THE CONNECTICUT
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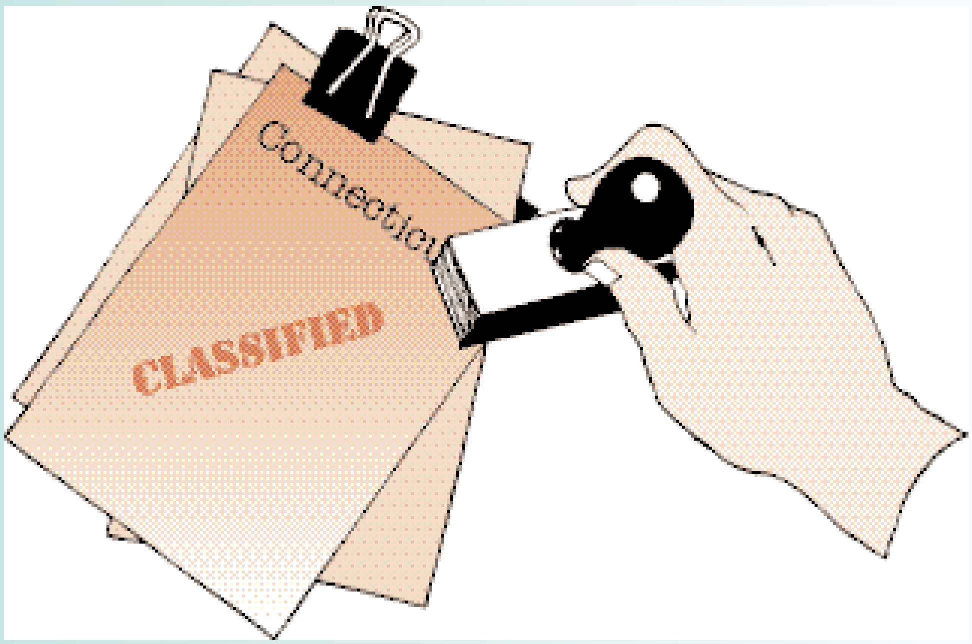
Fall 2000

The Political and Economic Stakes of Census 2000

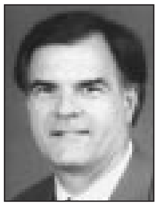
Industry Revealed: A New View of Connecticut's Economy

Patterns of Net Migration – How Are We Doing?



Profiling a Changing Economy

The Editors



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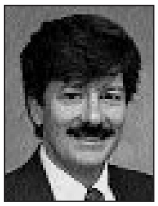

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CONNECTICUT ECONOMIC INDICATORS

(Percent change: 1999-Q3 to 2000-Q3)

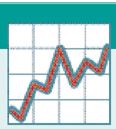
Indicators of Current Economic Activity

Total Nonfarm Jobs	+1.4%
Number Unemployed	-21.2%
Labor Force	+1.1%
Manufacturing	
Jobs	-0.8%
Avg. Weekly Hours	+0.2%
CT Mfg. Prod. Index	-2.2%
Avg. Hourly Earnings	+1.6%
New Auto Registrations	+31.1%
Travel and Tourism Index	-1.3%
Bradley Airport	
Passengers	+18.9%
Freight	+17.3%
State Taxes:	
Sales	+7.0%
Income	+12.4%
Real Estate Conveyance	-3.2%
Normalized Electricity Use	-3.0%
State Exports ('99-Q2 to '00-Q2)	+2.9%
Confidence in Current Economy	+3.5%
Coincident GDI	+0.3%

Indicators of Future Economic Activity

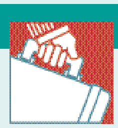
Help-Wanted Ads	
Hartford Courant	-5.4%
The Advocate of Stamford	+x.x%
Job Orders	+3.5%
Avg. Initial Unemp. Claims	-13.3%
Housing Permits	-15.2%
Net New Business Starts	-2.1%
Confidence in Future	+11.9%
Leading GDI	-0.4%

