

ECONOMIC DIGEST

Vol.15 No.4

A joint publication of the Connecticut Department of Labor & the Connecticut Department of Economic and Community Development

APRIL 2010

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In February...

Nonfarm Employment

Connecticut..... 1,610,200
 Change over month -0.07%
 Change over year -2.7%

United States 129,526,000
 Change over month -0.03%
 Change over year -2.5%

Unemployment Rate

Connecticut..... 9.1%
 United States 9.7%

Consumer Price Index

United States 216.7
 Change over year 2.1%

Exports: Opportunities for Economic Growth

By Laura Jaworski, Office of International and Domestic Affairs, DECD

During his January 2010 State of the Union address, President Obama announced a goal of doubling U.S. exports over the next five years. To reach this goal, the President unveiled a National Export Initiative (NEI) that focuses on three key areas: (1) expanding trade advocacy and educating companies about overseas market opportunities; (2) improving businesses' access to credit and (3) enforcing international trade laws and removing unfair tariff and non-tariff barriers that prevent U.S. companies from entering foreign markets.¹

Exports are receiving increased attention because they are an engine of growth and an important contributor to gross domestic product. In Connecticut, commodity exports represent approximately 7% of the gross state product (state GDP). Exports act as a job multiplier and sustain and create jobs via their trickle-down effect on the economy. Given the current economic climate, increasing exports is not only a means of job creation, but also a vehicle to spur regional economic growth and recovery.

In light of the heightened focus on exports and international trade, a review of Connecticut's 2009 exports follows.

Annual Export Figures

From 2008 to 2009, Connecticut's annual export commodities (excluding services) decreased 8.4%, from a record high of \$15.31 billion to \$14.02 billion. This decline follows

several years of double-digit percentage growth, and is due in large part to the economic forces of the global recession. It is important to note, however, that the data paints a conservative picture of Connecticut's export story as it omits exported services, as the collection of such data is inexact and tenuous. Connecticut is not alone in this particular service data gap as all U.S. states face this issue. With a significant concentration of financial and insurance services, Connecticut's commodity exports may significantly underrepresent Connecticut's overall export volume.

The economic downturn significantly impacted U.S. exports. U.S. commodity exports totaled more than \$1.06 trillion in 2009, an 18.7% decrease from the \$1.30 trillion recorded in 2008. Despite diminished demand for U.S. goods, U.S. consumption of imports declined even more and the national trade deficit dropped from \$695.9 billion in 2008 to \$380.7 billion in 2009.²

Connecticut's commodity exports as a share of total U.S. commodity exports actually increased from 1.17% in 2008 to 1.32% in 2009. Connecticut's export ranking among the states rose from 27th in 2008 to 26th in 2009. Connecticut actually ranks 24th if Puerto Rico and various export sales attributed to "unknown state" are removed from the rankings. In the state export data series, low-value export estimates are credited to "unknown state" as export statistics are collected only

The Connecticut Economic Digest is published monthly by the Connecticut Department of Labor, Office of Research and the Connecticut Department of Economic and Community Development. Its purpose is to regularly provide users with a comprehensive source for the most current, up-to-date data available on the workforce and economy of the state, within perspectives of the region and nation.

The annual subscription is \$50. Send subscription requests to: *The Connecticut Economic Digest*, Connecticut Department of Labor, Office of Research, 200 Folly Brook Boulevard, Wethersfield, CT 06109-1114. Make checks payable to the Connecticut Department of Labor. Back issues are \$4 per copy. The Digest can be accessed free of charge from the DOL Web site. Articles from *The Connecticut Economic Digest* may be reprinted if the source is credited. Please send copies of the reprinted material to the Managing Editor. The views expressed by the authors are theirs alone and may not reflect those of the DOL or DECD.

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We would like to acknowledge the contributions of many DOL Research and DECD staff and Rob Damroth (CCT) to the publication of the Digest.

