*All State Economic Indexes Rose Again in 2022*

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For the second year in a row, all state economic indexes increased last year. Connecticut had the twelfth-highest 2022 growth in the nation at 17.8%, exceeding the nation's 17.6% increase. Rhode Island, Colorado, Missouri, and New Jersey grew the most in 2022 while Washington, Kentucky, Nebraska, and Utah were the slowest.

**SEI: Methodology**

Applying the same components and methodology of the Connecticut Town Economic Indexes (See September 2023 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 2010-2022 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 inversed 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: 2021 to 2022**

For the second year in a row, the business and labor conditions of all 50 states and DC continued to improve from 2021 to 2022. The fastest increase in the index occurred in Rhode Island and Colorado. Connecticut rose 17.8% over the year, slightly more than the national average 17.6%. The year-over-year growth placed Connecticut 12th among the states, up from 46th place in 2021.

**SEI: 2010 to 2022**

Looking longer term, all 50 states and DC continued to show positive SEI growth. Florida and Utah topped the list, when new business formations, jobs, real wages, and unemployment rates are all factored in. The Connecticut index increased 45.7% since 2010, when the economy began to recover from the great recession, while the nation’s index grew 62.5%. Among the nine Northeast states, Connecticut again ranked 7th, above New York and Pennsylvania (Chart 1). Rhode Island’s economy improved the most in the long run. All in all, 20 out of the 50 states and DC grew faster than the national average from 2010 to 2022. 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, Georgia and Arizona experienced the fastest growth from 2021 to 2022. All but Washington (-6.2%) grew last year. Connecticut’s establishment growth rate (+6.4%) ranked 26th among the states.

Over the last 12 years, Utah and Idaho 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 increased 4.3%, while Connecticut gained 3.2% of its jobs in 2022. Nevada and Texas posted the fastest job growth, while Connecticut ranked 32nd in 2022. All states and District of Columbia gained jobs over the year.

During the 2010-2022 period, all but two states added jobs. Utah and Idaho experienced the fastest employment gains since 2010, while West Virginia and Alaska had lost jobs. Connecticut employment grew by 2.9% from 2010 to 2022.

**Real Wages**

Forty states posted inflation-adjusted wage gains in 2022. Idaho and Nebraska had the fastest annual pay increase, while California and New Hampshire’s wages dropped the biggest over the year. Connecticut ranked 34th in terms of wage growth (+0.8%). Average wages were held back when some lower-wage industries, such as food service, which had been severely curtailed by the COVID pandemic, added jobs in 2022.

Jobs in DC continued to command the highest annual average pay at $104,852 in 2022 (in 2010 dollars). Connecticut’s wage was sixth highest ($74,738), following Massachusetts ($82,553), New York ($82,399), California ($77,626), and Washington ($77,268). Only 12 states and DC posted wages higher than the nation’s average of $64,386 last year. The two states with the lowest average pay in 2022 were Mississippi ($43,626) and West Virginia ($48,918). Since 2010, all 50 states and DC experienced income gains, with Washington (+59.3%) and Oregon (+46.5%) having the fastest increase. Connecticut’s wage growth was +25.7%.

**Unemployment Rate**

Both North Dakota (2.1%) and South Dakota (2.1%) posted the lowest unemployment rates in 2022. Conversely, Nevada (5.4%) and DC (4.7%) had the highest unemployment rates last year. Connecticut had 4.2% while U.S. had 3.6% jobless rate. Unemployment rates in all 50 states and DC continued to improve. The fastest rate drops occurred in Colorado and New Jersey over the year.

Between 2010 and 2022, all unemployment rates went down. Alabama and Missouri had the biggest percentage unemployment rate drop. Since 2010, Connecticut’s jobless rate dropped from 9.6% to 4.2%, while it was from 9.6% to 3.6% nationally. While this report looks at annual data through 2022, we know the Connecticut unemployment rate continued to drop in 2023 and was below the national average in August 2023.

**SEI Diffusion Index: 2011-2022**

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 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 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. Then for the second year in a row, as a sign of continued recovery, diffusion index again posted +100 (Chart 2). n