

# ECONOMIC DIGEST

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## MARCH 2015

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### In January...

#### Nonfarm Employment

Connecticut ..... 1,684,500  
 Change over month ..... +0.38%  
 Change over year ..... +1.5%

United States ..... 140,849,000  
 Change over month ..... +0.18%  
 Change over year ..... +2.3%

#### Unemployment Rate

Connecticut ..... 6.3%  
 United States ..... 5.7%

#### Consumer Price Index

United States ..... 233.707  
 Change over year ..... -0.1%

## Employment Recovery Continues for the Fourth Year

By Jungmin Charles Joo, jungmin.joo@ct.gov

Last year was a continuation of modest employment recovery in Connecticut, with many economic indicators, including unemployment, pointing to positive directions. After our annual revision, Connecticut gained 12,500 jobs (+0.76%) in 2014, which was essentially the same pace as was in 2013, as unemployment rate fell further to 6.6%.

### Fourth Year of Employment Recovery

During the March 2008-February 2010 recession, Connecticut lost 119,000 total nonfarm jobs, of which 76% are now recovered (+90,500), while the total private sector recovered 87%. Meanwhile, the nation has now fully regained all of the jobs

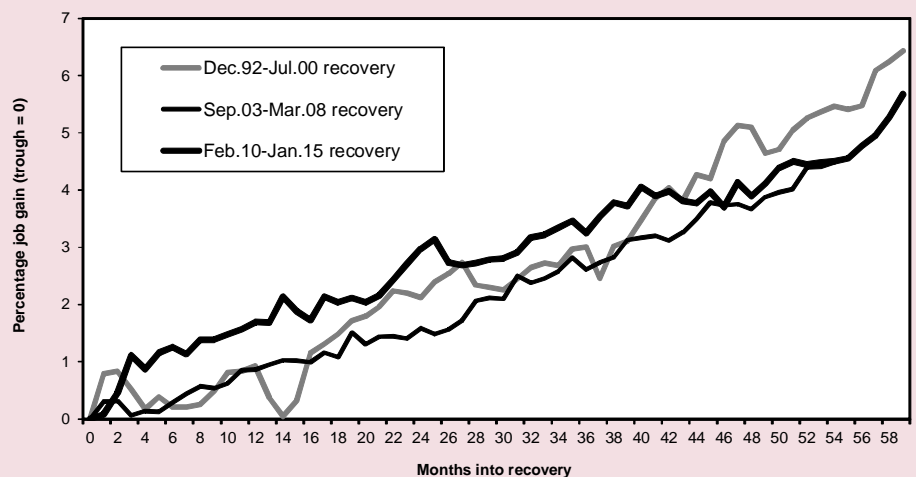
lost in its last January 2008-February 2010 employment downturn and is on an expansionary path (+128%).

When compared to the two prior employment recoveries in Connecticut, the current one was the fastest (Chart 1). During the first 59 months, the 1992-2000 recovery showed an average recovery rate of 2.7%, while the 2003-2008 recovery's rate was 2.1% (first 53 months). However, the present recovery that began in February 2010 has added jobs at an average of 2.9% over the first 59 months.

### LAUS 2015 Redesign

Connecticut's revised annual average unemployment rate decreased further, from 7.7% in 2013 to 6.6% in 2014.

CHART 1: First 59 Months of Employment Recoveries



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**Managing Editor:** Jungmin Charles Joo

**Associate Editor:** Sarah C. Pilipaitis

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**Connecticut Department of Labor**

Sharon Palmer, Commissioner  
Dennis Murphy, Deputy Commissioner

Andrew Condon, Ph.D., Director  
Office of Research  
200 Folly Brook Boulevard  
Wethersfield, CT 06109-1114  
Phone: (860) 263-6275  
Fax: (860) 263-6263  
E-Mail: dol.econdigest@ct.gov  
Website: http://www.ctdol.state.ct.us/lmi



**Connecticut Department of Economic and Community Development**

Catherine Smith, Commissioner  
Ronald Angelo, Deputy Commissioner  
Christopher Bergstrom, Deputy Commissioner

505 Hudson Street  
Hartford, CT 06106-2502  
Phone: (860) 270-8000  
Fax: (860) 270-8200  
E-Mail: decd@ct.gov  
Website: http://www.decd.org



Meanwhile, the nation's rate fell from 7.4% to 6.2%.

