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Nonfarm Employment

Connecticut 1,653,400

Change over month +0.05%

Change over year +0.6%

United States 137,699,000

Change over month +0.13%

Change over year +1.6%

Unemployment Rate

Connecticut 7.0%

United States 6.7%

Consumer Price Index

United States 234.781

Change over year +1.1%

Connecticut Exports: 2013 in Review

By Laura Jaworski, Office of International and Domestic Business Development, DECD

To assess Connecticut's export status, *The Connecticut Economic Digest* conducts an annual review of the state's export performance. Exports are a significant contributor to the state's economy - they support and create jobs and spur economic growth.

In 2013, Connecticut's commodity exports totaled \$16.47 billion, a 3.23% increase from the \$15.96 billion registered in 2012.¹ (Chart 1) Connecticut was one of 16 states to achieve a new record for exports in 2013, which helped drive the United States to overall

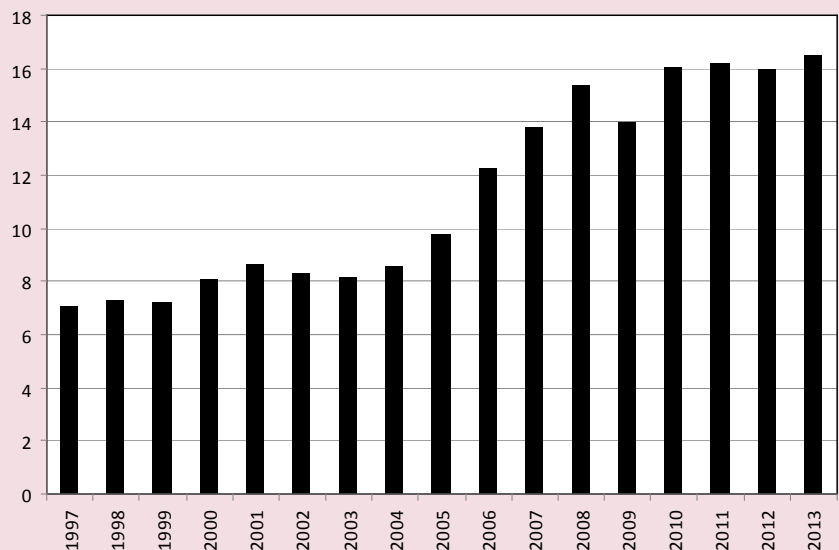
record-setting 2013 exports.² Since the 2010 launch of President Obama's "National Export Initiative" (NEI), the U.S. has experienced four consecutive years of record exports. Given the correlation between exports and jobs, and that 95% of potential consumers live abroad, trade expansion and increased exports are vital to economic development.

A review of several key categories follows.

Annual Export Figures

It is important to note that, as significant as commodity exports are, they omit service exports, for

CHART 1: Connecticut's Exports, 1997-2013 (\$ in billions)



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which the collection of data is inexact and unavailable at the state level. All U.S. states face this data gap. This means that export figures for a state like Connecticut- with a large concentration of insurance, financial and other services- understate the true magnitude of the state's overall export value.

U.S. commodity exports totaled more than \$1.57 trillion in 2013, representing a 2.14% increase over the \$1.54 trillion recorded in 2012.

Connecticut's commodity exports as a share of total U.S. commodity exports increased slightly from 1.03% in 2012 to 1.04% in 2013. Recent data indicates that of the 6,020 companies who exported from Connecticut in 2011, 89% were small and medium-sized enterprises.³

Connecticut's ranking among the states increased one slot to 27th in 2013. Omitting Puerto Rico and various export sales attributed to "unknown state," Connecticut actually ranks 25th. In the state export data series, low-value export estimates are credited to "unknown state," as export statistics are collected only for export commodity shipments over \$2,500. Texas, California, New York, Washington and Illinois were the top five export states in 2013, ranked in terms of export commodity dollars.

In New England in 2013, only Massachusetts' exports value ranked higher than Connecticut's, as has been the case since 2005. As a regional trading block, New England's commodity exports totaled more than \$56.40 billion in 2013, a 3.27% increase from 2012. Among the six states, Connecticut, Massachusetts and New Hampshire had commodity export increases in 2013.

