Connecticut Recession to End in December 2009?

By Jungmin Charles Joo, Associate Research Analyst, DOL

The Great Recession II that began in March 2008 may finally be over for Connecticut. The newly revised nonfarm employment data appears to show December 2009 to be the bottom of this treacherous economic downturn. While we added 2,300 jobs in January, and need to see how the next several months will pan out, it appears that our State’s economy has begun to rebound. Connecticut’s year-over-year percent changes in employment began to decline at a slower rate starting in September 2009, and recovery in terms of output has already begun nationally. The State’s average weekly initial claims data peaked in March 2009 and has been trending down. The stock market also bottomed out in March last year and corporate profits have rebounded. Even last year’s employment trend in the Connecticut employment services industry, a leading indicator of our State’s total nonfarm employment, appears to have bottomed out. However, while the prospects of employment dropping below December 2009’s level is not anticipated, the uncertain nature of the economy warrants a cautious approach, as both the national and Connecticut’s recovery remain tenuous at best.

Assuming the trough to be December 2009, this recession will have lost over 100,000 jobs, many of which may be permanent. This downturn is characterized by a more drastic fall in employment than the previous ones (see chart). Overall, this recession lasted 21 months, far less than the 36 months in 2000-2003 and the 46 months in 1989-1992’s Great Recession. The 6.0 percent loss of jobs in 2008-2009, however, was much sharper than 2000-2003’s 3.6 percent, although not as severe as 9.4 percent decrease in the 1989-1992 downturn, which lasted the longest at 46 months and cost 157,000 jobs.

So How Bad Was 2009?

No doubt 2009 was one of the worst years in our State’s economic history. Looking at annual average

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**In January...**

**Nonfarm Employment**
- Connecticut: 1,610,400
  - Change over month: 0.14%
  - Change over year: -3.2%
- United States: 129,527,000
  - Change over month: -0.02%
  - Change over year: -3.0%

**Unemployment Rate**
- Connecticut: 9.0%
- United States: 9.7%

**Consumer Price Index**
- United States: 216.7
  - Change over year: 2.7%

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**CT Employment Recession Trends, 1970 to Dec. 2009**

- Feb.70-Aug.71
- Jun74-Sep75
- Jul81-Feb83
- Feb.89-Dec.92
- Jul.00-Jul.03
- Mar.08-Dec.09

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March 2010
data (see page 5), Connecticut experienced the loss of 71,800 jobs last year, which was even worse than in 1991. Nonfarm employment fell by 4.23 percent, after five years of growth. The nation fared slightly worse with a 4.30 percent drop in jobs last year. Not surprisingly, all nine labor market areas experienced employment declines in 2009. The most job losses occurred in Hartford (-17,900), Bridgeport-Stamford (-17,700), and New Haven (-10,900) Labor Market Areas.

The unemployment rate shot up to 8.2 percent from 5.6 percent in 2008. This was the highest level since 1976 when the rate was 9.1 percent. Initial claims for unemploy- ment insurance rose for the third year in a row to a level not seen since 1991, when Connecticut was mired in the thick of the Great Recession. After seeing four straight years of growth, real personal income of state residents has fallen for two years in a row, to its lowest level since 2005.

Many other economic indicators also painted a grim picture of Connecticut’s economic devastation last year. For example, overall state revenue fell by 12.2 percent. This was the first decline since the prior recession in 2002, when it dropped by 5.9 percent. In fact, 2009 turned out to be the worst in 16 years. Revenues from real estate taxes, personal income taxes, sales and use taxes, and corporate taxes all fell in 2009. Even the once considered recession-proof gambling industry is feeling the pain of this downturn. Receipts from Indian gaming declined for the third consecutive year, with the biggest drop coming in 2009.

As Connecticut residents continued to lose jobs, purchases of big-ticket items such as automobiles, despite the Cash for Clunkers program, eroded even further last year when the number of new car registrations fell by 22.6 percent to its lowest level since 1992. This marked the biggest drop in the entire 46-year history of new car registrations data.

