

ECONOMIC DIGEST

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In January...

Nonfarm Employment

Connecticut..... 1,644,400
 Change over month +0.3%
 Change over year +0.5%

United States 134,825,000
 Change over month +0.1%
 Change over year +1.5%

Unemployment Rate

Connecticut..... 8.1%
 United States 7.9%

Consumer Price Index

United States 230.280
 Change over year +1.6%

Connecticut's Modest Economic Recovery Continues in 2012

By Jungmin Charles Joo, jungmin.joo@ct.gov

Many of the Connecticut economic indicators have shown signs of a continuation of a modest economic recovery last year. After our annual revision, Connecticut's employment grew faster than originally estimated, keeping pace with the trend of 2011. Initial December 2012 employment estimate, for instance, was 100 lower than the December 2011 level. But it turns out that we actually had a *gain* of 8,600 jobs over the same period. And this year is off to a good start with a 4,700 job gain (+0.3%) in January, which is 8,000 more than a year ago. In fact, January's 1,644,400 is the new high in this recovery. Unemployment rate also has been falling steadily in the last

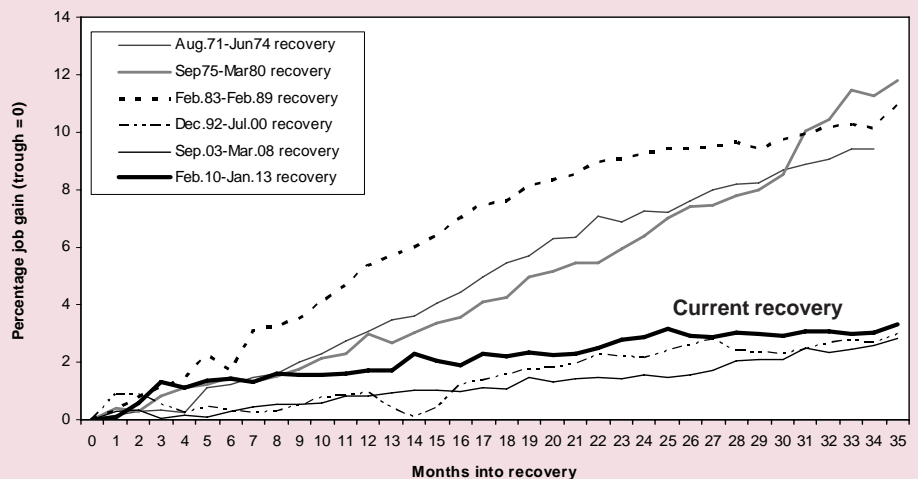
five months to 8.1% in January 2013, which is below last year's 8.2%.

Employment

During the March 2008-February 2010 recession, Connecticut lost 121,300 jobs (originally was 117,500), of which 52,600 (+43.4%) are now recovered. By comparison, the nation has now regained 63% of the jobs lost in its last employment downturn (January 2008-February 2010).

Our State's total private sector actually recovered more than half of its job losses during the 2008-2010 recession (+53.5%). Most of the industry sectors are regaining jobs lost in the last recession, including construction and

CHART 1: First 35 Months of Recoveries



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mining (+13.7%), trade, transportation, and utilities (+40.5%), and professional and business services (+76.7%). Leisure and hospitality sector not only recovered, but has been adding jobs beyond its prerecession level (+200%). Education and health services was the only sector to have actually added jobs during that recession.