Connecticut Export Composition

Connecticut's top export commodities mirror the state's historic strengths and there is a demonstrated consistency among the state's top exports. Last year was no exception to such, as the state's top commodities were in line with previous years. In 2013 at the two-digit Harmonized System (HS) commodity code level, Connecticut's top five export commodities were (1) aircraft, spacecraft and parts thereof; (2) industrial machinery, including computers; (3) electric machinery, sound equipment, TV equipment, parts; (4) optic, photo, medical or surgical instruments and (5) plastics and articles thereof. Within the state's top five commodities, aircraft, spacecraft and parts thereof experienced the greatest increase at 11.77% (Table A). Drilling down an additional layer into the HS commodity codes reveals the transportation sector's dominance of Connecticut exports. At the four-digit HS level, the state's top exports include civilian aircraft, engines and parts and aircraft, powered; spacecraft and launch vehicles.

To put these figures into national and regional context, the U.S. and New England states' top export commodities were similar to Connecticut's. In 2013, the top five U.S. export commodities were (1) industrial machinery, including computers; (2) electric machinery, sound equipment, TV equipment, parts; (3) mineral fuel, oil, bitumin substances, mineral wax; (4) vehicles, except railway or tramway, and parts and (5) aircraft, spacecraft and parts thereof. In 2013, the New England region's top five export commodities were (1) electric machinery, sound equipment, TV equipment, parts; (2) aircraft, spacecraft, and parts thereof; (3) industrial machinery, including computers; (4) optic, photo,

Table A: Connecticut Exports by Commodity

Rank	Description	ANNUAL 2012	ANNUAL 2013	%2012- 2013
	TOTAL ALL COMMODITIES	15,961,497,066	16,476,295,175	3.23
1	Aircraft, Spacecraft, And Parts Thereof	6,872,496,511	7,681,613,545	11.77
2	Industrial Machinery, Including Computers	1,965,782,903	2,009,468,133	2.22
3	Electric Machinery Etc; Sound Equip; Tv Equip; Pts	1,384,995,768	1,332,264,182	-3.81
4	Optic, Photo Etc, Medic Or Surgical Instrments Etc	1,257,428,789	1,171,901,606	-6.8
5	Plastics And Articles Thereof	543,304,460	504,687,575	-7.11
6	Copper And Articles Thereof	415,589,613	396,571,489	-4.58
7	Mineral Fuel, Oil Etc.; Bitumin Subst; Mineral Wax	276,694,312	323,563,510	16.94
8	Special Classification Provisions, Nesoi	291,447,037	297,141,258	1.95
9	Inorg Chem; Prec & Rare-Earth Met & Radioact Compd	238,304,773	230,567,959	-3.25
10	Iron And Steel	307,504,375	228,354,611	-25.74

Table B: Connecticut Commodity Exports by Country

Rank	Description	ANNUAL 2012	ANNUAL 2013	%2012- 2013
	TOTAL ALL PARTNER COUNTRIES	15,961,497,066	16,476,295,175	3.23
1	France	1,906,520,108	2,434,605,087	27.7
2	Canada	1,916,085,697	1,915,941,246	-0.01
3	Germany	1,496,673,872	1,397,399,849	-6.63
4	United Arab Emirates	1,088,909,772	1,222,571,071	12.27
5	Mexico	1,141,015,921	1,217,296,848	6.69
6	China	1,010,934,285	903,883,346	-10.59
7	United Kingdom	636,307,595	696,116,902	9.4
8	Korea, Republic Of	550,890,068	549,882,638	-0.18
9	Singapore	481,076,652	546,510,390	13.6
10	Japan	573,557,675	529,151,128	-7.74

medical or surgical instruments and (5) natural or cultured pearls, precious stones, precious metal clad materials, imitation jewelry and coins.

State Export Partners

Connecticut exported to 203 destinations in 2013. The state's top five commodity export destinations were France, Canada, Germany, the United Arab Emirates (UAE) and Mexico (Table B). Within the top five, state commodity exports to France experienced the greatest percentage increase at 27.70%. State exports to France totaled over \$2.43 billion, accounting for 14.77% of Connecticut's overall commodity exports. This export surge caused France to regain its top spot as the #1 destination for Connecticut exports, returning to

the position it held in 2010 and 2011. For the past several years, France and Canada have alternated this top slot. Connecticut exported over \$1 billion to each of its remaining top five trade partners in 2013. Rounding out the state's top ten trade partners were China, the United Kingdom, the Republic of Korea, Singapore and Japan, ranking 6-10, respectively.

