Employment Grew for the Fifth Year

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Although not yet completely recovered from the latest employment recession, 2015 was a year of continued moderate economic growth for Connecticut. For the fifth year in a row, our State’s total nonfarm employment grew. The unemployment rate fell for five straight years. Real personal income rose for the second year. The majority of the other economic indicators also showed that our overall economy performed well.

Nonfarm Employment

After our annual revision, Connecticut gained (based on annual average, not seasonally adjusted data) 12,500 jobs (+0.75%) in 2015, which was slightly more than the 11,400 jobs (+0.69%) in 2014. Nationally, employment grew faster at 1.9% in 2014 and 2.1% in 2015.

Connecticut has now recovered 73% (+86,700) of the total nonfarm jobs lost during the March 2008-February 2010 employment recession (-119,100), while the total private sector regained 86% of its job loss. By contrast, the nation has not only fully regained all of the jobs lost during its January 2008-February 2010 employment downturn, but has also added 56% more jobs by January of this year.

CHART 1: Job Percent Changes by Industry, 2014 to 2015

In January...

Nonfarm Employment

Connecticut................. 1,680,900
Change over month ........ +0.05%
Change over year......... +0.6%

United States .............. 143,288,000
Change over month ....... +0.11%
Change over year......... +1.9%

Unemployment Rate

Connecticut.................. 5.5%
United States .............. 4.9%

Consumer Price Index

United States .............. 236.916
Change over year......... +1.4%
Unemployment

This year, Local Area Unemployment Statistics (LAUS) were revised back to 2010. However, most of the changes in the unemployment rate occurred in 2015. Earlier months were revised downward and the later months of 2015 were revised upward. All in all, the annual average rates of 2014 and 2015 did not change from the original estimates, at 6.6% and 5.6%, respectively. Last year’s rate was the lowest since 2007 when it was 4.5%. Meanwhile, the nation’s rate fell from 6.2% in 2014 to 5.3% in 2015.

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, also fell from 12.6% in 2014 to 10.9% in 2015. Moreover, the number of average weekly initial claims of unemployment dropped in 2015 (3,910) for the fourth straight year to the lowest level since 2000 (3,426), as the insured unemployment rate also fell to 2.61%.

Nonfarm Employment by Industry

As shown in the table on page 3, Connecticut has added jobs five years in a row: 15,900 (+0.99%) in 2011, 13,600 (+0.84%) in 2012, 12,600 (+0.77%) in 2013, 11,400 (+0.69%) in 2014 and 12,500 (+0.75%) in 2015.

Eight of the ten major industry sectors gained jobs over the year (Chart 1). Construction and mining (+3.4%), professional and business services (+2.0%), other services (+1.7%), information (+1.6%), leisure and hospitality (+1.1%), financial activities (+1.0%), educational and health services (+0.8%), and trade, transportation, and utilities (+0.4%) all added jobs in 2015, and have been on a growth trend in recent years.

Manufacturing, however, has been shedding jobs in the last four years. However, last year’s 0.3% job loss was the smallest in four years. Also encouraging is that the real average weekly earnings of manufacturing workers rose in the past two years (+14.2% in 2015). The Manufacturing Production Index has also increased slightly (+0.3%), after having fallen in 2014. The government sector was the biggest job loser (-0.5%), which has been cutting jobs every year since 2009.

Nonfarm Employment by Labor Market Area

Last year, seven of nine labor market areas (LMAs) added jobs. Enfield LMA experienced the biggest job growth (+1.3%). The Norwich-New London LMA finally turned the corner with a 0.2% employment gain from 2014. The opening of Tanger Outlet at Foxwoods Casino in May 2015 helped in initiating the regional turnaround. Waterbury and Danielson-Northeast areas, however, did not fare well over the year with 0.6% and 0.7% job declines, respectively. The charts on page 4 also show all LMAs’ long-term employment trends from 2002 to January 2016.

Other Economic Indicators

In addition to employment and unemployment data, the majority of other economic indicators pointed to a continuation of Connecticut’s economic recovery last year. Real total personal income of State residents rose 2.7% in 2014 and 3.5% in 2015. A major component of total personal income, unemployment insurance covered wages, has also risen 1.8% and 2.1%, respectively. The number of new housing permits bounced back strong last year (+11.1%) after having declined in 2014 (-8.1%). The construction contracts index also rose by nearly 30%, reversing the decrease of 18.4% in 2014.

Moreover, total all taxes collected last year rose by 4.7% after having fallen in 2014. Revenues from major components such as corporate, personal income, real estate conveyance,
Total Private...  
Goods Producing...  
Service Providing...  
Mining...  
Construction...  
Manufacturing...  
Durable Goods...  
Non-Durable Goods...  
Trade, Transportation, Utilities...  
Wholesale Trade...  
Retail Trade...  
Transport, Warehousing, Utilities...  
Information...  
Financial Activities...  
Professional & Business Services...  
Educational & Health Services...  
Leisure and Hospitality...  
Other Services...  
Government...  

Total real per capita personal income...  

