

# ECONOMIC DIGEST

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### In August...

#### Nonfarm Employment

Connecticut	1,
Change over month	+0.59%
Change over year	+4.94%

United States	146,
Change over month	+0.65%
Change over year	+5.20%

#### Unemployment Rate

Connecticut	7
United States	5.4%

#### Consumer Price Index

United States	27
Change over year	+5.4%

## All State Economic Indexes Fell in 2020 Due to the COVID Pandemic

By Jungmin Charles Joo and Dana Placzek, Department of Labor

**B**ecause of the COVID-19 pandemic, all state economic indexes fell over the year. After annual revisions, Connecticut ranked 35<sup>th</sup> out of the 50 states and the District of Columbia (DC) in the State Economic Indexes (SEI) in 2020, down from the 25<sup>th</sup> position in 2019.

Utah came in first in the nation with the highest index of 143.1 last year, while Hawaii placed last (103.3). Our state's index of 114.2 was below the nationwide value of 119.8 (see table on page 2).

#### SEI: Methodology

Applying the same components and methodology of the Connecticut Town Economic Indexes (See September 2021 issue), the Connecticut Department of Labor's Office of Research also developed the State Economic Indexes for all 50 states and DC. With recently available annual average data from the Quarterly Census Employment and Wages (QCEW) program, along with the revised annual average unemployment rate from Local Area Unemployment Statistics (LAUS), annual SEI is reestimated for the 2010-2020 period.

These indexes provide a measure of the overall economic strength of each state that can be compared and ranked. Four annual average state economic indicators were used as components: 1. the number of the total covered business

establishments, 2. total covered employment, 3. real covered wages, and 4. the unemployment rate.

Business establishments are the physical work units located in the state. Employment is the number of payroll employees in the establishments that are located in the state who are covered under the unemployment insurance law (nearly the universe count of all the payroll employees in each state). Average annual pay is the aggregate wages earned divided by the total average employment. Establishments, employment, and wages are proxies for each state's business activities and its overall economic strength, while the unemployment rate measures the overall economic health of each state's working residents.

Each of the four components of the SEI is given a 25 percent weight. SEI's base year is 2010, which equals 100. The wage component is adjusted to 2010 dollars, and the unemployment rate change is inverted to reflect the right economic direction. By combining these four major economic indicators, the index gives a broad measure of business and resident economic conditions of each state that can then be compared and analyzed.

#### SEI: 2019 to 2020

Reflecting the unprecedented impact from the COVID pandemic, the business and labor conditions of all 50 states and DC deteriorated from 2019 to 2020,

# ECONOMIC DIGEST

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### STATE ECONOMIC INDEXES (2010=100), 2016-2020\*