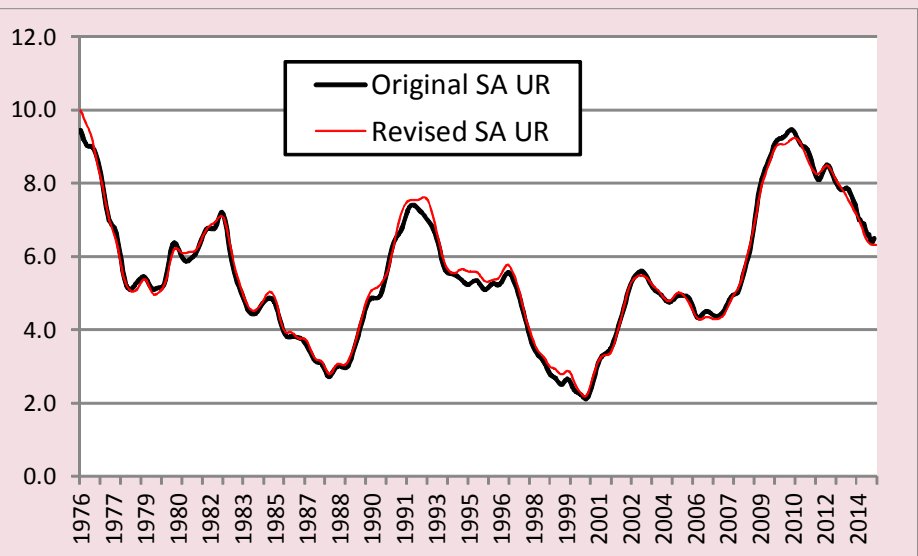
Recently, in addition to reflecting the 2010 Office of Management and Budget (OMB) delineations for metropolitan areas, metropolitan divisions, and micropolitan areas and new LAUS small labor market areas, the Bureau of Labor Statistics (BLS) underwent a major redesign of the Local Area Unemployment Statistics (LAUS), which is being implemented with the publication of January 2015 estimates. LAUS conducts major redesigns to its methodology every 10 years. For Connecticut, the entire historical series from January 1976 forward is replaced with estimates based on the redesigned models (see Chart 2). For the remaining substate areas, the re-estimation with the new methodology will be carried back to 2010. Hence, many areas can be expected to display breaks in series between 2009 and 2010.

Some issues have been identified with the 2005 methods of estimation at the state and substate levels that affect accuracy and analysis of the estimates. Because LAUS is committed to producing high-quality data, it must conduct research and improve its

methods and procedures. Moreover, when data sources cease to exist, it must find new sources to replace them. The 2015 state and substate estimation approaches generate more accurate and reliable estimates.

The 2015 LAUS Redesign includes improved time-series models for the census divisions, states, select substate areas, and the balances of those states; an improved real-time benchmarking procedure to the national Current Population Survey (CPS) estimates; an improved smoothed seasonal adjustment procedure; and improved treatment of outliers. Non-modeled area estimation improvements include: updated Dynamic Residency Ratios (DRR); more accurate estimates for all-other employment; more accurate estimation of agricultural employment; and improved estimation of non-covered agricultural unemployment. Handbook estimation is now done at the city/town level instead of at the Labor Market Area (LMA) level in Connecticut, which better reflects local conditions. The Redesign also introduces estimation inputs from the