Moreover, the construction contracts index showed a decline for the last three years to a level not seen since 1998. What is even more remarkable is that the number of new housing permits plunged in 2009 to a record low in 40 years! This was the fourth year of decline, and its 3,343 was a stark contrast from the 30,163 housing permits granted back in 1986. Air cargo tons declined for the second year to its lowest level in the last 13 years. The air passenger count also shrank for the fourth year in a row to its lowest level in 13 years. Connecticut’s exports to the world fell in 2009 after five years of growth. Net business starts decreased for the third consecutive year, and last year’s figure was the lowest since 1996. Even the numbers of information center and major attraction visitors in 2009 were the lowest in 15 years.

All But One Industry Sector Lost Jobs

Job losses in 2009 were massive and occurred across all the major industry sectors except educational and health services. Manufacturing employment fell by 15,500 over the year, continuing the job losses since 1999; last year’s 8.3 percent drop was the biggest in 19 years. Construction and mining employment decreased by 10,700 over the year, the worst percentage loss (-16.2%) of all supersectors. Only in 1991 was the decline greater (-17.5%). Even service-providing sectors were severely affected by the latest recession. Professional and business services shed 17,100 jobs in 2009, the worst drop seen in 19 years. Trade, transportation and utilities (-16,800), financial activities (-5,700), government (-4,100), leisure and hospitality (-3,300), and information (-2,700) all lost jobs as well. The only sector in Connecticut to gain jobs was educational and health services (+5,700).

From Here to Recovery

The State added 2,300 jobs in January of this year, but unemployment rose to 9.0 percent. The recession may be over, but don’t expect substantial job growth any time soon in Connecticut or the nation. As long as we continue to face structural changes in the economy, permanent job losses, increasing foreign competition, and continued productivity, adding jobs will be a challenge.

Perhaps by enhancing technology and encouraging innovation, providing long-term infrastructure projects, while continually supporting the unemployed, many new jobs can be generated. While the current economic condition is no comfort to those who can’t find jobs, better days will surely come. The economic cycle of ups and downs won’t be broken, but we can learn to adapt and even thrive through adversity and prosper.
# Connecticut Economic Indicators, 2000-2009

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<th>STATEWIDE</th>
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<th>2002</th>
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</table>

## TOTAL NONFARM EMPLOYMENT IN LABOR MARKET AREAS

- **Bridgeport-Stamford**: 426.4
- **Danbury**: 70.1
- **Hartford**: 555.6
- **New Haven**: 274.5
- **Norwich-New London**: 128.1
- **Waterbury**: 71.4
- **Enfield**: NA
- **Torrington**: NA
- **Willimantic-Danielson**: NA

### UNEMPLOYMENT

- **Labor Force (000s)**: 1,736.8
- **Employed (000s)**: 1,697.7
- **Unemployed (000s)**: 39.2
- **Unemployment Rate**: 2.3%
- **Average Weekly Initial Claims**: 3,426
- **Insured Unemployment Rate**: 1.77%

### MANUFACTURING ACTIVITY

- **Average Weekly Hours**: 42.6
- **Average Hourly Earnings**: $15.70
- **Average Weekly Earnings**: $668.82
- **CT Mfg. Production Index (2000=100)**: 100.0

### INCOME (mil.$)

- **Real Personal Income (1982-84 $)**: $83,055
- **Real UI Covered Wages (1982-84 $)**: $44,306

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### GENERAL ECONOMIC INDICATORS

- **4Q 2009**
- **4Q 2008**
- **CHANGE**
- **3Q NO. %**

#### Employment Indexes (1992=100)*

- **Leading**: 115.9
- **Coincident**: 102.3

#### General Drift Indicator (1986=100)*

- **Leading**: 104.0
- **Coincident**: 100.8

#### TD Bank Business Barometer (1992=100)**

- **119.3**

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**Sources:**

- *The Connecticut Economy, University of Connecticut*  
- **TD Bank**

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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 TD 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.