

# ECONOMIC DIGEST

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**In February...**

**Nonfarm Employment**

Connecticut ..... 1,640,400  
 Change over month ..... -0.35%  
 Change over year ..... +0.1%

United States ..... 135,046,000  
 Change over month ..... +0.18%  
 Change over year ..... +1.5%

**Unemployment Rate**

Connecticut ..... 8.0%  
 United States ..... 7.7%

**Consumer Price Index**

United States ..... 232.166  
 Change over year ..... +2.0%

## Connecticut Exports: 2012 in Review

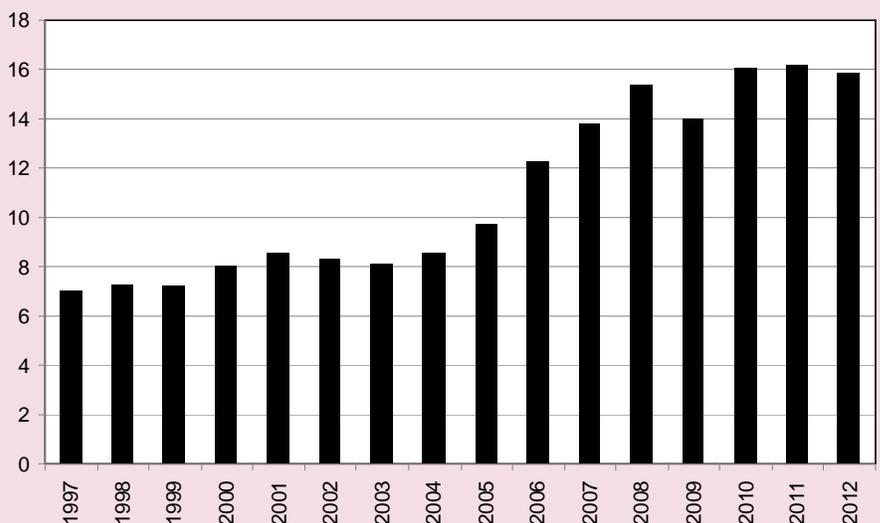
*By Laura Jaworski, Office of International and Domestic Business Development, DECD*

**E**ach year *The Digest* takes a look at Connecticut's annual export performance. Exports are an important contributor to the state's economy, create jobs and spur economic growth. In 2012, Connecticut's commodity exports totaled \$15.86 billion, a slight 2.14% decline from the \$16.21 billion recorded in 2011.<sup>1</sup> These commodity exports represent approximately 7% of Connecticut's gross state product (state GSP), up from 4.9% of state GSP just ten years earlier in 2002.

In his 2010 State of the Union address, President Obama

announced the "National Export Initiative" (NEI), the administration's goal to double exports in five years, an increase that was intended to support two million additional jobs. In that vein, in February 2013, the U.S. Department of Commerce announced export data that "shows 29 states set new records for export sales in 2012. In total, 35 states achieved merchandise export growth in 2012, and 20 of those states experienced growth of at least five percent or more. Total merchandise exports from all 50 states helped contribute to the record-setting value of goods and services exports in 2012,

**CHART 1: Connecticut's Exports (\$ in billions)**



Source: WISERTrade

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which reached \$2.2 trillion. Nationally, jobs supported by exports increased to 9.8 million in 2012, up 1.3 million since 2009. This puts us ahead of schedule to meet the President’s goal of adding two million export-supported jobs by the end of 2014.”<sup>2</sup>

To assess Connecticut’s export status, a review of several key categories follows.

**Annual Export Figures**

It is important to note, as significant as commodity exports are, they omit service exports, for which the collection of data is inexact and unavailable at the state level. All U.S. states face this data gap. This means that export figures for a state like Connecticut with a large concentration of insurance, financial and other services understate the true magnitude of the state’s overall export value.

U.S. exports experienced a slight increase in 2012. U.S. commodity exports totaled more than \$1.54 trillion, representing a 4.46% increase over the \$1.48 trillion recorded in 2011.

Connecticut’s commodity exports as a share of total U.S. commodity exports decreased slightly from 1.09% in 2011 to 1.02% in 2012. Connecticut’s ranking among the states held steady at 28<sup>th</sup> in 2012. Omitting Puerto Rico and various export sales attributed to “unknown state,” Connecticut actually ranks 26<sup>th</sup>. In the state export data series, low-value export estimates are credited to “unknown state,” as export statistics are collected only for export commodity shipments over \$2,500. Texas, California, New York, Washington and Illinois were the top five export states in 2012, ranked in terms of export commodity dollars. The value of Connecticut’s exports ranks 10<sup>th</sup> highest among the states on a per-capita basis.<sup>3</sup>

In New England, only Massachusetts’ exports value ranked higher than Connecticut’s, as has been the case since 2005. As a regional trading block, New England’s commodity exports totaled more than \$54.46 billion in 2012, a 6.46% decrease from 2011.