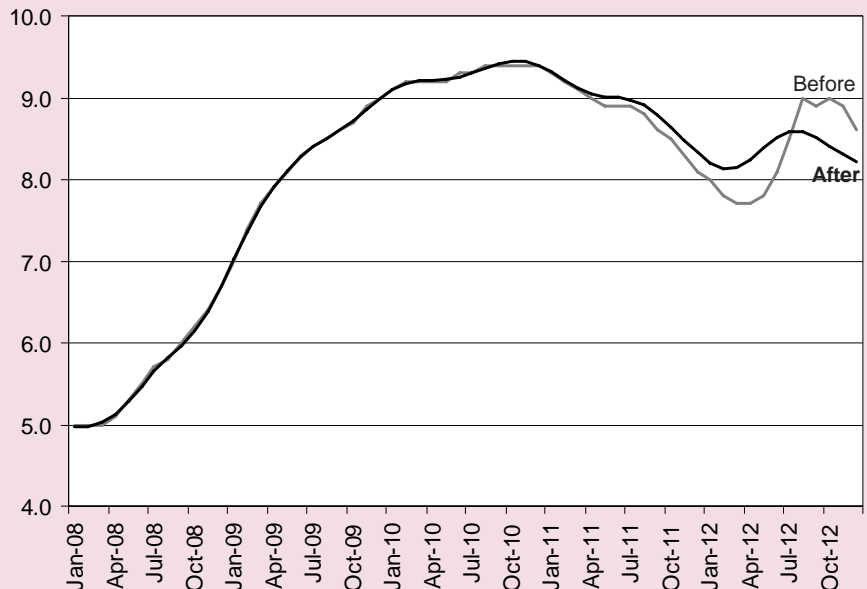
On the other hand, employment in financial activities (-33.7%), information (-17.7%), and manufacturing (-8.1%) sectors have continued to shed jobs through the current recovery. But the biggest sector to hamper the overall employment recovery was government (-116.7%), with unending cutbacks in State and local governments. The continued layoffs in two casinos in Connecticut contributed much to the decline in local government. Please note that casinos operated by the Native American enterprises are included in local government industry, as classified by the U.S. Bureau of Labor Statistics (BLS).

Although not as robust as some of the past ones, the current employment recovery in Connecticut is not the worst. In fact, when compared with the first 35 months of the past recoveries (Chart 1), the present recovery has added jobs faster (+2.2%) than in 1992-2000 (+1.5%) and 2003-2008 (+1.2%) recoveries. By far, the strongest job growth in the first 35 months occurred during the 1983-1989 period (+6.7%).

Unemployment

Connecticut's annual average unemployment rate fell further from 8.9% in 2011 to 8.4% in 2012. By comparison, the nation's rate was 8.1% last year. Even U-6 unemployment rate, a broader measure of labor underutilization which also includes those who are marginally attached workers and part-timers that want full-time work, declined again to 14.7% last year from 15.4% in 2011 in Connecticut. Both average weekly initial claims and insured unemployment rate also fell last year.

CHART 2: CT Unemployment Rate, Before and After Revision



Connecticut Economic Indicators, 2003-2012 (Annual Averages)