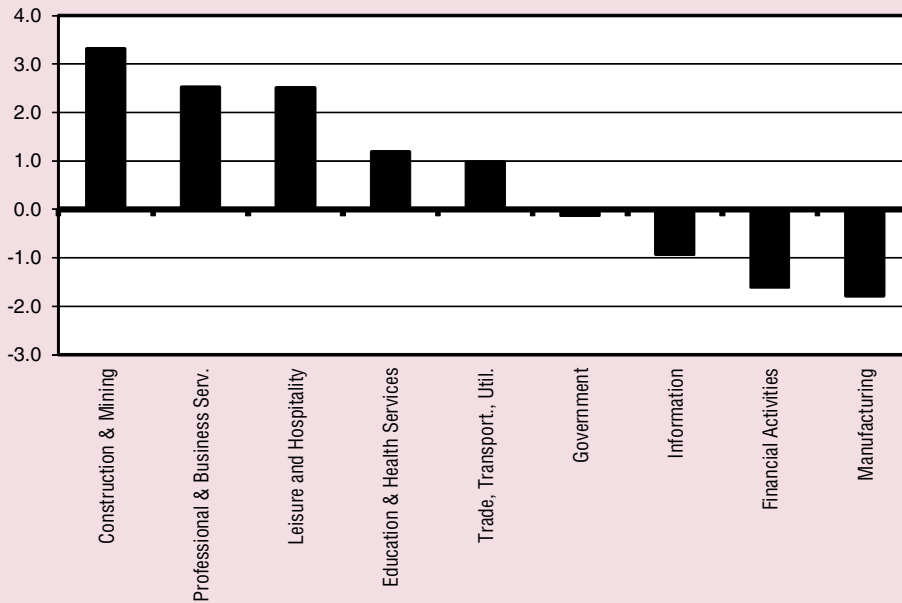
**CHART 2: CT Unemployment Rate Revision, 1976-2014**



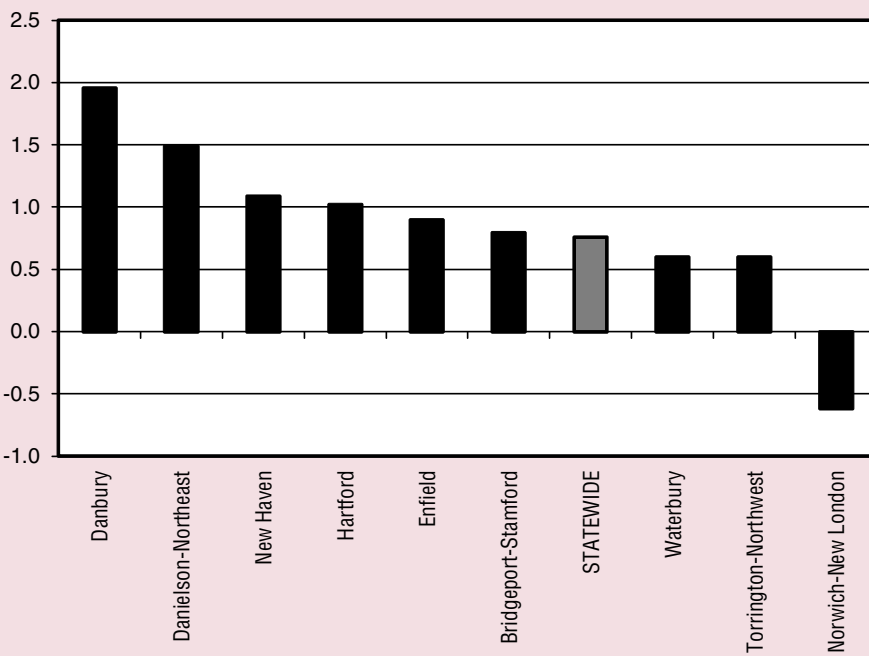
## Connecticut Economic Indicators, 2005-2014 (Annual Averages)