**Connecticut Export  
Composition**

Connecticut’s top export commodities mirror the state’s historic strengths and there is a demonstrated consistency among the state’s top export commodities. 2012 was no exception to such, as the state’s top commodities were in line with previous years. In 2012, 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) copper and articles thereof. Within the state’s top five commodities, aircraft, spacecraft and parts and copper and articles thereof, experienced the greatest increases, 5.25% and 89.0%, respectively. (Please refer to Table A.)

To put these figures in context, the U.S. and New England states’ top export commodities were somewhat similar to Connecticut’s in 2012. The top five U.S. export commodities were (1) industrial machinery, including computers; (2) electric machinery, sound equipment, TV equipment, parts; (3) mineral fuel, oil, bitumin substances, mineral wax; (4) vehicles, except railway or tramway, and parts and (5) aircraft, spacecraft and parts thereof. In 2012, the New England region’s top five export commodities were (1) electric machinery, sound equipment, TV

**Table A: Connecticut Exports by Commodity**

Rank	Description	2011	2012	%2011- 2012
	<b>TOTAL ALL COMMODITIES</b>	16,211,927,999	15,865,581,516	-2.14
1	Aircraft, Spacecraft, And Parts Thereof	6,533,917,049	6,876,896,646	5.25
2	Industrial Machinery, Including Computers	1,907,917,912	1,964,217,206	2.95
3	Electric Machinery Etc; Sound Equip; Tv Equip; Pts	1,378,965,630	1,385,029,190	0.44
4	Optic, Photo Etc, Medic Or Surgical Instrments Etc	1,334,566,999	1,256,275,156	-5.87
5	Plastics And Articles Thereof	595,220,531	543,162,581	-8.75
6	Copper And Articles Thereof	173,881,344	328,779,581	89.08
7	Iron And Steel	345,655,548	307,587,670	-11.01
8	Special Classification Provisions, Nesoi	408,670,368	291,625,657	-28.64
9	Mineral Fuel, Oil Etc.; Bitumin Subst; Mineral Wax	160,767,193	269,564,420	67.67
10	Inorg Chem; Prec & Rare-Earth Met & Radioact Compd	141,734,099	238,432,203	68.23

**Table B: Connecticut Exports by Country**

Rank	Description	2011	2012	%2011- 2012
	<b>TOTAL ALL PARTNER COUNTRIES</b>	16,211,927,999	15,865,581,516	-2.14
1	Canada	1,717,194,962	1,906,927,161	11.05
2	France	1,971,017,226	1,906,349,490	-3.28
3	Germany	1,383,873,789	1,496,527,720	8.14
4	Mexico	1,098,359,753	1,142,110,498	3.98
5	United Arab Emirates	541,798,649	1,088,916,422	100.98
6	China	982,543,189	923,993,092	-5.96
7	United Kingdom	686,846,476	636,067,475	-7.39
8	Japan	579,823,687	573,556,084	-1.08
9	Korea, Republic Of	486,054,768	551,125,295	13.39
10	Netherlands	551,392,185	509,650,566	-7.57

equipment, parts; (2) industrial machinery, including computers; (3) aircraft, spacecraft, and parts thereof; (4) optic, photo, medical or surgical instruments and (5) natural or cultured pearls, precious stones, precious metal clad materials, imitation jewelry and coins.

### State Export Partners

In 2012, the top five Connecticut commodity export destinations were Canada, France, Germany, Mexico, and the United Arab Emirates (UAE). (Please refer to Table B.) Within the top five, exports to all countries except France increased, ranging from 3.98% to Mexico, to over 100% for the U.A.E. Interestingly, Canada regained its top spot as the #1 destination for Connecticut exports, bumping France to second place. France held the state's top spot for the past two years. Connecticut exported over

\$1 billion to each of its top five trade partners in 2012.

Rounding out its top ten trade partners were China, the United Kingdom, Japan, the Republic of Korea and the Netherlands, ranking 6-10, respectively.

It is a testimony to the strength of Connecticut's export products that foreign demand persists even in the face of the financial difficulties that have continued to threaten the European Union, particularly during the EU's debt crisis.

