113.9	123.3	126.2
New York	37	122.4	126.2	129.5	137.5	140.5
North Carolina	17	130.0	136.6	145.4	155.0	159.3
North Dakota	41	128.3	122.0	126.8	129.6	134.4
Ohio	26	132.9	132.4	133.5	140.3	147.5
Oklahoma	40	120.9	116.9	122.9	133.8	136.9
Oregon	9	132.1	141.9	153.7	156.2	165.8
Pennsylvania	42	120.4	119.9	124.8	133.3	132.7
Rhode Island	12	127.2	135.0	145.9	153.4	162.8
South Carolina	1	129.9	140.7	151.9	168.6	192.3
South Dakota	49	122.6	125.0	123.4	126.1	125.5
Tennessee	15	126.0	135.5	149.4	157.0	161.4
Texas	23	131.4	130.3	135.2	143.8	151.2
Utah	5	139.4	144.7	148.9	158.3	172.2
Vermont	25	122.0	128.0	134.0	143.4	147.5
Virginia	21	120.8	126.0	132.3	145.5	151.4
Washington	22	127.4	131.9	139.8	145.6	151.3
West Virginia	47	111.2	113.5	120.7	123.2	126.0
Wisconsin	19	130.0	136.8	149.5	157.7	152.6
Wyoming	48	116.9	107.8	116.1	120.4	125.9
UNITED STATES		127.3	132.1	139.0	147.8	153.4

* 2010 = 100 for all 50 states and District of Columbia. 2011-2014 SEI are available upon request.

State Economic Indexes developed by Connecticut Department of Labor, Office of Research

Data Source: Bureau of Labor Statistics

-continued from page 1-

index occurred in Alabama, South Carolina, and Florida. Connecticut ranked 12th among states, in terms of over-the-year growth rate (5.4%), moving up from 22nd place in 2018. Meanwhile, the U.S. index rose 3.8% from 2018 to 2019. Seven states, including Mississippi, Wisconsin and Minnesota, experienced a decline last year.

SEI: 2010 to 2019

Looking longer term, all 50 states and DC continued to show positive SEI growth. South Carolina, Florida and Nevada topped the list, when new business formations, jobs, real wages, and unemployment rates are all factored in. The Connecticut index increased 44.2% since 2010, when the economy began to recover, while the nation's index grew 53.4%. Among the nine Northeast states, Connecticut again ranked 8th, above New York and Pennsylvania (Chart 1). Rhode Island's economy improved the most since 2010. All in all, only 17 out of the 50 states and DC turned around faster than the national average from 2010 to 2019. The map on page 4 shows the different ranges of economic recovery rate of each state.

Components of SEI:

Establishments

In terms of the number of establishments, South Carolina, Michigan, and Hawaii experienced the fastest growth over the year. Kansas, Idaho, and Nebraska were among the five states with declines from 2018. Connecticut's establishment growth rate ranked 25th among the states.

Over the last nine years, Utah, South Carolina, and Oregon had the fastest business formations. On the other hand, the number of establishments fell in Illinois since 2010.

Employment

Last year's average nationwide employment grew 1.4%, slower than 1.6% in 2018. Idaho, Arizona, and Utah were the top job growth states, while Connecticut ranked 50th in 2019. Connecticut and West Virginia were the only two states to lose jobs over the year.

During the 2010-2019 period, all but West Virginia added jobs. Utah, Nevada, and Colorado experienced the fastest employment gains during the current recovery. Meanwhile, Connecticut's job growth placed 48th from 2010 to 2019.

Real Wages

All states posted inflation-adjusted wage gains in 2019. Washington, Colorado, and Utah had the fastest annual pay increase. Connecticut ranked

35th in terms of wage growth, while West Virginia's real income grew the slowest over the year.

Once again, the highest annual average pay was earned in DC at \$96,274 in 2019 (in 2010 dollars). Connecticut's wage was fifth highest (\$68,507), following Massachusetts (\$74,038), New York (\$73,999) and California (\$70,058). Only 12 states and DC posted wages higher than the nation's average of \$58,136 last year. The three states with the lowest average pay in 2019 were Mississippi, Idaho and Montana.

Since 2010, all 50 states and DC experienced income gains, with Washington, North Dakota, and California having the fastest increase. Connecticut's wage growth came in last place among the states in the last nine years.