STATEWIDE	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NONFARM EMPLOYMENT (000s)										
TOTAL NONFARM.....	1,644.5	1,649.8	1,662.0	1,680.6	1,698.2	1,699.0	1,626.6	1,608.0	1,625.2	1,639.0
TOTAL PRIVATE.....	1,398.5	1,407.0	1,418.3	1,434.7	1,449.0	1,446.5	1,378.4	1,363.8	1,384.9	1,400.3
GOODS PRODUCING.....	262.6	263.6	261.9	261.4	260.1	253.3	226.4	216.1	218.4	216.7
SERVICE PROVIDING.....	1,381.9	1,386.2	1,400.2	1,419.2	1,438.1	1,445.7	1,400.2	1,391.9	1,406.7	1,422.4
CONST., NAT. RES. & MIN.....	62.6	66.4	66.6	67.9	69.3	66.1	55.2	50.6	52.1	51.7
MANUFACTURING.....	200.0	197.2	195.2	193.5	190.8	187.3	171.2	165.6	166.3	165.0
Durable Goods.....	147.7	146.3	145.5	145.2	144.4	143.5	131.8	127.3	128.5	128.3
Non-Durable Goods.....	52.4	50.8	49.7	48.2	46.4	43.8	39.4	38.3	37.8	36.6
TRADE, TRANSPORT., UTILITIES.....	305.5	307.9	310.5	310.9	311.8	309.9	293.3	289.8	292.9	295.3
Wholesale Trade.....	65.5	65.8	66.5	67.5	68.3	69.2	64.9	62.7	63.0	63.3
Retail Trade.....	191.3	192.0	192.0	191.3	191.1	188.1	178.4	178.2	180.2	181.8
Transport., Warehousing, & Utilities.....	48.8	50.1	52.1	52.2	52.3	52.7	50.0	48.9	49.7	50.3
INFORMATION.....	39.6	39.0	38.1	37.9	38.4	37.8	34.3	31.7	31.3	31.1
FINANCIAL ACTIVITIES.....	140.7	139.3	141.0	143.1	143.2	142.1	136.3	134.2	134.1	132.3
PROFESSIONAL & BUSINESS SERV.....	196.8	197.1	199.9	204.3	206.4	204.9	189.4	189.9	197.2	203.1
EDUCATIONAL & HEALTH SERV.....	264.0	268.7	273.3	279.6	287.8	296.7	302.4	306.9	313.3	317.7
LEISURE AND HOSPITALITY.....	125.1	127.6	129.5	132.6	135.7	137.3	133.7	133.6	137.3	142.6
OTHER SERVICES.....	62.2	62.5	62.8	63.7	64.1	63.1	61.3	60.5	60.4	61.5
GOVERNMENT.....	246.0	242.8	243.8	245.9	249.2	252.5	248.2	244.2	240.3	238.7
TOTAL NONFARM EMPLOYMENT IN LABOR MARKET AREAS										
Bridgeport-Stamford.....	410.4	409.9	411.3	416.3	419.8	417.3	398.7	396.6	400.9	405.4
Danbury.....	68.4	68.4	69.0	69.2	70.0	69.5	65.5	65.1	66.6	67.8
Hartford.....	535.4	537.5	543.9	550.3	556.2	558.2	539.9	533.2	538.2	542.7
New Haven.....	270.0	271.8	273.4	276.1	277.7	276.9	266.2	264.1	266.4	271.1
Norwich-New London.....	134.0	134.0	135.7	135.7	136.3	136.8	131.6	129.5	129.0	128.0
Waterbury.....	68.5	68.8	68.7	68.6	68.2	66.7	62.9	61.9	62.3	63.0
Enfield.....	45.1	46.0	46.9	48.6	48.5	48.3	45.6	44.1	44.3	45.1
Torrington.....	36.4	36.6	36.7	37.0	36.9	37.2	35.1	34.8	35.3	35.7
Willimantic-Danielson.....	36.0	35.9	36.6	37.2	37.9	37.5	36.0	35.5	35.8	36.4
ALL EMPLOYEES HOURS & EARNINGS										
Total Private Average Weekly Hours.....	NA	NA	NA	NA	34.3	34.0	33.0	33.3	33.9	34.0
Real Tot Priv Avg Hrlly Earn (82-84\$).....	NA	NA	NA	NA	\$12.82	\$12.87	\$12.96	\$12.88	\$12.55	\$12.26
Real Tot Priv Avg Wkly Earn (82-84\$).....	NA	NA	NA	NA	\$439.86	\$437.66	\$427.84	\$428.85	\$425.60	\$416.76
UNEMPLOYMENT										
Labor Force (000s).....	1,795.0	1,792.1	1,807.0	1,826.8	1,845.7	1,874.1	1,896.4	1,913.2	1,902.3	1,879.5
Employed (000s).....	1,696.9	1,703.9	1,718.6	1,746.0	1,760.9	1,768.9	1,741.0	1,735.1	1,732.8	1,722.4
Unemployed (000s).....	98.1	88.2	88.4	80.8	84.8	105.1	155.5	178.1	169.4	157.1