STATEWIDE	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>NONFARM EMPLOYMENT (000s)</b>										
TOTAL NONFARM.....	1,662.0	1,680.6	1,698.2	1,699.0	1,626.6	1,608.0	1,625.1	1,640.4	1,653.6	1,666.1
TOTAL PRIVATE.....	1,418.3	1,434.7	1,449.0	1,446.5	1,378.4	1,363.8	1,384.9	1,401.9	1,415.3	1,428.2
GOODS PRODUCING.....	261.5	260.9	259.6	252.7	225.7	215.4	217.6	216.3	216.9	215.8
SERVICE PROVIDING.....	1,400.6	1,419.7	1,438.6	1,446.3	1,400.9	1,392.6	1,407.5	1,424.1	1,436.7	1,450.3
CONST., NAT. RES. & MIN.....	66.6	67.9	69.3	66.1	55.2	50.6	52.1	52.2	54.3	56.1
MANUFACTURING.....	194.8	193.0	190.2	186.7	170.5	164.8	165.5	164.2	162.6	159.7
Durable Goods.....	145.5	145.2	144.4	143.5	131.8	127.3	128.5	128.5	127.2	124.3
Non-Durable Goods.....	49.3	47.8	45.9	43.2	38.7	37.5	37.0	35.7	35.4	35.4
TRADE, TRANSPORT., UTILITIES.....	310.5	310.9	311.8	309.9	293.3	289.8	292.9	295.8	298.4	301.3
Wholesale Trade.....	66.5	67.5	68.3	69.2	64.9	62.7	63.0	63.2	63.1	63.0
Retail Trade.....	192.0	191.3	191.1	188.1	178.4	178.2	180.2	182.2	183.6	185.6
Transport., Warehousing, & Utilities.....	52.1	52.2	52.3	52.7	50.0	48.9	49.7	50.5	51.8	52.6
INFORMATION.....	38.1	37.9	38.4	37.8	34.3	31.7	31.3	31.3	32.1	31.8
FINANCIAL ACTIVITIES.....	142.3	144.3	144.6	143.4	137.6	135.2	135.0	133.3	130.7	128.6
PROFESSIONAL & BUSINESS SERV.....	200.3	204.8	207.0	205.5	190.1	190.7	197.1	203.2	206.6	211.8
EDUCATIONAL & HEALTH SERV.....	273.3	279.6	287.8	296.7	302.4	306.9	313.3	317.6	321.2	325.0
LEISURE AND HOSPITALITY.....	129.5	132.6	135.7	137.3	133.7	133.6	137.3	142.6	147.3	151.0
OTHER SERVICES.....	62.8	63.7	64.1	63.1	61.3	60.5	60.4	61.7	62.2	63.0
GOVERNMENT.....	243.8	245.9	249.2	252.5	248.2	244.2	240.3	238.5	238.2	237.9
<b>TOTAL NONFARM EMPLOYMENT IN LABOR MARKET AREAS</b>										
Bridgeport-Stamford.....	404.0	408.9	412.0	409.4	391.2	389.1	393.5	398.7	403.2	406.4
Danbury.....	76.4	76.7	77.8	77.5	73.2	72.6	74.2	75.5	76.7	78.2
Hartford.....	553.2	560.3	566.3	568.7	550.2	543.6	548.5	553.7	558.8	564.5
New Haven.....	275.2	278.2	279.7	278.9	267.8	265.6	267.9	272.8	275.8	278.8
Norwich-New London-Westerly.....	137.0	137.1	137.5	138.1	132.8	130.9	130.2	129.2	129.0	128.2
Waterbury.....	71.8	71.8	71.4	69.7	65.7	64.4	65.2	66.2	66.8	67.2
Enfield.....	48.4	49.1	48.4	47.8	45.3	44.2	44.8	45.1	44.5	44.9
Torrington-Northwest.....	34.2	34.6	34.5	35.0	33.2	32.6	32.9	33.2	33.5	33.7
Danielson-Northeast.....	26.6	27.1	27.4	27.1	26.1	25.7	25.9	26.1	26.9	27.3
<b>ALL EMPLOYEES HOURS &amp; EARNINGS</b>										
Total Private Average Weekly Hours.....	NA	NA	34.3	34.0	33.0	33.3	33.9	34.0	33.6	33.6
Real Tot Priv Avg Hrlly Earn (82-84\$).....	NA	NA	\$12.82	\$12.87	\$12.96	\$12.88	\$12.55	\$12.26	\$12.00	\$11.89
Real Tot Priv Avg Wkly Earn (82-84\$).....	NA	NA	\$439.84	\$437.65	\$427.84	\$428.84	\$425.57	\$416.72	\$403.33	\$399.66
<b>UNEMPLOYMENT</b>										
Labor Force (000s).....	1,797.0	1,828.7	1,856.2	1,881.5	1,891.1	1,911.7	1,913.4	1,887.9	1,869.1	1,885.1
Employed (000s).....	1,709.4	1,749.2	1,773.2	1,774.7	1,741.0	1,737.4	1,744.9	1,730.4	1,724.5	1,760.4
