**All of Connecticut Town Economic Indexes Recover in 2022**

By Jungmin Charles Joo and Dana Placzek, Department of Labor

Connecticut’s overall economy bounced back last year, as all municipalities' indexes rose in 2022, a recovery for all 169 cities and towns that fell in 2020 from the effects of the COVID-19 pandemic. 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 the 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. The CTEI’s base year is 2010, which equals 100. The wage component was adjusted to 2010 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: 2021 to 2022**

All of the cities and towns saw business and labor market conditions 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 (2021) 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, Colebrook and Andover’s overall economy expanded the fastest from 2021 to 2022. Norwich and New London had the two fastest increases over the year among the towns or cities with a population between 25,000 and 100,000. Of the five largest cities with a population of 100,000 or more, Hartford and Bridgeport fared the best last year.

**CTEI: 2010 to 2022**

When compared with 2010, when the employment recovery began in Connecticut after the great recession, all cities and towns’ indexes showed increases in 2022. Among the small towns with residents fewer than 25,000, Hampton and Canterbury experienced the fastest economic increase between 2010 and 2022. Southington and South Windsor index figures grew the fastest among those with a population between 25,000 and 100,000.

Among the largest cities (population over 100,000), as Chart 1 shows, New Haven and Hartford’s economy grew the most since 2010. The map on page 4 also shows the different ranges of economic recovery rate of each municipality in the state.

**LMA Indexes: 2010-2022**

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 2010 to 2022. The Danielson-Northeast LMA’s overall economy continued to grow the fastest, followed by the Torrington-Northwest and Waterbury areas.

**The Components of CTEI:**

**Establishments**

The total number of business establishments in Connecticut rose by 6.6% to 142,773 in 2022, a little slower growth than the 6.9% from the year before. Stamford continued to dominate, with the largest number of businesses (6,965) of the 169 cities and towns. Since 2010, Connecticut’s overall number of businesses increased 28.3%. Overall, 90% of the total municipalities added new establishments over the year, and 97% since 2010.

**Employment**

Last year’s average statewide employment grew further by 3.2% in 2022, after having risen 3.0% in 2021. In fact, 92% of the cities and towns in the state experienced job recovery over the year, up from 87% 2021. All in all, 63% of the municipalities in the state have added jobs since 2010.

**Real Wages**

In 2022, 91% of all cities and towns in the state posted inflation-adjusted wage gains over the year, significantly up from 18% in 2021. The statewide real annual average wage was $61,525 per worker, a 4.4% increase over 2021 and a 3.5% growth from 2010. The highest real average wages were in businesses located in Greenwich at $139,820 last year.

**Unemployment Rate**

Hartford posted the highest unemployment rate (6.5%) last year, dipping from 11.0% in 2021. Overall, the statewide rate fell from 6.3% in 2021 to 4.2% in 2022. For a detailed analysis and the complete table of unemployment rates for all 169 municipalities, see “The Unemployment Rate of All Towns Fell in 2022” in the June 2023 issue of the Connecticut Economic Digest.

**CTEI Diffusion Index: 2006-2022**

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 -100, -100, and -91, 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 (+99). After slowing down during 2016 and 2017, the index picked up in 2018 (+95), but then slowed to +88 in 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 +99 in 2021, it finally completely recovered last year (+100).

The indexes are presented this year using the same methodology as in the past so they can be compared for historical purposes using data through 2022. Note that an annual average does not fully capture growth that happened during year. Going forward, there are uncertainties with the future economy so we don't know what the 2023 diffusion index will show. However, we know that so far this year the state has continued to add jobs and the statewide unemployment rate is down to a pre-pandemic level. n