### U.S. - EU Foreign Trade

In November 2011 at the U.S.-EU Summit, the U.S.-EU High Level Working Group on Jobs and Growth (HLWG) formed to explore policies and measures to increase U.S. and EU trade and investment. The HLWG proposed that a transatlantic agreement should strive to achieve results in three key areas: (1) market access; (2)

regulatory issues and non-tariff barriers and (3) rules, principles, cooperation to address challenges and opportunities.

Based upon the HLWG final report recommendations, the U.S. and EU both plan to initiate internal procedures to launch negotiations on a Transatlantic Trade and Investment Partnership, essentially, a U.S.-EU Free Trade Agreement. As of this writing, President Obama plans to notify Congress of his intent to begin negotiations.

The U.S. and EU currently account for 30% of world trade, and U.S. and EU bilateral trade is estimated at \$2.69 billion per day.<sup>4</sup>

The 27 member states of the EU represent a market of 500 million consumers. In terms of economic impact, a Transatlantic Trade and Investment Partnership could increase annual economic growth by up to

-continued on page 5-

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1% on both sides. Early reports suggest that such an agreement could increase EU economic output by 0.5%, and increase U.S. economic output by 0.7%. Eliminating tariffs alone could boost U.S.-EU trade by more than \$120 billion within 5 years. The agreement could add to the 13 million U.S. and EU jobs currently supported by transatlantic trade. U.S. and EU transatlantic investment is approximately \$3.7 trillion.<sup>5</sup> Based on Connecticut's share of U.S. trade, the state stands to gain from this potential U.S.-EU Free Trade Agreement as well, both in terms of increased GSP and jobs, thanks to increased trade and eliminated tariffs.

### Challenges

The cultivation of international markets is important, but there are concerns and circumstances that present challenges to exporters. Chief among them are the state of the global economy and its correlation to reduced consumer spending. Unpredictable international events affect markets and export growth as

well. Regulatory barriers present a challenge, as navigating the complex issue of export compliance and licensing requires time, effort and resources.

### State Trade and Export Promotion (STEP) Grant

The Connecticut Department of Economic and Community Development's (DECD) Office of International and Domestic Business Development 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. To that end, DECD administers a State Trade and Export Promotion (STEP) grant award from the U.S. Small Business Administration (SBA). DECD is in its second year of the STEP program, which is aimed at increasing the value of exports for small businesses currently exporting and growing the number of exporters. In working in conjunction with partners such as the Connecticut Center

for Advanced Technology (CCAT) and the U.S. Department of Commerce (USDOC), DECD directs STEP funds towards company participation in international business development opportunities, such as Medica, Hannover Messe and the Paris Air Show.

For more information about DECD's international programs and services, including STEP grant activities, eligibility guidelines and application procedures, please contact Laura Jaworski at 860-270-8068 or [laura.jaworski@ct.gov](mailto:laura.jaworski@ct.gov). ■

<sup>1</sup> Data Source: World Institute for Strategic Economic Research (WISER), <http://www.wisetrade.org>.

<sup>2</sup> U.S. Department of Commerce, Press Release: "New Data Shows 29 States Hit Record Export Levels In 2012," February 19, 2013.

<sup>3</sup> *Connecticut Economic Review 2013*, Northeast Utilities Companies, page 22.

<sup>4</sup> *Final Report of the U.S.-EU High Level Working Group on Jobs and Growth*, HLWG, Office of the U.S. Trade Representative, February 11, 2013.

<sup>5</sup> IBID

## GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	4Q	4Q	CHANGE		3Q
	2012	2011	NO.	%	2012
<b>General Drift Indicator (1986=100)*</b>					
<b>Leading</b>	106.4	101.3	5.1	5.0	107.1
<b>Coincident</b>	107.1	107.3	-0.2	-0.2	107.5
<b>Farmington Bank Business Barometer (1992=100)**</b>	124.4	123.6	0.8	0.6	123.9
<b>Philadelphia Fed's Coincident Index (July 1992=100)***</b>	<b>JAN</b>	<b>JAN</b>			<b>DEC</b>
<i>(Seasonally adjusted)</i>	<b>2013</b>	<b>2012</b>			<b>2012</b>
<b>Connecticut</b>	155.39	152.21	3.18	2.1	154.87
<b>United States</b>	153.31	149.21	4.10	2.7	152.99

Sources: \*The Connecticut Economy, University of Connecticut \*\*Farmington Bank \*\*\*Federal Reserve Bank of Philadelphia

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.

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).