Unemployed (000s).....	87.6	79.5	83.0	106.8	150.1	174.3	168.5	157.4	144.6	124.7
Unemployment Rate.....	4.9%	4.3%	4.5%	5.7%	7.9%	9.1%	8.8%	8.3%	7.7%	6.6%
Average Weekly Initial Claims.....	4,192	4,045	4,123	4,945	6,414	5,414	5,450	5,081	4,792	4,290
Insured Unemployment Rate.....	2.53%	2.58%	2.44%	2.93%	5.14%	4.32%	3.79%	3.57%	3.34%	3.02%
U-6 Rate.....	8.6%	7.8%	8.2%	10.3%	14.4%	15.7%	15.4%	14.7%	13.9%	12.6%
<b>MANUFACTURING ACTIVITY</b>										
Average Weekly Hours.....	42.2	42.2	42.3	42.4	40.8	41.2	40.6	40.4	41.1	40.8
Real Average Hourly Earnings (82-84\$).....	\$9.93	\$10.04	\$10.18	\$10.15	\$11.00	\$11.07	\$11.19	\$10.58	\$9.50	\$9.62
Real Average Weekly Earnings (82-84\$).....	\$419.07	\$423.55	\$430.46	\$430.55	\$448.81	\$456.24	\$454.26	\$427.62	\$390.51	\$392.47
CT Mfg. Production Index (2005=100).....	100.0	106.3	117.2	107.8	84.0	89.4	90.9	90.6	88.5	90.1
<b>INCOME (mil.\$)</b>										
Real Personal Income (1982-84 \$).....	\$87,685	\$91,623	\$94,633	\$92,353	\$89,288	\$90,614	\$91,833	\$94,211	\$93,636	\$94,956
Real UI Covered Wages (1982-84 \$).....	\$44,656	\$45,430	\$47,150	\$45,699	\$43,473	\$43,539	\$43,918	\$44,096	\$43,956	\$44,659
<b>OTHER ECONOMIC INDICATORS</b>										
New Housing Permits.....	11,885	9,236	7,746	5,220	3,343	3,765	3,113	5,240	5,762	5,297
Construction Contracts (1980=100).....	404.3	503.3	414.8	355.5	284.5	280.7	283.4	268.3	389.8	338.4
New Auto Registrations.....	236,686	213,363	213,992	189,955	146,994	152,079	178,571	186,452	195,819	197,779
Exports (bil.\$).....	\$9.75	\$12.25	\$13.80	\$15.38	\$13.98	\$16.03	\$16.21	\$15.96	\$16.48	\$15.94
S&P 500: Monthly Close (December).....	1,248.29	1,418.30	1,468.36	903.25	1,115.10	1,257.64	1,257.60	1,426.19	1,848.36	2,058.90
Total All Taxes (mil.\$).....	\$11,820.3	\$12,605.9	\$13,639.5	\$13,874.5	\$12,188.1	\$12,862.7	\$14,337.7	\$15,825.5	\$16,892.6	\$16,379.1
Corporate Tax (mil.\$).....	\$708.9	\$850.1	\$799.6	\$702.5	\$646.3	\$645.1	\$801.0	\$717.5	\$852.5	\$691.3
Personal Income Tax (mil.\$).....	\$5,703.4	\$6,252.5	\$7,039.2	\$7,368.9	\$6,324.7	\$6,766.0	\$7,672.3	\$8,300.6	\$8,819.3	\$8,790.7
Real Estate Conveyance Tax (mil.\$).....	\$214.3	\$191.3	\$211.3	\$123.3	\$87.6	\$94.8	\$112.1	\$140.4	\$168.7	\$182.8
Sales & Use Tax (mil.\$).....	\$3,333.5	\$3,350.1	\$3,628.8	\$3,531.8	\$3,214.8	\$3,233.3	\$3,532.1	\$3,958.4	\$4,079.0	\$4,134.8
Indian Gaming Payments (mil.\$).....	\$421.0	\$433.6	\$421.2	\$394.8	\$364.9	\$360.7	\$354.6	\$318.7	\$289.3	\$273.0
Info Center Visitors.....	376,547	417,177	400,163	400,804	360,260	316,082	265,334	261,639	279,960	315,773
Major Attraction Visitors (000s).....	1,722.2	1,712.2	1,716.5	1,676.0	1,675.5	1,540.4	1,601.8	1,691.8	1,621.2	1,614.9
Air Passenger Count (000s).....	7,381.4	6,907.0	6,519.2	6,113.0	5,317.4	5,381.0	5,607.8	5,381.9	5,421.0	5,876.0
Indian Gaming Slots (mil.\$).....	\$19,744.0	\$19,943.0	\$19,710.1	\$18,621.1	\$17,161.0	\$17,062.0	\$16,306.0	\$14,772.0	\$13,778.1	\$13,066.4

