*Connecticut Town Economic Indexes Grew in 2023*

*By Jungmin Charles Joo and Dana Placzek, Department of Labor*

Connecticut's overall economy grew last year with nearly all towns seeing increases. Fully 136 of Connecticut's 169 cities and towns were above pre-COVID-19 pandemic (2019) levels in 2023. The indexes on page 3 give a broad measure of business and resident economic well-being of each town, allowing comparisons among them.

**The CTEI Methodology**

 The Connecticut Town Economic Indexes (CTEI) were introduced in 2015 and are released annually. The Connecticut Department of Labor’s Office of Research developed the composite indexes of all 169 municipalities in the state to measure each town or city’s overall economic health, which then can be ranked and compared to others to gain perspective. The four annual average town economic indicators used as components are total covered business establishments, total covered employment, inflation-adjusted covered annual average wages, and the unemployment rate.

 Establishments are the physical work units located in the municipality. Employment is the number of payroll employees in establishments that are located in the town. Wages are the aggregate payroll pay divided by the total average employment. These three measures come from the Quarterly Census of Employment and Wages (QCEW) program and include all those who are covered under unemployment insurance law, thus capturing nearly 100 percent of all payroll employees in each town.

 Establishments, employment and wages are proxy for each municipality’s business activities and its overall economic strength, while the unemployment rate measures the overall economic health of its residents. Each of the four components was given a 25 percent weight. To compare the economic performance since the pandemic of 2020, the CTEI’s base year is changed from 2010 to 2019, which equals 100. The wage component was also adjusted to 2019 dollars and unemployment rate changes were inversed to reflect the right economic direction. By combining these four major economic indicators, the index allows comparisons among towns.

**CTEI: 2022 to 2023**

 Most of the cities and towns saw business and labor market conditions continue to improve. Because the town sizes can vary greatly, a same change in one index value of a small town would not necessarily mean the same degree of economic growth as a large city. Therefore, the comparisons were grouped in three categories: towns with a population (2023) under 25,000, towns or cities with a population between 25,000 and 100,000, and cities with over 100,000.

 Among the towns with a population under 25,000, Eastford and Hartland’s overall economy expanded the fastest from 2022 to 2023. Enfield and Groton had the two fastest increases over the year among the towns or cities with a population between 25,000 and 100,000, while Westport and South Windsor indexes had slight declines but remained well above 2021 levels. All five largest cities with a population of 100,000 or more experienced overall economic growth over the year, with New Haven and Hartford faring the best.

**CTEI: 2019 to 2023**

 When compared with 2019, before the pandemic downturn, 136 cities and towns’ indexes showed increases in 2023, while 33 declined. Among the small towns with residents fewer than 25,000, Andover and Lyme experienced the fastest economic increase between 2019 and 2023. Conversely, Ledyard and Union are still below 2019 levels despite strong gains in 2023. Fairfield and Greenwich index figures grew the fastest among those with a population between 25,000 and 100,000, while Norwalk and Mansfield have yet to return to pre-pandemic levels after gains in 2021 and 2022.

 Among the largest cities (population over 100,000), as Chart 1 shows, New Haven and Hartford’s economy grew the most since 2019. In fact, all five cities have fully recovered to pre-pandemic levels. The map on page 4 shows the different ranges of economic recovery rate of each municipality in the state.

**LMA Indexes: 2019-2023**

 The index by Labor Market Area (LMA) is the average of all town indexes that make up that labor market area. The index in all nine regions in Connecticut grew from 2019 to 2023. The Danielson-Northeast and Torrington-Northwest areas’ overall economy continued to grow the fastest.

**The Components of CTEI:**

**Establishments**

 The total number of business establishments in Connecticut rose by 4.9% to 149,796 in 2023, slower growth than the 6.6% from the year before. Stamford continued to dominate, with the largest number of businesses (7,280) of the 169 cities and towns. Since 2019, Connecticut’s overall number of businesses increased 21.8%. Overall, 93% of the total municipalities added new establishments over the year, and 98% since 2019.

**Employment**

 Last year’s average statewide employment grew further by 1.6%, after having risen 3.2% in 2022. About 74% of the cities and towns in the state experienced job recovery over the year, after 92% added jobs in 2022. All in all, half of the municipalities in the state have added jobs since 2019, while the statewide annual average employment in 2023 was slightly (-0.1%) below the 2019 level.

**Real Wages**

 In 2023, 74 of all cities and towns in the state posted inflation-adjusted (in 2019 dollar) wage gains over the year, significantly up from 35 in 2022 when inflation was much higher than in 2023. While lower, inflation continued to cut into wage gains in 2023. The statewide real annual average wage was $70,289 per worker, a 1.0% decline over 2022 but up 0.7% from 2019. The highest real average wages were in businesses located in Greenwich at $166,653 last year.

**Unemployment Rate**

 Waterbury posted the highest unemployment rate (5.9%) last year, dipping from 6.2% in 2022. Overall, the statewide rate fell from 4.1% in 2022 to 3.8% in 2023. For a detailed analysis and the complete table of unemployment rates for all 169 municipalities, see “Most Towns Experienced Decreases in the Unemployment Rate in 2023” in the June 2024 issue of the Connecticut Economic Digest.

**CTEI Diffusion Index: 2006-2023**

 One way to measure aggregate performance of the CTEI of 169 cities and towns in Connecticut is to use a diffusion index. For each town, the index figure is up, down, or unchanged over the year. The diffusion index is calculated by subtracting the share of towns that experienced decreases in their indexes from the share that had increases over the year.

 As expected, during the 2008-2010 period, the index values were -98, -100, and -75, respectively, when Connecticut was in an employment downturn. The state economy gradually recovered from 2011, as the diffusion index numbers indicate on Chart 2, and by 2015 nearly all towns were gaining (+96). The index remained at or above 80 from 2014 to 2019, before falling to -100 in 2020, when all 169 cities and towns’ economies were inexorably affected by the pandemic. Then after the index almost fully turning around with +98 in 2021, the index hit 100 in 2022 when all towns gained as the state continued to bounce back from the pandemic. Last year the index was +93 as the economy returned to a more normal pace of growth. So far in 2024 Connecticut has seen continued job growth, low unemployment, and wage gains that have outpaced inflation. While there are ongoing uncertainties at the national and international levels that could affect Connecticut and its towns, Connecticut saw widespread growth in 2023 and all indicators suggest this is continuing in 2024. n