State	2020 Rank	2016	2017	2018	2019	2020
Alabama	6	124.1	137.9	149.6	171.6	130.6
Alaska	47	110.2	109.9	113.9	118.8	108.0
Arizona	14	129.2	137.2	140.4	142.4	125.3
Arkansas	23	129.9	135.0	136.2	141.0	118.8
California	13	142.6	153.3	163.2	167.6	125.7
Colorado	10	159.6	176.5	167.3	179.0	127.9
<b>Connecticut</b>	<b>35</b>	<b>129.8</b>	<b>134.8</b>	<b>142.8</b>	<b>149.4</b>	<b>114.2</b>
Delaware	27	130.9	133.2	144.3	146.8	117.8
District of Columbia	21	123.1	125.5	129.4	133.6	120.2
Florida	7	140.0	151.1	164.1	173.9	129.4
Georgia	4	134.4	139.5	152.3	164.5	132.2
Hawaii	51	140.8	161.2	156.3	156.0	103.3
Idaho	3	142.8	154.9	167.8	169.8	137.6
Illinois	43	125.6	132.0	140.6	148.1	110.6
Indiana	18	138.6	154.8	158.5	164.5	122.2
Iowa	32	125.1	132.5	143.3	140.5	116.3
Kansas	38	124.0	128.9	134.3	136.9	113.1
Kentucky	11	134.8	137.1	145.8	148.7	126.5
Louisiana	50	108.8	115.6	119.2	121.5	104.7
Maine	12	136.4	144.3	150.9	162.9	126.1
Maryland	36	126.0	129.1	133.9	140.0	114.0
Massachusetts	33	135.2	139.7	147.9	158.1	114.8
Michigan	31	141.6	148.3	155.9	159.9	117.0
Minnesota	25	128.2	137.4	147.0	144.8	118.0
Mississippi	34	122.9	128.9	131.8	128.1	114.7
Missouri	8	135.5	147.5	159.6	159.8	129.0
Montana	16	125.3	130.0	135.4	139.7	123.4
Nebraska	26	123.9	127.3	128.0	127.9	118.0
Nevada	24	144.0	154.2	166.1	178.6	118.2
New Hampshire	40	135.1	138.1	143.7	145.7	112.5
New Jersey	46	128.0	133.3	141.3	153.9	108.7
New Mexico	45	108.3	111.6	121.7	123.9	108.9
New York	44	126.7	131.0	138.1	144.0	109.4
North Carolina	9	135.7	144.3	153.7	159.8	128.6
North Dakota	39	121.2	125.9	130.1	135.0	112.6
Ohio	29	132.4	133.5	140.3	146.0	117.6
Oklahoma	41	116.9	123.1	133.1	137.8	112.3
Oregon	5	143.6	154.3	158.4	166.5	131.6
Pennsylvania	49	119.2	122.5	129.3	129.9	107.9
Rhode Island	28	137.0	146.7	154.1	165.6	117.7
South Carolina	2	142.4	154.1	171.7	193.2	139.8
South Dakota	30	124.2	123.8	128.0	128.5	117.1
Tennessee	15	136.0	151.8	157.8	162.1	124.9
Texas	20	130.8	135.8	143.1	151.9	121.7
Utah	1	147.2	153.5	161.4	176.2	143.1
Vermont	37	131.1	133.9	143.0	152.5	113.3
Virginia	22	128.4	133.6	149.3	155.6	119.1
Washington	17	128.4	136.1	141.8	148.6	123.0
West Virginia	48	113.5	120.7	123.2	126.0	107.9
Wisconsin	19	136.9	147.9	156.1	151.1	121.9
Wyoming	42	109.5	118.1	122.5	128.1	111.1
<b>UNITED STATES</b>		<b>132.1</b>	<b>139.0</b>	<b>147.8</b>	<b>153.4</b>	<b>119.8</b>

\* 2010 = 100 for all 50 states and District of Columbia. 2011-2020 SEI are available upon request.

State Economic Indexes developed by Connecticut Department of Labor, Office of Research

Data Source: Bureau of Labor Statistics

compared to six with decreased SEI from 2018 to 2019. The fastest decrease in the index occurred in Nevada and Hawaii. Connecticut fell 23.5% from 2019 to 2020, just a bit more than the national average (-21.9%). This placed Connecticut 36th among the states, down from 17th place in 2019.

### SEI: 2010 to 2020

Looking longer term, all 50 states and DC continued to show positive SEI growth. Utah and South Carolina topped the list, when new business formations, jobs, real wages, and unemployment rates are all factored in. The Connecticut index increased 14.2% since 2010, when the economy began to recover, while the nation's index grew 19.8%. Among the nine Northeast states, Connecticut again ranked 4<sup>th</sup>, above Vermont and New Hampshire (Chart 1). Maine's economy improved the most in the long run. All in all, only 21 out of the 50 states and DC grew faster than the national average from 2010 to 2020. The map on page 4 shows the different ranges of economic recovery rate of each state.

### Components of SEI:

#### Establishments

In terms of the number of establishments, Idaho and

Georgia experienced the fastest growth over the year. Nebraska and Maryland were the only states with declines from 2019. Connecticut's establishment growth rate ranked 34<sup>th</sup> among the states.

Over the last ten years, Utah and South Carolina had the fastest business formations. On the other hand, the number of establishments grew the slowest in Illinois and Kansas since 2010.