Unemployment Rate

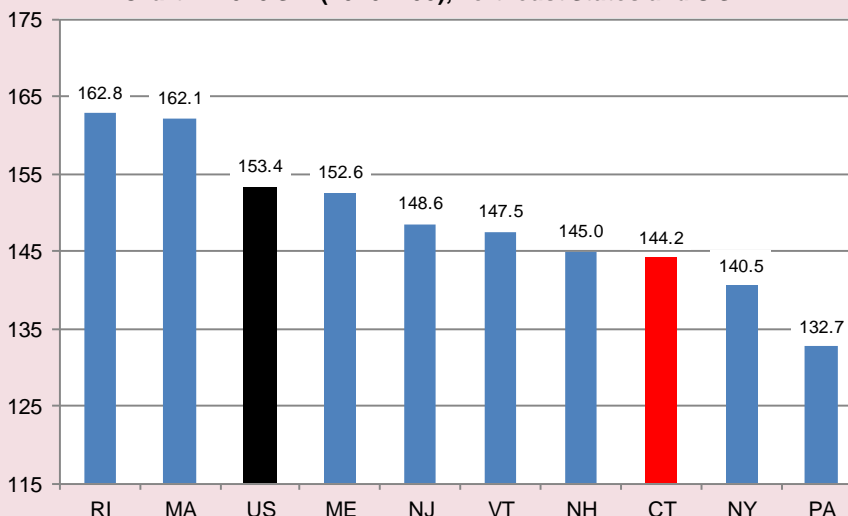
North Dakota (2.4%), Vermont (2.4%), and New Hampshire (2.5%) posted the lowest unemployment rates in 2019. Conversely, Alaska (6.1%), DC (5.5%), and Mississippi (5.4%) had the highest unemployment rates last year. Both Connecticut and U.S. had 3.7% jobless rate. The biggest percentage drops occurred in Alabama, South Carolina, and Massachusetts. Mississippi, Minnesota, and Wisconsin, however, experienced an increase over the year.

Between 2010 and 2019, South Carolina, Florida, and Alabama had the biggest percentage unemployment rate drop. Connecticut's jobless rate dropped from 9.1% to 3.7%, while it was from 9.6% to 3.7% nationally.