2013 International Trade Survey

In 2013, the Connecticut Business and Industry Association (CBIA), with sponsorship from HSBC and McGladrey LLP, and with assistance from the Department of Economic and Community Development (DECD) and the U.S. Department of Commerce

(USDOC), released its biennial *International Trade Survey of Connecticut Businesses*. The purpose of the survey was to identify Connecticut exporters' demographics, levels of involvement, markets of near-term and long-term interest, support systems, trends and issues, and to also raise awareness of export opportunities and the importance of international trade.

In brief, 71% of companies surveyed were engaged in international trade; of those, 41% had been exporting for over 20 years.⁴ Key among the survey findings, and indicative of the correlation between exports, jobs and the overall economic health, "56% [of respondents] agree that their exporting activities have

-continued on page 5-

-continued from page 3-

helped them weather the recession and position their businesses for a stronger recovery.”⁵

The cultivation of international markets is important, but there are concerns and circumstances that present challenges to exporters. Among them are the state of the global economy and reduced consumer spending. Unpredictable geopolitical events affect markets and export growth as well. As detailed in the 2013 CBIA survey, business respondents indicated their principal export challenges as cost competition (57%), trade/regulatory barriers (46%), general lack of knowledge about foreign markets (33%), unfair trade practices (31%), administrative costs (29%), loss of intellectual property (25%) and getting paid for product/financial risks (20%).⁶

To view the survey results in their entirety, please visit CBIA’s newsroom at http://www5.cbiam.com/newsroom/wp-content/uploads/2013/05/International-Trade_131.pdf.

State Trade and Export Promotion (STEP) Grant

The Connecticut Department of Economic and Community Development’s (DECD) Office of International and Domestic Business Development is committed to assisting local companies compete in the global marketplace, whether it is helping a company reach new markets or raising awareness of the many export opportunities that may help a business thrive and grow. To that end, DECD administers a State Trade and Export Promotion (STEP) grant award from the U.S. Small Business Administration (SBA). The STEP goal is to increase the value of exports for small businesses currently exporting and grow the number of exporters. Working in conjunction with partners such as the Connecticut Center for Advanced Technology (CCAT) and the USDOC, DECD directs STEP funds towards company participation in international business development opportunities such as Hannover Messe, the Farnborough Air Show and the STEP General Assistance Fund (GAF). Eligible small businesses may use STEP GAF funds for various activities,

examples of which include trade shows, trade missions, marketing and internationalization, USDOC services (Gold Key, International Partner Search, International Company Profile), export training opportunities and export B2B matchmaking.

For more information about DECD’s international programs and services, including STEP grant activities, eligibility standards, program guidelines and application procedures, please contact Laura Jaworski at 860-270-8068 or laura.jaworski@ct.gov. ■

¹ Data Source: World Institute for Strategic Economic Research (WISER), <http://www.wisertrade.org>.

² U.S. Department of Commerce, Press Release: “Sixteen States Achieve Record Export Levels In 2013,” February 11, 2014.

³ U.S. Department of Commerce data series, “Connecticut: Expanding Exports and Creating Jobs through Trade Agreements,” February 2014.

⁴ CBIA, *2013 International Trade Survey of Connecticut Businesses*, p. 3.

⁵ CBIA, *2013 International Trade Survey of Connecticut Businesses*, p. 4.

⁶ CBIA, *2013 International Trade Survey of Connecticut Businesses*, p. 6.

GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	4Q	4Q	CHANGE		3Q
	2013	2012	NO.	%	2013
General Drift Indicator (1986=100)*					
Leading	108.8	105.5	3.3	3.1	110.5
Coincident	109.1	108.9	0.2	0.2	109.2
Farmington Bank Business Barometer (1992=100)**	126.7	126.4	0.3	0.2	127.1
Philadelphia Fed's Coincident Index (July 1992=100)***	FEB	FEB			JAN
<i>(Seasonally adjusted)</i>	2014	2013			2014
Connecticut	156.69	152.11	4.58	3.0	156.19
United States	156.85	152.56	4.29	2.8	156.55

Sources: *The Connecticut Economy, University of Connecticut **Farmington Bank ***Federal Reserve Bank of Philadelphia

The Connecticut Economy’s **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 four leading (housing permits, manufacturing average weekly hours, Hartford help-wanted advertising, and initial unemployment claims) economic variables, and are indexed so 1986 = 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).