

ECONOMIC DIGEST

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In March...

Nonfarm Employment

Connecticut..... 1,686,700
 Change over month +0.24%
 Change over year +1.6%

United States 141,183,000
 Change over month +0.09%
 Change over year +2.3%

Unemployment Rate

Connecticut..... 6.4%
 United States 5.5%

Consumer Price Index

United States 236.119
 Change over year -0.1%

The Economic Impact of Tourism in Connecticut

Tourism is an important economic engine in Connecticut, and all business sectors in the state economy benefit from tourism activity directly and/or indirectly. Visitors to Connecticut represent a significant economic benefit as they spend money in the local economy on items such as lodging, food and beverage, retail purchases, and recreation. Visitor spending has an even larger impact as it ripples through the statewide economy, generating revenues and jobs for businesses spanning a wide range of industries. Since the recession, Connecticut’s tourism industry has created 5,000 new jobs. Visitors to Connecticut spent \$8.3 billion in 2013, generating a total economic impact of \$14.0 billion, supporting nearly 119,000 total jobs.

Public organizations, policymakers, and private businesses can all benefit from a detailed analysis of the economic benefits of the tourism industry. By monitoring tourism’s economic impact, these policymakers can make informed decisions regarding

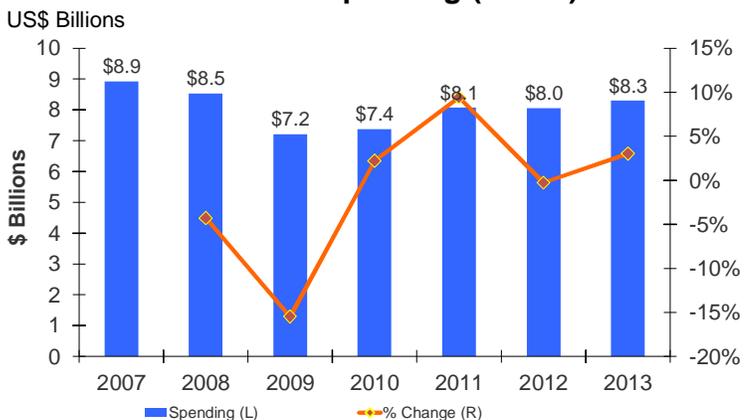
the funding and prioritization of tourism development. In order to effectively measure tourism’s economic impact, the industry must be measured in the same categories as other economic sectors – i.e., tax generation, employment, labor income, and GDP (gross domestic product).

Unlike most economic sectors (such as financial services, insurance, or construction), the tourism industry is not easily defined within a country’s national accounts statistics since tourism is not a single industry. Tourism is a demand-side activity which affects multiple industries and economic sectors to various degrees. Overall, tourism spans nearly a dozen sectors including lodging, recreation, retail, real estate, air passenger transport, food and beverage, car rental, taxi services travel agents, and many more.

2013 Connecticut Tourism Highlights

Overnight travel grew in 2013 as improving economic conditions, moderating growth in transportation

Connecticut Traveler Spending (Direct)



Sources: Longwoods International, NTTO, Tourism Economics

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costs, and the State's branding and marketing efforts, launched in 2012, encouraged travel.

Visitors spent \$8.3 billion in 2013. This direct spending generated \$5.7 billion in indirect and induced expenditures, resulting in \$14.0 billion in total business sales as travel dollars flowed through the statewide economy. Tourism in Connecticut sustained a total of 118,586 jobs, including 80,000 direct jobs. Total income associated with these jobs amounted to \$5.0 billion. Traveler-supported employment represented 5.3% of all employment in the State of Connecticut.

Including direct, indirect, and induced impacts, travel in Connecticut generated \$858 million in state and local taxes and \$748 million in Federal taxes in 2013.

Traveler Spending

In 2013 visitor spending in Connecticut totaled \$8.3 billion, representing a 3.0% expansion over 2012 levels. After experiencing negative growth in 2008 and 2009, traveler spending growth has averaged 3.5% per annum between 2010 and 2013.

Visitors spent \$2.8 billion (34%) on recreation and entertainment, \$1.8 billion on food and beverage (22%), \$1.4 billion on lodging (17%), \$1.2 billion on retail purchases (15%), \$0.8 billion on local transportation (10%), and \$0.2 billion on air transportation (2%).

Visitor spending increased by \$245 million in 2013. Overall tourism performance in 2013 was particularly supported by spending growth in the food and beverage and retail sectors, which grew 7.3% and 6.5% over 2012 levels, respectively.