**CHART 3: Job Percent Changes by Industry: 2013 to 2014**



**CHART 4: Job Percent Changes by Area: 2013 to 2014**



American Community Survey (ACS) to replace inputs that were previously obtained from the decennial census long-form survey.

In addition to the good news of the decline in the State's official unemployment rate, U-6 rate, a broader measure of labor underutilization which also includes those who are marginally attached workers and part-timers that want full-time work, also fell from 13.9% in

2013 to 12.6% in 2014. Moreover, the number of average weekly initial claims of unemployment dropped in 2014 (4,290) for the third straight year to the lowest level since 2007 (4,123), as insured unemployment rate also fell to 3.02%.

**Jobs by Industry**

On an annual average basis (table on page 3), Connecticut has added jobs four years in a

row: 17,100 (+1.06%) in 2011, 15,300 (+0.94%) in 2012, 13,200 (+0.80%) in 2013, and 12,500 (+0.76%) in 2014.

Five of nine major industry sectors gained jobs over the year (Chart 3). Construction and mining (+3.3%), professional and business services (+2.5%), leisure and hospitality (+2.5%), educational and health services (+1.2%), and trade, transportation, and utilities (+1.0%) all added jobs in 2014, and have been on a positive growth trend in recent years. Manufacturing, however, has been shedding jobs in the last three years (-1.8% in 2014). On a brighter note, average weekly earnings of manufacturing workers rose slightly last year (+0.5%), after having fallen three years in a row. Its production index has also increased (+1.8%) in 2014, following a two year decline. Financial activities has been facing continuous job losses since 2008, and government since 2009. After adding employment in 2013 (+2.6%), the information sector experienced a slight job decline last year (-0.9%).