#### Employment

Last year's average nationwide employment decreased 6.1%, while Connecticut lost 7.5% of its jobs in 2020. Idaho and Utah posted the slowest job loss, while Connecticut ranked 41<sup>st</sup> in 2020. Hawaii and Nevada experienced the fastest job loss over the year.

During the 2010-2020 period, 42 out of 51 states added jobs. Utah and Idaho experienced the fastest employment gains during the current recovery, while West Virginia and Alaska had the fastest job loss. Connecticut also lost jobs from 2010 to 2020 and ranked 46<sup>th</sup>.

#### Real Wages

All states posted inflation-adjusted wage gains in 2020. California and Massachusetts had the fastest annual pay increase, while Wyoming and North Dakota's grew the slowest over the year. Connecticut

ranked 19<sup>th</sup> in terms of wage growth.

Once again, the highest annual average pay was earned in DC at \$105,715 in 2020 (in 2010 dollars). Connecticut's wage was sixth highest (\$74,465), following Massachusetts (\$82,643), New York (\$82,092), California (\$78,514), and Washington (\$75,824). Only 12 states and DC posted wages higher than the nation's average of \$63,223 last year. The two states with the lowest average pay in 2020 were Mississippi and Idaho.

Since 2010, all 50 states and DC experienced income gains, with Washington and California having the fastest increase. Connecticut's wage growth came in 48<sup>th</sup> place among the states in the last ten years.

#### Unemployment Rate

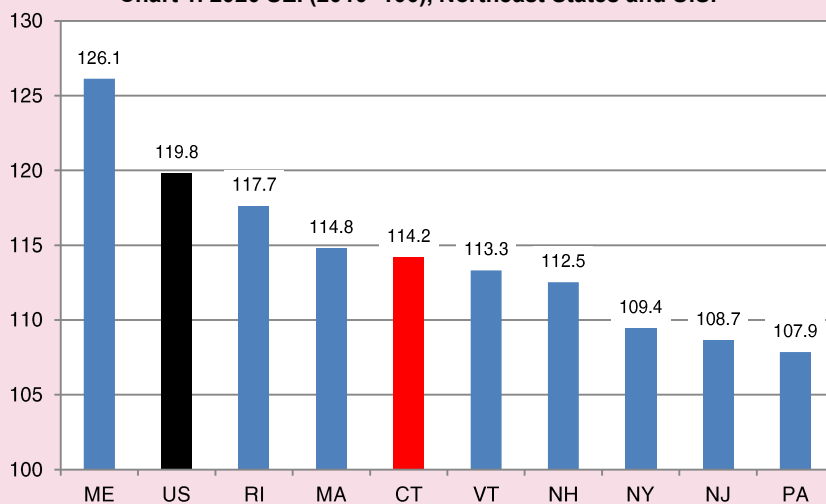
Nebraska (4.2%) and South Dakota (4.6%) posted the lowest unemployment rates in 2020. Conversely, Nevada (12.8%) and Hawaii (11.6%) had the highest unemployment rates last year. Connecticut had 7.9% while U.S. had 8.1% jobless rate. All 50 states and DC experienced significant increases in the rate due to the pandemic. The biggest percentage increase occurred in Hawaii and Nevada over the year.

Between 2010 and 2020, unemployment rate in nine out of 51 states and DC rose, including Hawaii and North Dakota. South Carolina and Alabama had the biggest percentage unemployment rate drop. Connecticut's jobless rate dropped from 9.6% to 7.9%, while it was from 9.6% to 8.1% nationally.

