

Connecticut GDP Declines in 2009

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Connecticut's Gross Domestic Product (GDP), the most comprehensive measure of total economic activity or value added in the state, was down as expected in 2009. On both a real (chained 2005 dollars) and current dollar basis, Connecticut GDP declined. The decrease in real CT GDP, which considers inflation's impact, was -3.1%, while the drop in current dollar GDP fell 1.2% from 2008 estimates.* Connecticut's real GDP

was estimated at \$205.7 billion and current dollar value GDP was calculated at \$227.4 billion.

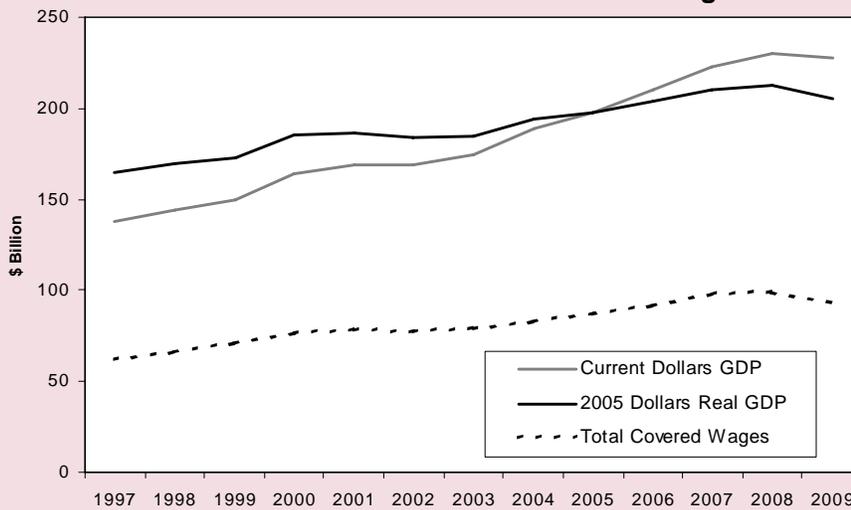
When compared to other New England states, Connecticut had the worst real GDP annualized percent decline in 2009, while the nation had a -2.1% real GDP decline (based on the same source data used for calculating the states). Connecticut ranked 42nd amongst all the states in GDP growth. Connecticut's real GDP drop was magnified by the second

weakest contribution (-0.84%) from finance and insurance of any other state in the country. Only New York had a weaker finance and insurance sector (-2.78%) that led to its overall -4.3% real GDP decline in 2009. Connecticut was not as negatively affected by drops in construction (-0.33% vs. -0.44%), durable goods manufacturing (-0.22% vs. -0.48%) and retail trade (-0.18% vs. -0.27%) as the nation as a whole. Connecticut even had real gains in utilities (0.04%), information (0.02%), health care and social services (0.14%), and government (0.07%).

Since early readings of real GDP by state are principally derived "on earnings by industry data from Bureau of Economic Analysis's (BEA) regional economic accounts," this was compared with Connecticut Department of Labor's, Office of Research's total employment and wages by industry data covered under Unemployment Insurance for the years 1997 through 2009. It turns out that a highly positive correlated movement (simple correlation of 0.996%) with state real GDP and the total covered wage trend is apparent. ■

* While CPI-U inflation was negative in 2009 (-0.4%), CT GDP was deflated by national implicit price deflators, which were positive, resulting in the larger 2009 real CT GDP percentage decline.

Connecticut GDP and Total Covered Wages



GENERAL ECONOMIC INDICATORS

(Seasonally adjusted)	3Q 2010	3Q 2009	CHANGE NO. %		2Q 2010
Employment Indexes (1992=100)*					
Leading	116.1	113.1	3.0	2.7	115.5
Coincident	101.8	102.2	-0.4	-0.4	102.4
General Drift Indicator (1986=100)*					
Leading	NA	NA	NA	NA	NA
Coincident	NA	NA	NA	NA	NA
Farmington Bank Business Barometer (1992=100)**	119.4	119.5	-0.1	-0.1	119.7
Philadelphia Fed's Coincident Index (July 1992=100)***	OCT	OCT			SEP
(Not seasonally adjusted)	2010	2009			2010
Connecticut	152.8	150.3	2.5	1.7	152.6
United States	150.0	147.4	2.6	1.8	149.7

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).