Traveler Spending by Market Segment

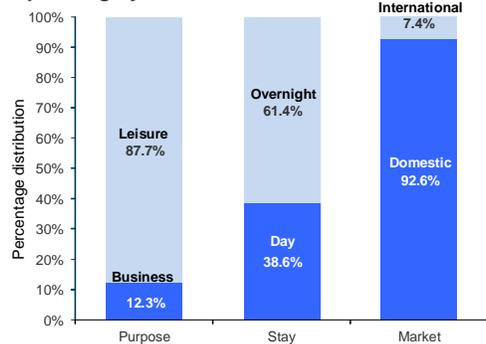
On average, overnight travelers spent \$255 per person during their trip to Connecticut. While overnight travelers represented just 34% of total trips, their spending accounted for 61% of all traveler spending in 2013, generating approximately \$5.1 billion. Day travelers spent \$3.2 billion in 2013, accounting for nearly 39% of traveler spending.

Business travelers in Connecticut spent \$1.0 billion in 2013,

representing 12% of all traveler spending. Leisure travelers spent \$7.3 billion, representing nearly 88% of all spending.

Domestic visitors spent \$7.7 billion in Connecticut in 2013, accounting for nearly 93% of all visitor spending. Overseas visitors spent \$0.6 billion, representing more than 7% of all spending.

Spending by Market



Sources: Longwoods International, NTTU, Tourism Economics

Economic Impacts – Model Inputs and Data Sources

As previously outlined, measuring the economic impacts of tourism in Connecticut involves the following travel market segments:

- Day trips and overnight travelers
- Domestic, Canadian, and overseas travelers
- Leisure and business travel

By definition, a "visitor" includes all overnight and day travelers who are traveling outside of their usual environment. Domestic traveler expenditure estimates are provided by Longwoods International's representative survey of US travelers. These are broken out by sectors (lodging, transport at destination, food & beverage, retail, and recreation), by purpose (business and leisure), and by length of stay (day and overnight).

In order to determine visitor spending tendencies, the study relied on Connecticut's 2012 VISION study, which measured activity of visitors to attractions, including residents and visitors who live outside Connecticut.

Defining Economic Impacts

The total impact of visitor spending includes the following components:

• **Direct impacts** include “direct” visitor spending at local businesses during their trip to Connecticut.

• **Indirect impacts** include these local businesses’ purchases of goods and services used as inputs into their production.

• **Induced impacts** occur as employees spend their income (which is directly or indirectly attributable to tourism) in the local economy.

• **Fiscal impacts** include the tax revenues generated as direct, indirect, and induced impacts ripple through the state economy.

Take, for example, a family that purchases a meal at a local restaurant during a trip to Connecticut. The *direct impacts* include the money the family spends on the meal itself.

In order to operate on a daily basis, the restaurant pays local vendors, which might include a food delivery company, janitorial services, and legal services. These purchases from local supplier businesses represent *indirect impacts*.

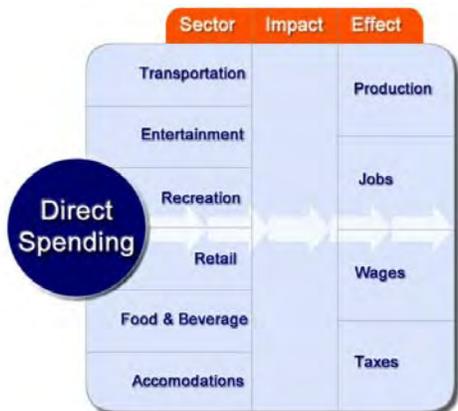
The restaurant also pays salaries and wages to its employees who, in turn, spend a portion of their income in the local economy on items such as rent, transportation, and recreation. This employee spending represents the *induced impacts* attributable to the direct visitor spending.

Fiscal impacts are the tax revenues generated by the direct visitor spending, restaurant spending on purchases from supplier industries, and spending of the restaurant employees. For example, a portion of the visitors’ restaurant bill includes sales tax payments, and a portion of the restaurant employees’ paycheck includes federal and state personal income tax payments.

The IMPLAN Model

The analysis utilized an IMPLAN model to estimate the economic impacts of visitor spending. IMPLAN

is one of the industry standard input-output (I-O) models that analyzes economic impacts, and the model essentially traces the flow of traveler-related expenditures through the statewide economy and estimates the overall effects on employment, wages, and taxes.