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Table A: Connecticut Top 10 Exports by Commodity

Rank	Description	ANNUAL 2008	ANNUAL 2009	%2008-2009
	TOTAL ALL COMMODITIES	\$15,313,059,446	\$14,021,952,584	-8.43
1	Aircraft, Spacecraft, And Parts Thereof	\$1,591,073,731	\$6,151,726,134	286.64
2	Industrial Machinery, Including Computers	\$6,234,803,082	\$1,411,443,131	-77.36
3	Electric Machinery Etc; Sound Equip; Tv Equip; Pts	\$1,280,625,597	\$1,217,316,323	-4.94
4	Optic, Photo Etc, Medic Or Surgical Instrments Etc	\$1,010,387,807	\$927,847,966	-8.17
5	Cereals	\$284,409,256	\$546,085,833	92.01
6	Plastics And Articles Thereof	\$1,010,333,281	\$505,243,716	-49.99
7	Special Classification Provisions, Nesoi	\$385,445,268	\$447,206,804	16.02
8	Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	\$115,543,117	\$393,163,754	240.27
9	Iron And Steel	\$350,569,912	\$170,325,605	-51.41
10	Paper & Paperboard & Articles (Inc Papr Pulp Artl)	\$132,948,133	\$156,949,356	18.05

Data source: WISER

for export commodity shipments over \$2,500. Texas, California, New York, Washington and Florida were the top five exporters in 2009.

In New England in 2009, only Massachusetts' exports ranked higher than Connecticut's, as has been the case since 2005. All six New England states experienced decreased international trade in 2009, although Connecticut's percentage decline was the smallest. As a regional trading block, New England's commodity exports totaled more than \$47.6 billion in 2009.

Composition of Connecticut's Exports

There is a demonstrated consistency among the state's top export commodities. In 2009, Connecticut's top five export commodities were (1) aircraft, spacecraft and parts thereof; (2) industrial machinery, including computers; (3) electric machinery, sound equipment, TV equipment, parts; (4) optic, photo, medical or surgical instruments and (5) cereals. (See Table A above). Among the top five export commodities, aircraft, spacecraft and parts thereof experienced the greatest growth, increasing 286.64%, from \$1.59 billion in 2008 to \$6.15 billion in 2009.

However, it should be noted that in January 2009, the U.S. Census Bureau's Foreign Trade Division began suppressing export data for certain commodity classifications related to the aircraft industry. Simply put, certain commodities were taken out of previously assigned commodity

categories and recoded into other commodity classifications. For example, this is the case for turbojets, which was coded as "industrial machinery" but is now part of the "aircraft, spacecraft and parts thereof" category. Such reclassification may affect 2009's export volumes and percent changes.

Commodities such as cereals ranked high among the state's top exports. The cereals commodity group does not denote items like traditional boxed breakfast cereals, but rather the wholesale and/or brokerage trade of agricultural commodities associated with corn, maize, wheat, meslin and rye.

The U.S. and New England's top export commodities varied in rank but were largely the same as Connecticut's in 2009. The top five U.S. exports were (1) industrial machinery, including computers; (2) electric machinery, sound equipment, TV equipment, parts; (3) aircraft, spacecraft and parts thereof; (4) vehicles, except railway or tramway and parts thereof and (5) optic, photo, medical or surgical instruments. The top five exports for the New England region included (1) electric machinery, sound equipment, TV equipment, parts; (2) aircraft, spacecraft and parts thereof; (3) optic, photo, medical or surgical instruments; (4) industrial machinery, including computers and (5) natural or cultured pearls, precious stones, precious metal clad materials, imitation jewelry, and coins.