Unemployment Rate.....	5.5%	4.9%	4.9%	4.4%	4.6%	5.6%	8.2%	9.3%	8.9%	8.4%
Average Weekly Initial Claims.....	4,934	4,212	4,192	4,045	4,123	4,945	6,414	5,414	5,450	5,081
Insured Unemployment Rate.....	3.34%	2.80%	2.53%	2.58%	2.44%	2.93%	5.14%	4.32%	3.79%	3.57%
U-6 Unemployment Rate.....	10.0%	9.1%	8.6%	7.8%	8.2%	10.3%	14.4%	15.7%	15.4%	14.7%
MANUFACTURING ACTIVITY										
Average Weekly Hours.....	41.4	41.8	42.2	42.2	42.3	42.4	40.8	41.2	40.6	40.4
Real Average Hourly Earnings (82-84\$).....	\$9.87	\$9.94	\$9.93	\$10.03	\$10.17	\$10.15	\$10.99	\$11.07	\$11.18	\$10.58
Real Average Weekly Earnings (82-84\$).....	\$408.57	\$415.70	\$418.62	\$423.39	\$430.30	\$430.43	\$448.52	\$455.93	\$453.83	\$427.28
CT Mfg. Production Index (2005=100).....	90.7	98.7	100.0	106.3	117.2	107.8	84.0	89.4	91.1	90.6
INCOME (mil.\$)										
Real Personal Income (1982-84 \$).....	\$82,517	\$85,457	\$86,433	\$91,294	\$95,045	\$93,801	\$87,841	\$90,866	\$92,187	\$91,903
Real UI Covered Wages (1982-84 \$).....	\$42,758	\$44,101	\$44,675	\$45,440	\$47,148	\$45,685	\$43,485	\$43,564	\$43,900	\$44,287
OTHER ECONOMIC INDICATORS										
New Housing Permits.....	9,985	11,837	11,885	9,236	7,746	5,220	3,343	3,765	3,113	5,240
Construction Contracts (1980=100).....	334.0	348.2	404.3	503.3	414.8	355.5	284.5	280.6	283.4	267.0
New Auto Registrations.....	253,176	235,587	236,686	213,363	213,992	189,955	146,994	152,079	178,571	186,452
Air Cargo Tons.....	142,293	154,850	159,847	160,882	161,264	146,376	122,117	130,509	136,164	141,546
Exports (bil.\$).....	\$8.14	\$8.56	\$9.75	\$12.25	\$13.80	\$15.31	\$13.98	\$16.06	\$16.21	\$15.87
S&P 500: Monthly Close (December).....	1,111.92	1,211.92	1,248.29	1,418.30	1,468.36	903.25	1,115.10	1,257.64	1,257.60	1,426.19
Net Business Starts (SOS).....	15,491	19,111	20,088	20,370	19,496	14,018	12,495	13,612	13,384	15,419
Total All Taxes (mil.\$).....	\$9,680.9	\$10,685.3	\$11,820.3	\$12,605.9	\$13,639.5	\$13,874.5	\$12,188.1	\$12,862.7	\$14,337.7	\$15,825.5
Corporate Tax (mil.\$).....	\$431.7	\$627.1	\$708.9	\$850.1	\$799.6	\$702.5	\$646.3	\$645.1	\$801.0	\$717.5
Personal Income Tax (mil.\$).....	\$4,413.6	\$5,103.2	\$5,703.4	\$6,252.5	\$7,039.2	\$7,368.9	\$6,324.7	\$6,766.0	\$7,672.3	\$8,300.6
Real Estate Conveyance Tax (mil.\$).....	\$144.4	\$189.2	\$214.3	\$191.3	\$211.3	\$123.3	\$87.6	\$94.8	\$112.1	\$140.4
Sales & Use Tax (mil.\$).....	\$3,075.2	\$3,203.6	\$3,333.5	\$3,350.1	\$3,628.8	\$3,531.8	\$3,214.8	\$3,233.3	\$3,532.1	\$3,958.4
Indian Gaming Payments (mil.\$).....	\$397.6	\$411.4	\$421.0	\$433.6	\$421.2	\$394.8	\$364.9	\$360.7	\$354.6	\$318.7
Info Center Visitors.....	523,230	439,304	376,547	417,177	400,163	400,804	360,260	316,082	265,334	261,639
Major Attraction Visitors (000s).....	1,848.5	1,818.0	1,722.2	1,712.2	1,716.5	1,676.0	1,675.5	1,540.4	1,601.8	1,691.8
Air Passenger Count (000s).....	6,261.8	6,733.1	7,381.4	6,907.0	6,519.2	6,113.0	5,317.4	5,381.0	5,607.8	5,381.9
Indian Gaming Slots (mil.\$).....	\$19,429	\$20,180	\$19,744	\$19,943	\$19,710	\$18,621	\$17,161	\$17,062	\$16,306	\$14,772