An input-output model represents a profile of an economy

by measuring the relationships among industries and consumers. For example, an I-O model tracks the flow of visitor spending to wages, profits, capital, taxes and suppliers. Supplier chain impacts, or indirect impacts, are also traced to wholesalers, to suppliers, to professional services firms, and so on. In this way, the I-O model allows for the measurement of the direct and indirect sales generated by visitor spending. The model also calculates the induced impacts of visitor spending based on inter-industry relationships.

The modeling process begins with aligning visitor spending measurements with the related sectors in the model (e.g. restaurants, retail, and entertainment). The model is then run to simulate the flow of these expenditures through the statewide economy of Connecticut. In this process, the inter-relationships between consumers and industries generate each level of impact for each economic indicator (sales, wages, employment, etc.).

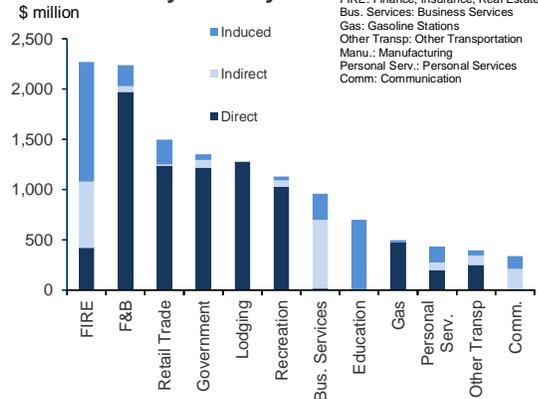
After using the IMPLAN model to estimate the overall economic impacts, the research team cross-checked the findings with employment and wage data for each economic sector to ensure the findings were within reasonable ranges.

Economic Impacts – Travel Sales

Traveler spending of \$8.3 billion generated an economic impact of

\$14.0 billion in 2013 as traveler dollars flowed through the Connecticut economy. All business sectors of the Connecticut economy benefit from tourism activity directly and/or indirectly. Sectors that serve the tourism industry, such as business services, gain as suppliers to a dynamic industry. Finance, insurance, and real estate (FIRE) is the most-impacted industry, with \$2.3 billion in direct, indirect, and induced sales attributable to tourism. The lodging industry and retail industries follow with \$2.2 billion in \$1.5 billion in sales, respectively. Another sector with significant sales is the government sector.

Travel Sales by Industry



Notes: Based on the specifications of the IMPLAN model, the government sector includes the casino operations of tribal nations in Connecticut. Therefore the sales, GDP, and employment impacts of the government sector encompass not only state and local government activity, but also the activity at the tribal casinos. Impacts in the retail sector include the cost of goods sold.

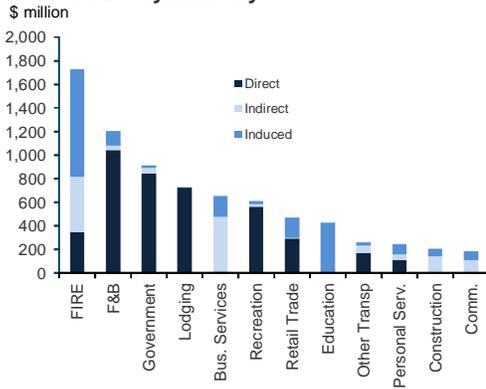
Economic Impacts – Travel GDP (Value Added)

It is important to note the distinction between sales and GDP (gross domestic product) and why the two concepts differ. Direct tourism industry sales (i.e., visitor spending) in Connecticut totaled \$8.3 billion in 2013, while direct GDP measured \$4.2 billion. GDP is less than sales because it only accounts for the locally-produced value of goods and services consumed by visitors. This includes the local labor, capital depreciation, and the profits of tourism-related companies that are based in Connecticut. The costs of imported goods (gasoline, food or retail goods) that come from out-of-state are *excluded* from the GDP calculation. In addition, business profits from out-of-state companies are also excluded. For example, the profits of a large retailer that is based

outside of Connecticut ultimately “leave” the state and are not included in GDP.

Travel generated \$8.1 billion in total state GDP in 2013, representing 3.2% of the total Connecticut economy. This excludes all import leakages to arrive at the economic value generated by travel. While the

Travel GDP by Industry

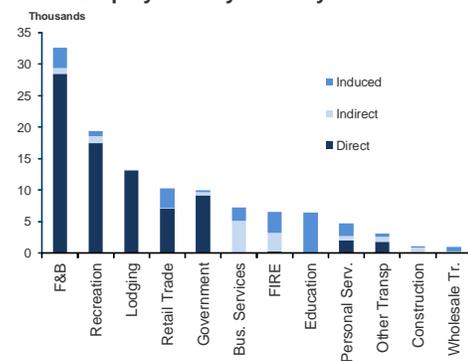


food & beverage and lodging industries are key contributors to visitor-supported GDP, FIRE (finance, insurance and real estate) and business services - key industries in the state – significantly benefit from and contribute to visitor-supported GDP in Connecticut.

