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In March...

Nonfarm Employment

Connecticut	1,690,000
Change over month	-0.12%
Change over year	+0.46%

United States	148,230,000
Change over month	+0.07%
Change over year	+1.55%

Unemployment Rate

Connecticut	4.5%
United States	4.1%

Consumer Price Index

United States	249.554
Change over year	+2.4%

Connecticut's Short-Term Employment Projections Through 2019

By Matthew Krzyzek, Economist, and Patrick Flaherty, Assistant Director of Research, DOL

Current Situation

Connecticut is off to a good start in 2018. As reported in the March *Digest*, Connecticut's economic recovery slowed in 2017, but the first quarter of 2018 has shown significant job gains. While data are preliminary and subject to significant revision, first quarter employment rose more than 8,700 jobs from the fourth quarter of 2017 and more than 7,200 from the first quarter of 2017. Private sector employment gained 9,400 from the fourth quarter with Health Care & Social Assistance up 2,500 (+3,800 from the first quarter of 2017), Accommodation and Food Services up 1,300 (+900 from the 2017 Q1) and Professional, Scientific, and Technical Services up over 1,000. Manufacturing was a bright spot in 2017 — the first quarter of 2018 was up 5,100 from the first quarter of 2017 with most of the gains in Durable Goods.

In 2017, the average seasonally adjusted monthly jobs gain was just 400 jobs per month compared to 1,500 jobs per month for the first three months of 2018. Though this pace of growth is not likely to continue – and is subject to revision – the Connecticut economy was showing positive momentum as we headed into spring.

Connecticut Compared to Other States

Connecticut has recovered the number of private sector jobs lost during the previous recession. However, over the past six years, Connecticut's job growth has been significantly slower than the nation's and that of our neighbor states. Figure 1 shows total nonfarm, private, and government employment from March 2012 to March 2018 for the US, Connecticut, and nearby states. Connecticut's nonfarm employment is up 3.0 percent over this six-year period with the private sector up 61,900 jobs (4.4%) and government employment down 12,100 jobs or 5.0%.

Sector Change

Health Care and Social Assistance makes up the largest combined industry sector in the state (and in all states) comprising over 18 percent of Connecticut employment. This sector has consistently added jobs throughout both the recession and recovery. Growth for that sector has slowed in the most recent two years, particularly for Health Care, but both have continued to add jobs. In the past five years (year ending 2nd Quarter 2012 to 2nd Quarter 2017) Health Care has grown by approximately 5,000 jobs while

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Social Assistance has added nearly 10,000. This continues a long-term trend; Social Assistance has steadily increased as a share of that combined-sector since the early 1990s. Hospital consolidation in recent years has also contributed to this shift. As shown in Figure 2, Social Assistance has added nearly three times as many jobs as Health Care over the two years ending 2017 Q2.

Accommodation and Food Services is the third largest growing sector and unlike Health Care or Social Assistance, its growth shows few signs of slowing down. It added more than 11,000 jobs from 2012 to 2017, and was the sector with the most job growth during the two years leading up to the short-term projection base quarter of 2017Q2. This shift is consistent with changing consumer preferences and is also occurring at the national level.

Transportation and Warehousing has also seen strong growth in recent years. From 2012 to 2017, the sector has added nearly 5,000 jobs including 2,300 since 2015, largely due to online retailers such as Amazon adding warehouses and distribution centers in the state.

The consumer preference shift to online shopping responsible for the increase in Transportation and Warehousing employment has also negatively impacted Retail Trade. From mid-2010 through late-2014, this sector added jobs and recovered at a rate in line with the overall economy (Figure 3). It held flat at roughly 185,000 jobs until the third quarter of 2016 and has lost employment in every quarter since.

Manufacturing, the sector with the most losses since 2012, is down 8,600 jobs in the five-year period. Losses moderated after severe decreases during the Great Recession and have most

recently shown increases. Figure 2 shows Manufacturing losses during the two years that precede the projection. All of the loss was in the first year of the two-year period. Manufacturing jobs increased from 2Q 2016 to 2Q 2017 and have shown further increases since.

Manufacturing employment troughed in the fourth quarter of 2016 at 156,431 and is up 1,640 jobs through the third quarter of 2017. Heavy demand from the Civilian and Defense Aerospace industries indicate that this sector will continue to add jobs, marking a turnaround for a sector that had been contracting for decades.¹

Other notable industry changes include the decline in Educational Services employment (public and private) which has long been a sector with employment growth. Its decline during the 2015 to 2017 period was influenced by decreases in school-aged population and state and local budget issues. Post-recession Construction employment peaked in 2016 Q3 and has since held flat, and Government employment continues to decline.