**Jobs by Labor Market Area**

All but one labor market area (LMA) gained jobs in 2014. Danbury LMA experienced the biggest job growth (+2.0%), while employment in Waterbury and Torrington-Northwest LMAs grew the smallest (+0.6% each). The Norwich-New London LMA, however, is the only area still struggling to recover, with six consecutive years of job decline (Chart 4).

**Other Economic Indicators**

There were some other economic indicators painting a not-so-rosy economic picture in 2014. The number of new housing permits, for one, actually fell last year, after doing well in the prior two years. The construction contracts index

reversed its direction by 13.2% after increasing 45.3% in 2013. Exports fell by 3.2%. Total all taxes collected last year declined for the first time since 2009. The number of major attraction visitors to Connecticut dipped slightly, making it a second year of decline. Finally, Indian gaming slots has no sign of reversing its declining trend since 2007.

However, there were positive economic indicators as well. Most importantly, real total personal income of State residents rose 1.4% last year. Inflation-adjusted total unemployment insurance covered wages also have risen 1.6% in 2014. The number of new automobile registrations continued its increase for the fifth year. The S&P 500 ended 2014 (2058.90) with the highest level in its history. The number of info center visitors rose for another year (+12.8%). Additionally, air passenger count soared for the second year.

### Looking Ahead

January is off to a good start. Connecticut added 6,400 jobs

over the month, while the unemployment held steady at 6.3%.

It was announced in the media that **Frontier Communications** will be adding 50 jobs over the next few months in New London. **Home Depot** announced it will be adding 900 seasonal workers throughout the state this spring. **Tanger Outlets** plans to open in May 2015 in Ledyard (attached to Foxwoods), bringing up to 900 jobs to the area. **Costco** announced it will open a new store in New Britain in the fall, creating 225 jobs. **Walmart** announced it will be opening a new store in Monroe within this year, creating 300 jobs. **Electric Boat** of Groton announced its plans to expand by 400 jobs this year. **Doosan Fuel Cell America** also plans to expand by 120 jobs in South Windsor this year. **American Woolen**, a textile mill in Stafford, plans to add 38 jobs over the next three years. **From You Flowers**, a flower delivery company in Old Saybrook, plans to expand by 50 workers over the

next three years. **Autonomy Technology** will be coming to Oxford and hiring 20 workers over the next three years. **FuelCell Energy** of Torrington plans to expand by 325 jobs over the next four years. **The Lee Company** of Westbrook, an aerospace manufacturer, plans to add 200 positions as it expands over the next five years. **Vineyard Vines**, a clothing retailer in Stamford, intends to expand and hire 200 more employees over the next five years. **Cartus Corporation**, a relocation services company in Danbury, announced plans to increase its employment by 200 employees over the next five years.

With these new anticipated jobs adding to the already growing economy, Connecticut is well poised to continue its modest recovery in 2015. Exogenous shocks and another downturn notwithstanding, we may finally regain all of the jobs lost in the last recession and even shift to an expansionary territory by the end of this year. ■

## GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	4Q	4Q	CHANGE		3Q
	2014	2013	NO.	%	2014
<b>General Drift Indicator (1996=100)*</b>					
<b>Leading</b>	NA	NA	NA	NA	NA
<b>Coincident</b>	NA	NA	NA	NA	NA
<b>Farmington Bank Business Barometer (1992=100)**</b>	129.8	127.6	2.2	1.7	128.0
<b>Philadelphia Fed's Coincident Index (July 1992=100)***</b>	<b>Jan</b>	<b>Jan</b>			<b>Dec</b>
<i>(Seasonally adjusted)</i>	<b>2015</b>	<b>2014</b>			<b>2014</b>
<b>Connecticut</b>	160.29	154.88	5.41	3.5	159.29
<b>United States</b>	161.36	156.00	5.36	3.4	160.91

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).