Economic Impacts – Employment

In 2013 the tourism industry supported nearly 119,000 total jobs,

Travel Employment by Industry



including 80,000 direct jobs. Visitor spending supports more than five percent of all employment – one of every 19 jobs - in Connecticut.

Travel is an employment-intensive industry as it directly supports more than 28,000 jobs in the food and beverage industry. Including indirect and induced job impacts, the food and beverage industry benefits from nearly 33,000 total jobs attributable to tourism.

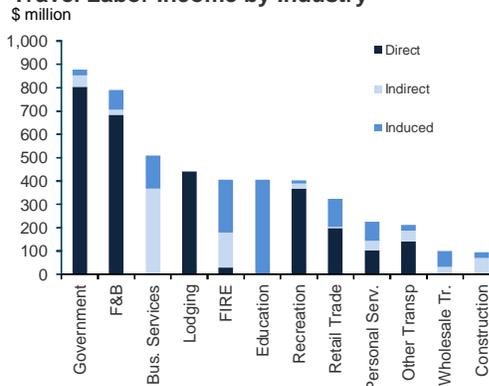
Tourism also generated significant job impacts in the recreation industry (19,000 total jobs), the lodging industry (13,000 total jobs), and the retail trade industry (10,000 total jobs).

Tourism is an important economic engine and represents a significant part of several industries. For example, tourism spending supports 100% of lodging employment, 33% of recreation employment, and 24% of food and beverage employment. Direct tourism employment expanded 2.5% in 2013, posting three straight years of employment growth. Tourism employment has outpaced overall employment growth by one and a half percentage points in each of the past three years. If tourism were defined by the government as a single industry, direct tourism employment of 80,000 jobs would rank as the eighth largest industry in Connecticut.

Economic Impacts – Personal Income

The tourism industry generated more than \$5.0 billion in total personal income, including \$2.9 billion in direct personal income, \$0.9 billion in indirect personal income, and \$1.3 billion in induced personal income. Significant employment in the food and beverage and lodging industries drives high labor income in those industries. Above average wages drive labor income in supplier industries such as business services. The average labor income of workers directly

Travel Labor Income by Industry



supported by traveler spending was \$32,745 in 2013.

Economic Impacts – Tax Generation

Traveler-Generated Tax Revenues			
(US\$ Million, Year)			
	Direct	Indirect/ Induced	Total
Federal			
Personal Income	405.0	343.1	748.1
Corporate	13.4	16.4	29.9
Indirect business	71.5	95.3	166.8
Social Security	49.9	41.0	91.0
	270.1	190.4	460.5
State and Local	504.6	353.7	858.3
Sales	92.6	102.3	195.0
Bed Tax	104.6	-	104.6
Personal Income	74.2	56.5	130.7
Corporate	8.7	11.5	20.2
Social Security	2.9	2.0	4.9
Excise and Fees	32.5	25.8	58.4
Property	189.1	155.5	344.6
TOTAL	909.6	696.9	1,606.4

The economic impacts outlined above generate significant tax revenues in Connecticut, including state and local tax revenues and federal tax revenues. Tax revenues attributable to tourism reached \$1.6 billion in 2013. This total tax impact included \$858 million in state and local taxes, including \$195 million in sales tax revenues, approximately \$105 million in bed tax revenues, \$131 million in personal income tax revenues, and \$345 million in property tax revenues. Tourism generated \$748 million in federal taxes in 2013, including nearly \$461 million in social security tax revenues and \$167 million in corporate tax revenues. Visitor activity *directly* generated approximately \$505 million in state and local tax revenues, including \$315.5 million in state and \$189.1 million in local tax revenues.

Summary Economic Impacts by County

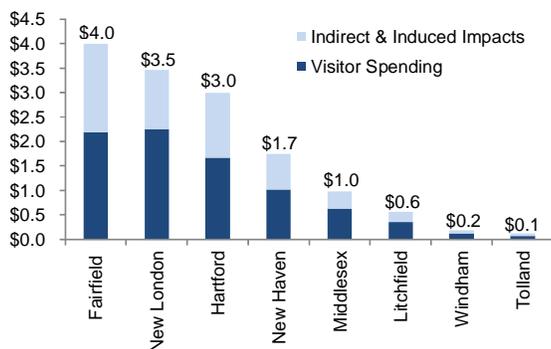
The research included a breakdown of economic impacts by county. Total economic impacts amounted to nearly \$4.0 billion in Fairfield County, \$3.5 billion in New London County, \$3.0 billion in Hartford County, and \$1.8 billion in New Haven County (see figures on page 5).