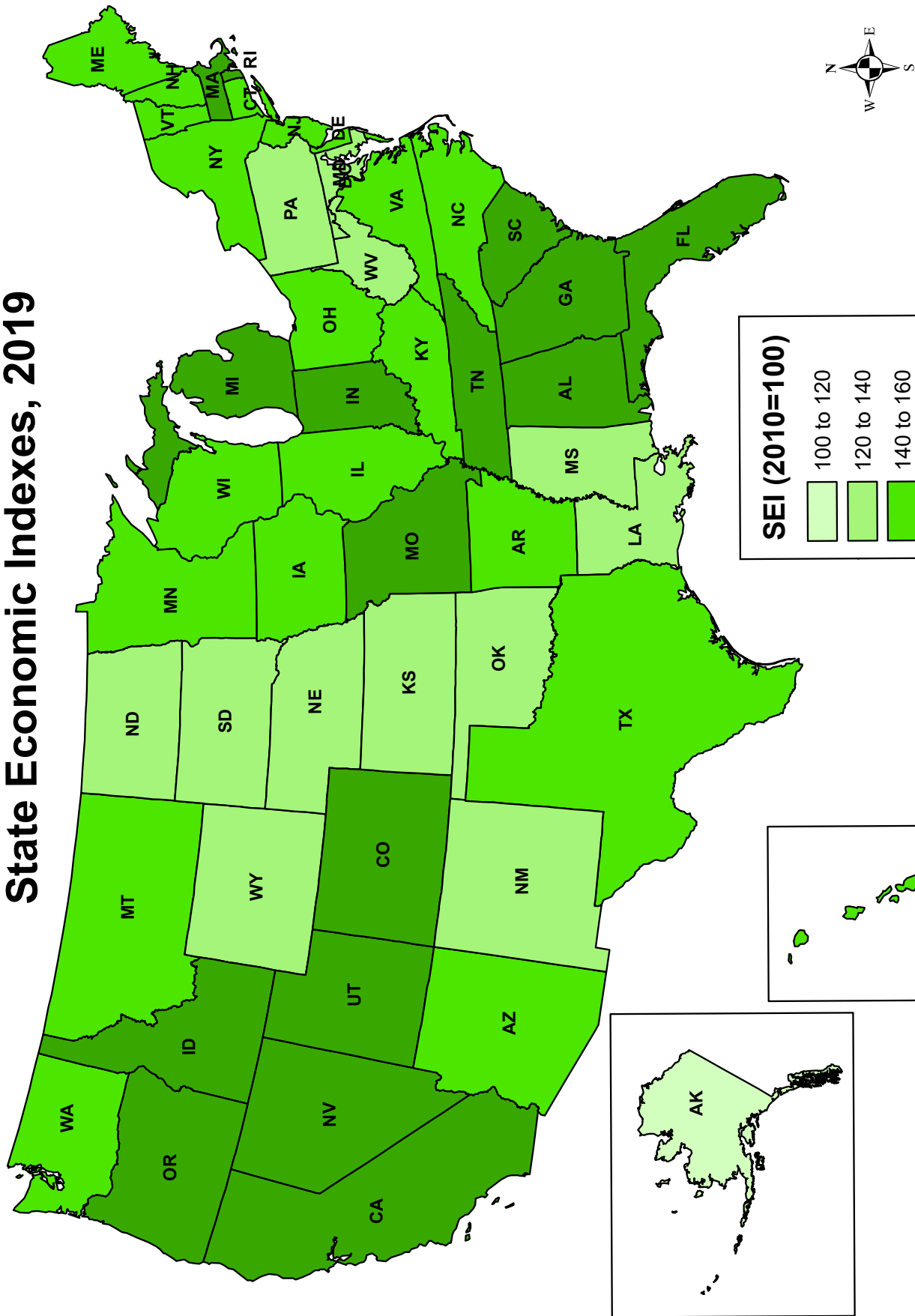
SEI Diffusion Index: 2010-2019

One way to measure aggregate performance of SEI of all 50 states and DC is to use a diffusion index. For each state, the index is up, down, or unchanged over the year. The SEI Diffusion Index is calculated by subtracting the share of states that experienced

Chart 1. 2019 SEI (2010=100), Northeast States and U.S.

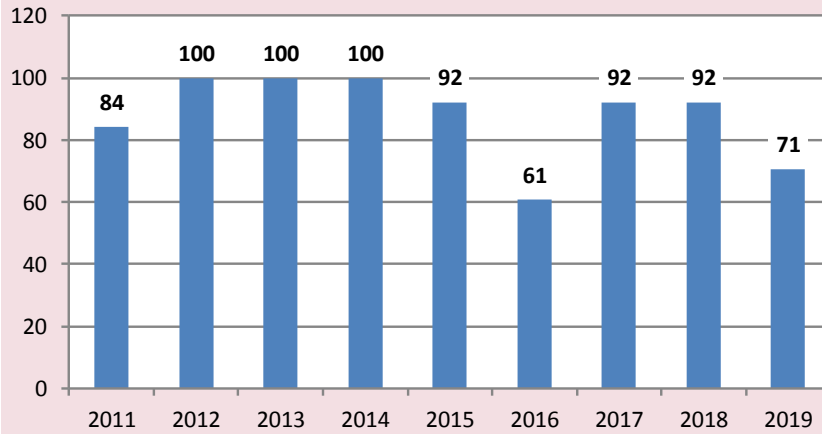


State Economic Indexes, 2019



Note: Alaska and Hawaii not shown to scale

Chart 2. SEI Diffusion Index, 2011-2019



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decreases in their indexes from the share that had increases over the year.

For example, index values in 46 states rose (90%), three (6%) fell, and two stayed the same in 2011. The diffusion index is then calculated by subtracting 6 from

90, equaling 84. Thus, if all 51 state indexes increase from a prior year, then the diffusion index becomes 100, and if all decline, then -100. If the SEI Diffusion Index is positive, then

that is interpreted as an economic recovery or expansion, while negative figures would mean an economic recession or contraction.

After experiencing strong growth rate in 2017 and 2018 (SEI of 92), the national economy had weakened in 2019 with an index of 71 (Chart 2).

Conclusion

The SEI for 2019 gives us a picture of economic performance of the states prior to the pandemic which is causing so much change in 2020. Next year, when we look at the 2020 index we will be able to see how those changes affected establishments, employment, earnings and unemployment in each of the states and the country. ■

GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	2Q	2Q	YoY CHG		1Q	QoQ CHG	
	2020	2019	NO.	%	2020	NO.	%
General Drift Indicator (1996=100)*							
Leading	120.2	141.5	-21.3	-15.0	132.6	-12.4	-9.3
Coincident	117.1	122.8	-5.7	-4.6	123.3	-6.2	-5
Real Gross Domestic Product**							
<i>(2012 Chained \$, SAAR)</i>	1Q	1Q	YoY CHG		4Q	QoQ CHG	
	2020	2019	NO.	%	2019	NO.	%
Connecticut (\$ in millions)	247,129.1	247,584.7	-455.6	-0.2	250,045.1	-2,916.0	-1.2
United States (\$ in millions)	18,977,363	18,927,281	50,082	0.3	19,221,970	-244,607	-1.3
New England (\$ in millions)	982,957.3	983,349.4	-392.1	0.0	996,132.2	-13,174.9	-1.3
Per Capita Personal Income**							
<i>(Current \$, SAAR)</i>	2Q	2Q	YoY CHG		1Q	QoQ CHG	
	2020	2019	NO.	%	2020	NO.	%
Connecticut	81,606	77,111	4,495	5.8	78,213	3,393	4.3
United States	61,842	56,307	5,535	9.8	57,519	4,323	7.5
New England	78,469	69,625	8,844	12.7	70,827	7,642	10.8
Philadelphia Fed's Coincident Index (2007=100)***							
	Sep	Sep	YoY CHG		Aug	MoM CHG	
	2020	2019	NO.	%	2020	NO.	%
Connecticut	116.38	128.69	-12.3	-9.6	114.88	1.5	1.3
United States	123.50	129.30	-5.8	-4.5	122.89	0.6	0.5

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).