Many of these trends, in particular the very-recent increase in manufacturing employment, are expected to continue over the projection period.

CONNECTICUT SHORT-TERM PROJECTIONS

The current projections are for the period from the second quarter of 2017 to the second quarter of 2019. During this period we project overall employment in Connecticut to increase by 1.1% from 1,896,077 to 1,917,856, as is shown in Figure 4. This rate increase exceeds the rate from last year's short term projection.

Figure 1 - Employment Change 2012-2018 by Sector Type - US, and Selected States

Area	Total Nonfarm				Private				Government			
	Mar. 2012	Mar. 2018	# Change	% Change	Mar. 2012	Mar. 2018	# Change	% Change	Mar. 2012	Mar. 2018	# Change	% Change
United States	133,769,000	148,230,000	14,461,000	10.8%	111,826,000	125,904,000	14,078,000	12.6%	21,943,000	22,326,000	383,000	1.7%
Connecticut	1,640,200	1,690,000	49,800	3.0%	1,397,700	1,459,600	61,900	4.4%	242,500	230,400	-12,100	-5.0%
Massachusetts	3,306,200	3,640,900	334,700	10.1%	2,868,300	3,190,600	322,300	11.2%	437,900	450,300	12,400	2.8%
Maine	598,400	627,000	28,600	4.8%	496,900	527,000	30,100	6.1%	101,500	100,000	-1,500	-1.5%
New Hampshire	632,000	682,600	50,600	8.0%	540,300	592,400	52,100	9.6%	91,700	90,200	-1,500	-1.6%
New York	8,786,800	9,602,700	815,900	9.3%	7,318,600	8,152,500	833,900	11.4%	1,468,200	1,450,200	-18,000	-1.2%
Rhode Island	465,800	498,300	32,500	7.0%	405,600	437,500	31,900	7.9%	60,200	60,800	600	1.0%
Vermont	304,800	314,500	9,700	3.2%	249,400	258,600	9,200	3.7%	55,400	55,900	500	0.9%

**Figure 2 - Connecticut Employment Change
Year Ending 2015Q2-Year Ending 2017Q2**

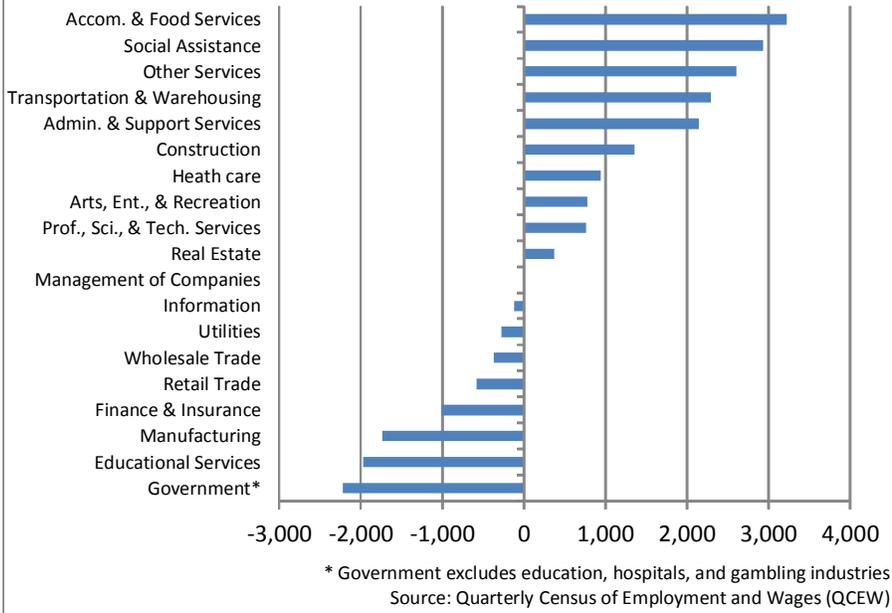


Figure 3 - Connecticut Retail Trade and Total Employment



Projections by Industry

Major Industries that are projected to have the largest percent employment increases are the Other Services, Leisure and Hospitality, and Construction sectors, which we project to grow 3.0%, 2.4%, and 2.1%, respectively. The growth in Leisure and Hospitality continues longer term trends, and Construction growth represents a turnaround for that sector which had a small decline in the most recent year.