CHART 3: Job Percent Changes by Industry: 2011 to 2012

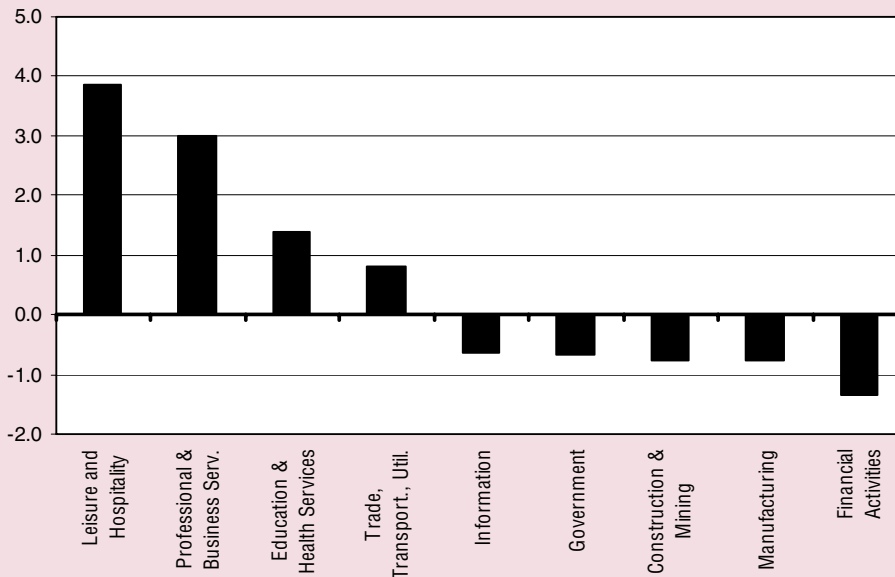
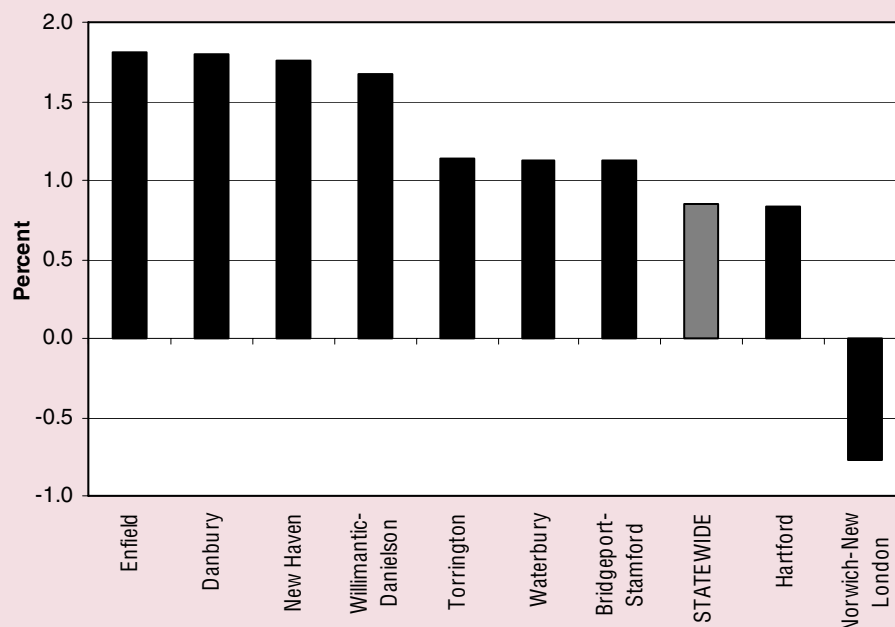


CHART 4: Job Percent Changes by Area: 2011 to 2012



As shown in Chart 2, Connecticut's unemployment rate did not spike up in July and August of 2012 as originally estimated. During the annual processing revision, Local Area Unemployment Statistics (LAUS), Current Population Survey (CPS) employment and unemployment estimates for census divisions, states, and modeled substate areas are updated to reflect new vintage 2012 population controls.

Census division models are then reestimated and forced to sum to updated national CPS levels (even though the official CPS national estimates are not revised to reflect these updated controls). Then statewide model-based estimates are reestimated and benchmarked to the newly revised census division estimates. Such changes will sometimes cause significant revisions to the originally

estimated unemployment rates. For more detailed information on the methodology of LAUS, see "Local Area Unemployment Statistics: A Primer" in the November 2012 issue of the Connecticut Economic Digest.