Economic Impacts in Perspective

While tourism’s economic impacts are

County	Direct Jobs	Total Jobs	Direct Labor Income (\$ Millions)	Total Labor Income (\$ Millions)	Visitor Spending (\$ Millions)	Indirect & Induced Expenditures (\$ Millions)	Total Economic Impact (\$ Millions)	Total Taxes (\$ Millions)
Fairfield	18,935	29,016	\$650	\$1,292	\$2,189	\$1,808	\$3,996	\$251
Hartford	18,693	28,269	\$511	\$990	\$1,665	\$1,327	\$2,992	\$365
Litchfield	3,869	5,567	\$97	\$160	\$356	\$210	\$566	\$64
Middlesex	5,789	8,102	\$171	\$275	\$626	\$355	\$980	\$118
New Haven	12,673	19,180	\$316	\$577	\$1,021	\$729	\$1,750	\$217
New London	18,139	24,640	\$1,051	\$1,628	\$2,250	\$1,211	\$3,461	\$548
Tolland	920	1,467	\$21	\$38	\$70	\$49	\$118	\$14
Windham	1,627	2,345	\$38	\$64	\$116	\$70	\$186	\$24
State Total	80,645	118,586	\$2,856	\$5,022	\$8,292	\$5,758	\$14,050	\$1,600

Connecticut Visitor Spending & Economic Impacts, by County (\$ Billions, 2013)



significant, putting the impacts in perspective provides insight to their relative magnitude in terms of visitors, spending, jobs, and taxes.

If the Connecticut tourism industry were considered a single business, it would rank number 317 on the Fortune 500 list, similar in size to Hormel Foods, and larger than MasterCard Incorporated, Campbell's Soup Company, Coca-

Cola Enterprises, or Avis. Connecticut's Tourism Industry provides \$315.5 million in direct taxes to the state. In turn, these funds support essential state services to provide for its residents and protect the environment. This is sufficient to pay for the total combined state budgets for:

- o Connecticut Departments of Public Health, Energy & Environmental Conservation, Criminal Justice, Veterans Affairs, Rehabilitation, Consumer Protection and State Department on Aging;
- o Protection & Advocacy for Persons with Disabilities and;
- o Commissions on Aging, Permanent Status of Women, Children, Latino & Puerto Rican Affairs, African-American Affairs and Asian Pacific Affairs

Conclusion & Takeaways

After a considerable decline due to economic recession and only \$1.00 (one dollar) in statewide tourism marketing, traveler spending in Connecticut has experienced a strong rebound, averaging 3.5% growth per year over the past four years. Traveler spending grew three percent in 2013, amounting to \$8.3 billion. This \$8.3 billion in traveler spending generated a total economic impact of \$14 billion. In addition to being a significant economic engine, tourism is also an important job generator as it supports the residents of Connecticut and generates nearly 119,000 total jobs statewide, including 80,000 direct jobs. Tourism is also an important component of governmental activities as it was directly and indirectly responsible for \$1.6 billion in federal and state and local tax revenues in Connecticut. Tourism is expanding at a faster rate than the Connecticut state economy as a whole, and the importance of tourism can be favorably compared to many major industries and businesses in Connecticut. ■

Tourism Economics, an Oxford Economics company and leading national research firm, conducted the economic impact study for the Connecticut Department of Economic and Community Development.

GENERAL ECONOMIC INDICATORS

(Seasonally adjusted)	4Q	4Q	CHANGE		3Q
	2014	2013	NO.	%	2014
General Drift Indicator (1996=100)*					
Leading	118.7	119.2	-0.5	-0.4	119.5
Coincident	110.7	108.9	1.8	1.7	109.7
Farmington Bank Business Barometer (1992=100)**	129.8	127.6	2.2	1.7	128.0
Philadelphia Fed's Coincident Index (July 1992=100)***					
(Seasonally adjusted)	Mar	Mar			Feb
Connecticut	2015	2014	5.20	3.3	2015
United States	160.66	155.46	5.30	3.4	160.28
	162.12	156.82			161.82

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).