The major sectors that show significant decreases are Information, down 1.8%, Government,² down 0.6%, and Financial Services, down 0.1% over the two-year period. The decreases in Information and Government sector employment continue longer term trends. The slight loss in Financial Services is driven by the Finance and Insurance component of that sector. Real Estate is expected to increase slightly, by 0.2% over the period.

Projections by Occupation

As is noted above, the 1.1 percent projected growth for the overall economy corresponds to an employment increase of 21,779 during the two-year period ending on 2019 Q2. The occupational groups expected to increase the most are Personal Care and Service Occupations, up 3,664 jobs, Food Preparation and Serving Related, up 3,592 jobs, Transportation and Materials Moving Occupations, up 2,367 jobs, and Healthcare Practitioners

Figure 4 - Employment Projections by Industry

Industry	2017 Q2 History	2019 Q2 Projections	Emp Change	% Change
Total All Industries	1,896,077	1,917,856	21,779	1.1%
Self Employed and Unpaid Family Workers, All Jobs	182,838	185,970	3,132	1.7%
Goods Producing	223,673	226,526	2,853	1.3%
Natural Resources and Mining	5,695	5,572	-123	-2.2%
Construction	59,354	60,612	1,258	2.1%
Manufacturing	158,624	160,342	1,718	1.1%
Service Providing	1,489,566	1,505,360	15,794	1.1%
Retail Trade	182,626	180,483	-2,143	-1.2%
Wholesale Trade	62,680	63,459	779	1.2%
Transportation and Warehousing	48,480	51,140	2,660	5.5%
Utilities	5,378	5,046	-332	-6.2%
Information	31,637	31,078	-559	-1.8%
Finance and Insurance	108,237	108,073	-164	-0.2%
Real Estate and Rental and Leasing	19,960	19,964	4	0.0%
Professional, Scientific, and Technical Services	96,445	97,337	892	0.9%
Management of Companies and Enterprises	32,042	31,673	-369	-1.2%
Administrative and Support and Waste Management	91,192	92,874	1,682	1.8%
Educational Services	186,115	185,572	-543	-0.3%
Health Care	224,007	227,720	3,713	1.7%
Social Assistance	64,732	68,828	4,096	6.3%
Arts, Entertainment, and Recreation	42,622	43,194	572	1.3%
Accommodation and Food Services	130,162	133,813	3,651	2.8%
Other Services (except Government)	79,035	81,370	2,335	3.0%
Government*	84,216	83,736	-480	-0.6%

* Government excludes education, hospitals, and gambling industries

Figure 5 - Employment Projections by Occupation

Occupational Group	2017 Q2 History	2019 Q2 Projections	Emp Change	% Change
Total, All Occupations	1,896,077	1,917,856	21,779	1.1%
Management	145,353	147,503	2,150	1.5%
Business and Financial Operations	102,720	104,050	1,330	1.3%
Computer and Mathematical	51,558	52,230	672	1.3%
Architecture and Engineering	35,888	37,281	1,393	3.9%
Life, Physical, and Social Science	13,724	14,010	286	2.1%
Community and Social Service	41,478	42,607	1,129	2.7%
Legal	18,824	18,996	172	0.9%
Education, Training, and Library	136,480	137,000	520	0.4%
Arts, Design, Entertainment, Sports, and Media	39,144	39,388	244	0.6%
Healthcare Practitioners and Technical	114,196	116,504	2,308	2.0%
Healthcare Support	53,831	55,227	1,396	2.6%
Protective Service	34,325	34,304	-21	-0.1%
Food Preparation and Serving Related	140,713	144,305	3,592	2.6%
Building and Grounds Cleaning and Maintenance	81,615	83,453	1,838	2.3%
Personal Care and Service	98,458	102,122	3,664	3.7%
Sales and Related	181,767	180,788	-979	-0.5%
Office and Administrative Support	271,371	269,635	-1,736	-0.6%
Farming, Fishing, and Forestry	4,425	4,362	-63	-1.4%
Construction and Extraction	72,708	74,077	1,369	1.9%
Installation, Maintenance, and Repair	57,386	57,694	308	0.5%
Production	101,162	101,002	-160	-0.2%
Transportation and Material Moving	98,951	101,318	2,367	2.4%

and Technical, up 2,308 jobs. The three major occupational groups projected to decline over the two-year period are Office and Administrative Support, down 1,736 jobs, Sales and Related, down 979, and Production Occupations, down 160 jobs. The changes in occupational employment shown in Figure 5 are driven by the industry changes discussed in the previous section. For example, the growth in Accommodation and Food Services drives the increase in Food Preparation and Serving occupations.