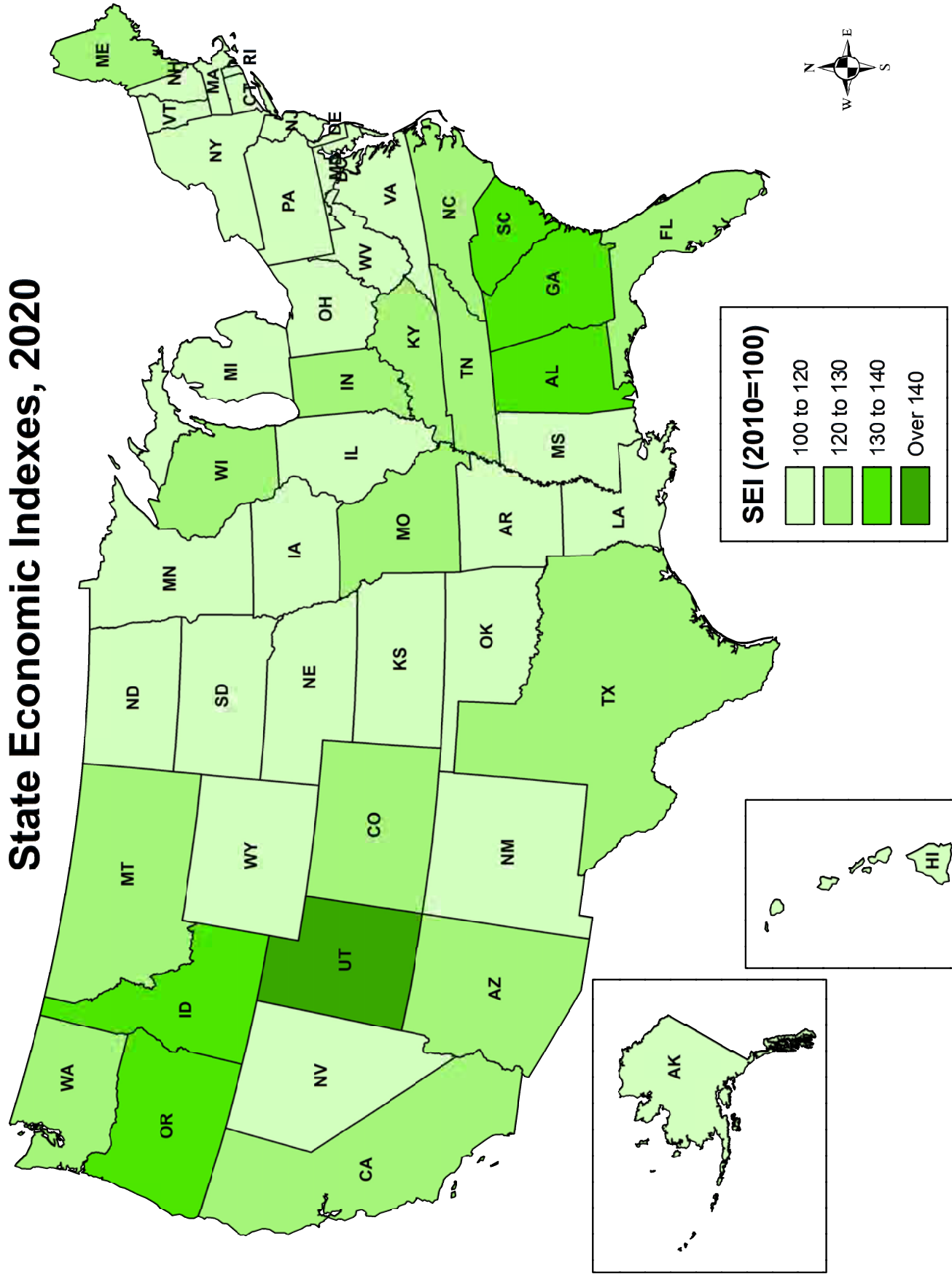
#### SEI Diffusion Index: 2011-2020

One way to measure aggregate performance of SEI of all 50 states and DC is to use a diffusion index. For each state, the index is up, down, or unchanged over the year. The SEI Diffusion Index is calculated by subtracting the share of states that experienced

Chart 1. 2020 SEI (2010=100), Northeast States and U.S.