Economic Indicators

On an annual average basis (table on page 3), Connecticut added 13,800 (+0.8%) jobs in 2012, after losing 18,600 (-1.1%) in 2010, and gaining 17,200 (+1.1%) in 2011. The nation's employment grew at more than twice Connecticut's rate with a 1.8% increase over the year.

Nearly half of the major industry sectors continued to gain jobs over the year (Chart 3). Leisure and hospitality (+3.9%), professional and business services (+3.0%), and educational and health services (+1.4%) all added jobs again in 2012. Out of all major industry sectors, leisure and hospitality was the only one to experience faster employment growth than in 2011.

Conversely, financial activities (-1.3%), government (-0.7%), and information (-0.6%) sectors continued to cut jobs last year. After having added jobs in 2011, construction and mining and manufacturing employment also fell in 2012 (-0.8% each).

All but one labor market area continued to gain jobs in 2012. Norwich-New London LMA has been experiencing job losses for the third year in a row (Chart 4).

Total private weekly hours rose for the third year, averaging at 34.0 hours, back to same level as in 2008. Oppositely, real total private hourly earnings fell in the last three years, resulting in another decline in average weekly earnings to \$416.76 (in 1982-84 dollars) in 2012 (-2.1%).

After having risen for two years, real total personal income of State residents fell slightly in 2012. Inflation-adjusted total unemployment insurance covered

wages, however, have shown steady increases in the last three years.

Taxes collected last year continued to point to a steady economic recovery. Overall State revenue grew by 10.4% to an all-time high of \$15.8 billion. Revenues collected from personal income taxes, real estate taxes, and sales and use taxes all increased over the year. Corporate tax collection, however, fell back after having increased in 2011. Also, receipts from Indian gaming have been falling each year since 2007.

Many other economic indicators also support that our State's trend of modest economic recovery continued in 2012. The housing sector appeared to begin recovery last year, after struggling for many years since 2006. While the construction contracts index showed a setback, the number of new housing permits increased almost 70%, to a level not seen since 2008. The number of new automobile registrations continued its rise for the third year. The tourism sector has

shown a significant improvement, with the number of major attraction visitors increasing to a highest level since 2007. Though air passenger count fell slightly, air cargo tons rose again in 2012. The S&P 500 bounced back strong, gaining 13.4%, to a highest level since 2007. The number of net business starts also returned to a highest level in five years.

It's All About Jobs, Jobs, and Jobs!

Economic development efforts in the State will hopefully contribute to our economic recovery. The Governor's "first five" initiative is scheduled to bring in jobs, including Sustainable Building Systems LLC, a steel product company, with 400 jobs to North Haven, CareCentrix, a home health care management company, with 300 jobs to Hartford, and Alexion Pharmaceuticals with 300 jobs to New Haven.

Additionally, his "next five" initiative is expected to bring 200 jobs from Charter

Communications, a cable provider, and 1,000 jobs from Bridgewater Associates, a hedge fund firm, to Stamford. Amazon, the biggest online retailer in the country, announced its plans to build a distribution center in the State within two years, which will add 300 jobs to Connecticut's economy. Also, University of Connecticut is expected to add 275 to its faculty in Storrs, and Tronox, a global mineral company, will be moving its headquarters from Oklahoma City, bringing 100 jobs to Stamford.

While these announcements will certainly help in providing jobs to many Connecticut residents, it may be unrealistic to expect the same rate of employment recoveries of the 1970s and 1980s, as significant demographic and structural changes have evolved in the world, the nation and the State in recent years. Nevertheless, we should expect to see Connecticut's economy continue with its modest growth this year. ■

GENERAL ECONOMIC INDICATORS

	4Q	4Q	CHANGE		3Q
	2012	2011	NO.	%	2012
<i>(Seasonally adjusted)</i>					
General Drift Indicator (1986=100)*					
Leading	106.4	101.3	5.1	5.0	107.1
Coincident	107.1	107.3	-0.2	-0.2	107.5
Farmington Bank Business Barometer (1992=100)**	124.4	123.6	0.8	0.6	123.9
Philadelphia Fed's Coincident Index (July 1992=100)***	JAN	JAN			DEC
<i>(Seasonally adjusted)</i>	2013	2012			2012
Connecticut	155.39	152.21	3.18	2.1	154.87
United States	153.31	149.21	4.10	2.7	152.99

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).