Connecticut's Projections Compared to Other States

Connecticut's projected 2017-2019 job growth is slower than projected by most other states, although it is faster than the growth projected by seven states, including Delaware, Kansas and Maine. Twenty states are projecting growth under 2% — or less than 1% per year. As shown in Figure 6, among area states, Massachusetts is projecting the fastest growth (+2.9) while Maine is projecting the slowest — up just 0.2% over two years. As shown in Figure 7, Food Preparation and Serving is projected to add the most jobs in three of our neighbor states. Connecticut jobs are expected to grow in this category as well — 3,592 additional jobs or a 2.6% increase. Healthcare support occupations are projected to grow a whopping 8.2% in New York over the two-year period, behind just Arizona and nearly double Massachusetts' 4.4% increase. Connecticut's 2.6% increase in this category is comparable to that in other area states except Maine which is significantly lower. The category projected to add the most jobs in Connecticut is Personal Care and Service, led by Personal Care Aides, Childcare Workers, Hairdressers &

Figure 6 - Statewide Projections

State	2017	2019	# Change	% Change
Massachusetts	3,783,250	3,894,270	111,020	2.9%
New York	9,948,180	10,170,790	222,610	2.2%
Rhode Island	524,750	534,680	9,930	1.9%
New Hampshire	704,260	717,110	12,850	1.8%
Vermont	369,450	373,770	4,320	1.2%
Connecticut	1,896,077	1,917,856	21,779	1.1%
Maine	673,200	674,480	1,280	0.2%

Figure 7 - Occupation Group Projected to Add the Most Jobs 2017 to 2019

State	Occupation Group	2017	2019	# Change	% Change
Massachusetts	Food Preparation and Serving	302,900	316,210	13,310	4.4%
New York	Healthcare Support	392,990	425,180	32,190	8.2%
Rhode Island	Food Preparation and Serving	52,500	54,170	1,670	3.2%
New Hampshire	Food Preparation and Serving	59,160	60,800	1,640	2.8%
Vermont	Healthcare Practitioners & Technical	20,100	20,770	670	3.3%
Connecticut	Personal Care and Service	98,458	102,122	3,664	3.7%
Maine	Healthcare Practitioners & Technical	42,910	43,300	390	0.9%

Cosmetologists, and Nonfarm Animal Caretakers.

Conclusion

Connecticut’s short-term projections show that Connecticut’s slow employment growth over the recent few years is likely to continue, and sectors will continue to shift.

Manufacturing is picking up while Education expected to slow. Connecticut is also part of a national trend which sees increases in warehousing and transportation while retail is under pressure.

There are both upside and downside risks to these

projections. Connecticut is part of the national and global economies and has employment concentration in industries tied to the financial markets. Uncertainty and volatility in the economy and markets could hurt Connecticut. On the other hand, national job growth has been steady in early 2018 and Connecticut has participated in that increase. Our best judgment is that the rapid growth seen in early 2018 will moderate but that growth will continue through the end of the projections period. ■

Data Limitations: The projections in this report have been carefully prepared to ensure accuracy, but by nature are subject to error. For more detail on the short-term occupational projections, visit: www.projectionscentral.com/Projections/ShortTerm.

1 For more analysis of Connecticut’s manufacturing labor force, see pages 24-26 of: <https://www1.ctdol.state.ct.us/lmi/pubs/ConditionsandOutlook2016to2018.pdf>

2 Government excluding education, hospitals, and gaming.

GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	4Q 2017	4Q 2016	CHANGE NO. %		3Q 2017
General Drift Indicator (1996=100)*					
Leading	117.2	117.4	-0.2	-0.1	117.7
Coincident	116.4	116.2	0.2	0.2	116.1
Farmington Bank Business Barometer (1992=100)**	135.8	135.7	0.1	0.1	135.8
Philadelphia Fed's Coincident Index (2007=100)***	Mar	Mar			Feb
<i>(Seasonally adjusted)</i>	2018	2017			2018
Connecticut	123.77	120.01	3.8	3.1	123.33
United States	122.63	119.33	3.3	2.8	122.38

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).