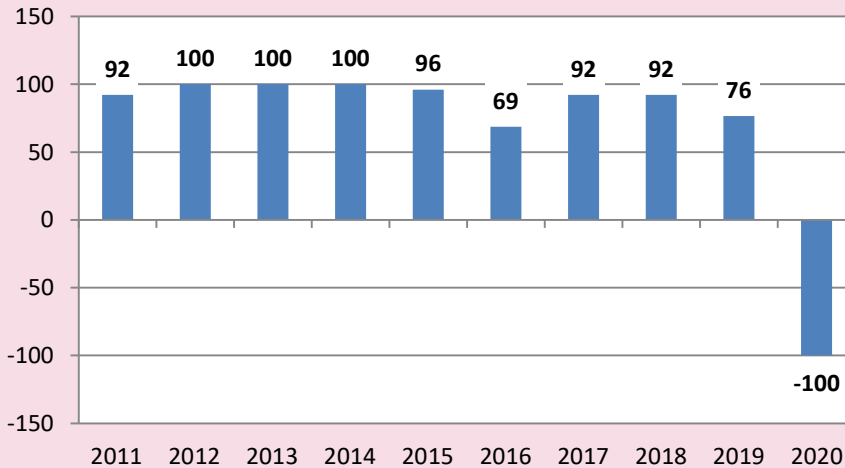


# State Economic Indexes, 2020



Note: Alaska and Hawaii not shown to scale

**Chart 2. SEI Diffusion Index, 2011-2020**



economic recovery or expansion, while negative figures would mean an economic recession or contraction.

After experiencing strong growth rate in 2017 and 2018 (SEI of 92), then slowing to 76 in 2019, the pandemic caused all the states' economy to contract in 2020 with an index of -100 (Chart 2).

**Conclusion**

Not surprisingly, 2020's national economy was the worst in the last ten years. Connecticut's SEI fared slightly worse than the national average over the year. However, businesses have reopened, and jobs are returning, and as the pandemic comes to an end, 2021's economic conditions should be much better for both nation and Connecticut. ■

decreases in their indexes from the share that had increases over the year.

For example, index values in 49 states rose (96%), two (4%) fell, and two stayed the same in 2011. The diffusion index is then calculated by subtracting 4 from 96, equaling 92. Thus, if all 51

state indexes increase from a prior year, then the diffusion index becomes 100, and if all decline, then -100. If the SEI Diffusion Index is positive, then that is interpreted as an

**GENERAL ECONOMIC INDICATORS**

<i>(Seasonally adjusted)</i>	2Q	2Q	YoY CHG		1Q	QoQ CHG	
	2021	2020	NO.	%	2021	NO.	%
<b>General Drift Indicator (2007=100)*</b>							
<b>Leading</b>	113.8	102.1	11.7	11.5	107.9	6.0	5.53
<b>Coincident</b>	94.4	86.9	7.5	8.7	92.8	1.7	1.79
<b>Real Gross Domestic Product**</b>			YoY CHG		4Q	QoQ CHG	
<i>(2012 Chained \$, SAAR)</i>	1Q	1Q	NO.	%	2020	NO.	%
<b>Connecticut (\$ in millions)</b>	250,538.8	248,334.4	2,204.4	0.9	246,890.2	3,648.6	1.5
<b>United States (\$ in millions)</b>	19,086,375	19,010,848	75,527	0.4	18,794,426	291,949	1.6
<b>New England (\$ in millions)</b>	986,394.8	982,275.4	4,119.4	0.4	970,578.9	15,815.9	1.6
<b>Per Capita Personal Income**</b>			YoY CHG		1Q	QoQ CHG	
<i>(Current \$, SAAR)</i>	2Q	2Q	NO.	%	2021	NO.	%
<b>Connecticut</b>			0	####		0	####
<b>United States</b>			0	####		0	####
<b>New England</b>			0	####		0	####
<b>Philadelphia Fed's Coincident Index (2007=100)***</b>			YoY CHG		Jul	MoM CHG	
	Aug	Aug	NO.	%	2021	NO.	%
<b>Connecticut</b>			0.0	####		0.0	####
<b>United States</b>			0.0	####		0.0	####

Sources: \*Dr. Steven P. Lanza, University of Connecticut \*\*U.S. Bureau of Economic Analysis \*\*\*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 2007 = 100.

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).