GOVERNMENT...  
OTHER SERVICES...  
LEISURE AND HOSPITALITY...  
PROFESSIONAL & BUSINESS SERVICES...  
EDUCATIONAL & HEALTH SERVICES...  
MANUFACTURING...  
FINANCIAL ACTIVITIES...  
REAL ESTATE CONVE...  
REAL PERSONAL INCOME...  

TOTAL NONFARM EMPLOYMENT (000s)  
ALL EMPLOYEES HOURS & EARNINGS  
UNEMPLOYMENT  
MANUFACTURING ACTIVITY  
INCOME (mil.$)  
OTHER ECONOMIC INDICATORS  

New Housing Permits...  
Exports...  
S&P 500: Monthly Close (December)...  
Total Taxes (mil.$)...  
Corporate Tax (mil.$)...  
Personal Income Tax (mil.$)...  
Real Estate Conveyance Tax (mil.$)...  
Sales & Use Tax (mil.$)...  
Gaming Payments (mil.$)...  
Info Center Visitors...  

*Attraction participants expanded from 6 to 23 beginning with July 2014 data

TOTAL NONFARM EMPLOYMENT, 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
and sales and use taxes all increased over the year. The number of air passenger count rose for three straight years as well.

On the other hand, exports fell for the second year in a row. Revenues from both gaming payments and slots have been declining continuously since 2007. The number of info center visitors dipped significantly last year (-31%), reversing the two years of increase. Finally, the S&P 500’s long streak of bull market since 2009 ended last year.

Looking Ahead
This year begins with more uncertainty than the previous years. Connecticut added a mere 900 jobs in January, while the unemployment rate rose from 5.4% to 5.5%.

Connecticut will undoubtedly add more jobs in the coming years. It was announced in the media that The Hartford Yard Goats, a new baseball team in Hartford, will be hiring 300 workers this spring. Mohegan Sun will be building a new hotel tower in fall this year, creating 1,000 jobs. ShopRite announced it will be opening a new store in Orange this year, adding 200 jobs. Edward Jones plans to add 100 jobs. Electric Boat plans to add 840 positions. Comcast said it will expand by 200 jobs throughout the State. Indeed, an online job board in Stamford, plans to hire 250 employees this year. Serta Simmons Bedding will bring 100 jobs to Stamford when it moves from Massachusetts next fall. Deutsch Family Wine & Spirits will bring 100 jobs to Stamford when it moves from New York next year. Walmart will add 300 positions in Monroe when it opens a new store in 2017. The Outlet Shoppes at Rentschler Field in East Hartford announced the creation of 1,628 jobs in November 2017 when the new mall is set to open. Over the next three years, Polamer Precision, an aerospace manufacturer in New Britain, will expand by 200 positions, and Yale plans to expand by 500 jobs. Pietro Rosa TBM, an aerospace company, will add 100 jobs in Farmington over the next 5 years. Also, the following companies will be expanding over the next two to six years with help from state loans: Leipold Inc. of Windsor (+20); HABCO Industries of Glastonbury (+37); Novitex Enterprise of Windsor (+200); Icahn School of Medicine at Mount Sinai in Branford (+145); Praxair Corp. of Danbury (+120); R&D Dynamics Corp. of Bloomfield (+38); Windsor Marketing Group of Suffield (+27); GKN Aerospace Service Structure Corp. of Cromwell (+100) and S&S Worldwide of Colchester (+40).

Unfortunately, these anticipated new jobs will not appreciably offset the anticipated layoffs over the next several years. Hallmark, for example, announced it will close its Enfield location later this year - putting 570 workers out of a job. Macy’s of Enfield said it will close, affecting 104 workers. Hartford Healthcare plans to reduce its workforce by 418 workers by 2017. The Great Atlantic and Pacific Tea Company, more commonly known as A&P, will close stores statewide and lay off 444 workers over the next year as it files for bankruptcy. Finally, General Electric announced it will move its headquarters with 800 workers from Fairfield to Boston, MA over the next three years.

Connecticut is also faced with a growing budget deficit. Total all revenues were down 7.6% in January. We will not know until this time next year, but hopefully 2016 will turn out to be another year of continued employment growth.

GENERAL ECONOMIC INDICATORS

<table>
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<tr>
<th>(Seasonally adjusted)</th>
<th>4Q 2015</th>
<th>4Q 2014</th>
<th>CHANGE NO. %</th>
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<tr>
<td>General Drift Indicator (1996=100)*</td>
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<tr>
<td>Leading</td>
<td>120.7</td>
<td>114.9</td>
<td>5.8</td>
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<td>117.8</td>
<td>115.3</td>
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<td>Farmington Bank Business Barometer (1992=100)**</td>
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<td></td>
<td>136.0</td>
<td>132.8</td>
<td>3.2</td>
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<td>Philadelphia Fed’s Coincident Index (July 1992=100)***</td>
<td>Jan</td>
<td>Jan</td>
<td>Dec</td>
<td></td>
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<tr>
<td></td>
<td>2016</td>
<td>2015</td>
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<td>United States</td>
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<td>NA</td>
<td>NA NA NA</td>
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</tbody>
</table>

Sources: *Dr. Steven P. Lanza, University of Connecticut **Farmington Bank ***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 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).