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State Export Partners

The year 2009 was unusual in that Connecticut's customary top trade partner, Canada, was dethroned from the top spot. The state's new top export partner was France. Rounding out the state's other top trade partners were Canada, Germany, Mexico, China, the United Kingdom, Korea, Singapore, Japan and Saudi Arabia, ranking 2-10, respectively. (See Table B). Saudi Arabia was a new addition to the state's top ten export markets and proved to be an attractive locale for many of Connecticut's top export commodities. Connecticut exported to 198 foreign destinations in 2009, the same as in 2008.

Remarkably, in 2009 Connecticut exported over \$2.25 billion worth of commodities to France alone, a 29.8% increase over 2008. Commodity exports to France such as aircraft, spacecraft and parts thereof; optic, photo, medical or surgical instruments; organic chemicals and glass and glassware all experienced significant increases between 2008 and 2009. Whether France remains the top destination for Connecticut's exports is an activity to monitor.

The top five U.S. export destinations in 2009 were Canada, Mexico, China, Japan and the United Kingdom. The top export markets for the New England states were Canada, the United

Kingdom, Germany, France and China.

Challenges

The critical challenge facing exports in 2010 depends on how a prolonged economic recession will affect Connecticut and U.S. export growth. Other challenges include the valuation of the U.S. dollar, particularly in comparison to the Euro. For the past few years, export growth has been fueled by the weak U.S. dollar in that it has made U.S. products more affordable and attractive to overseas buyers.

While exporting presents challenges in terms of logistics, financial transactions, legal aspects and intellectual property rights protection, the cultivation of international markets is important to Connecticut and U.S. economic growth.

Export Assistance

The Connecticut Department of Economic and Community Development's (DECD) Office of International and Domestic Affairs is committed to assisting local companies compete in the global marketplace, whether it is helping a company reach new markets or raising awareness of the many export opportunities that may help a business thrive and grow. For more information about DECD's international programs and services, please contact Laura Jaworski at (860) 270-8068 or laura.jaworski@ct.gov. ■

Data Source: World Institute for Strategic Economic Research

¹ U.S. Department of Commerce, press release, February 4, 2010.

² U.S. Census Bureau, Foreign Trade Division, trade highlights release, February 10, 2010.

Table B: Connecticut Top 10 Exports by Partner Country

Rank	Description	ANNUAL 2008	ANNUAL 2009	%2008-2009
	PARTNER COUNTRIES	\$15,313,059,446	\$14,021,952,584	-8.43
1	France	\$1,733,506,395	\$2,249,706,662	29.78
2	Canada	\$1,834,279,061	\$1,451,146,391	-20.89
3	Germany	\$1,454,378,543	\$1,306,731,057	-10.15
4	Mexico	\$1,045,972,436	\$759,426,205	-27.4
5	China (Mainland)	\$675,971,532	\$754,841,236	11.67
6	United Kingdom	\$875,504,630	\$648,438,770	-25.94
7	Korea, Republic Of	\$489,141,906	\$518,601,117	6.02
8	Singapore	\$657,102,624	\$510,120,764	-22.37
9	Japan	\$671,470,511	\$484,226,149	-27.89
10	Saudi Arabia	\$268,618,888	\$437,591,520	62.9

Data source: WISER

GENERAL ECONOMIC INDICATORS

(Seasonally adjusted)	4Q 2009	4Q 2008	CHANGE		3Q 2009
			NO.	%	
Employment Indexes (1992=100)*					
Leading	115.9	116.2	-0.3	-0.3	114.5
Coincident	102.3	108.8	-6.5	-6.0	102.8
General Drift Indicator (1986=100)*					
Leading	104.0	105.9	-1.9	-1.8	100.8
Coincident	106.3	113.4	-7.1	-6.3	107.9
Farmington Bank Business Barometer (1992=100)**	119.3	125.0	-5.7	-4.6	120.0

Sources: *The Connecticut Economy, University of Connecticut

**Farmington Bank

The Connecticut Economy's **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 four leading (housing permits, manufacturing average weekly hours, Hartford help-wanted advertising, and initial unemployment claims) economic variables, and are indexed so 1986 = 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.