Good news



+11.9%
Confidence in Future Economy

Bad news



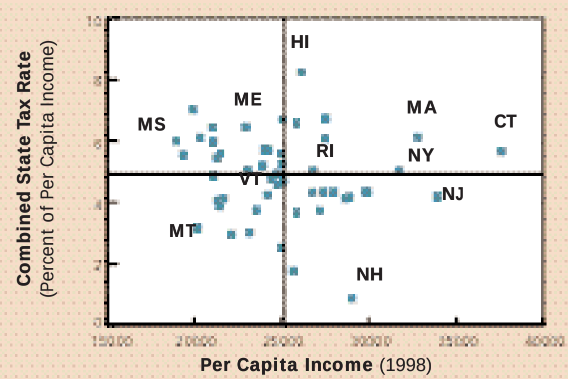
-2.1%
Net New Business Starts

Still Going...and Going...

With signs of a slowing national economy all around it, Connecticut's long-lasting "energizer" economy kept going and going, right through the third quarter. The batteries may be running a bit low, but Connecticut showed that it still had a little of the old juice left.

Job growth held steady for the four quarters ending 2000-Q3, defying the recent trend of slowing advances. Nonfarm jobs rose by 22,400 or 1.4% since 1999-Q3, the same rate as in 2000-Q2. The biggest gains came in government, which includes the tribal nation casinos, and in services. Both sectors increased by 2.4%, with government jobs up by 5,400 and services up by 12,650—or more than half the total nonfarm increase. The state's finance, insurance and real estate sector, which also has been showing slower growth each quarter, checked its slide in 2000-Q3, growing 0.6% compared with 0.5% in 2000-Q2. And while the manufacturing sector again lost jobs, its four-quarter decline was just 0.8%—the lowest rate of job loss in eight quarters.

Little Relationship Between State Tax Burden and Average Income



Source: Developed by *The Connecticut Economy* based on data from BEA ad Census

The expansion of the state's labor force quickened a beat, rising 1.1% in 2000-Q3 compared with 1.0% in 2000-Q2. With the private sector job machine churning away at 1.2%, entrants to the labor force are arriving at just about the rate businesses can absorb them. That's easing stresses on the labor market and perhaps reducing pressures for wage hikes. Average hourly earnings in manufacturing rose just 1.6% compared with 3.0% in 2000-Q2. After adjusting for rising prices, though, real hourly earnings in manufacturing are down 1.8%. Estimates from the Connecticut Labor Department put overall third quarter income growth at 4.9%, for a price-adjusted increase of 1.3% over the last four quarters.

Slowing wage growth doesn't appear to be slowing consumer spending, at least not yet. New auto registrations soared 31.1% in 2000-Q3, and state sales tax collections, a barometer of retail sales activity, grew by 7.0%. Perhaps Connecticut residents are simply drawing on their savings. There's certainly plenty of stock market wealth still left. The NASDAQ ended the quarter down 8.7%, but even so it's 127% higher than two years ago. And Connecticut home prices are up 8.7% for the four quarters ending 2000-Q3, so homeowners, at least, may feel better off. That price rise, however, along with higher interest rates, appears to be discouraging new buyers. Home sales are flat and housing permits are down 15.2%.

Among other signs of economic fatigue: the leading GDI is down 0.4% and the coincident GDI is up just 0.3%. Consumer confidence, although high, slipped a little between 2000-Q2 and 2000-Q3. The labor market areas are, without exception, off their second quarter pace, and new business starts fell 2.1% in the four quarters ending 2000-Q3. Ultimately, this energizer economy may outlast the sagging numbers, but Connecticut, along with the rest of the country, is feeling just a bit run down.

On the eve of the first release of Census 2000 data, this issue profiles some additional relationships between Connecticut and the rest of the country. Among our topics: how Census results will affect the state's political landscape; what new challenges and opportunities interstate migration holds for the state's metros; and how market changes have affected housing affordability.

The scatterplot above draws another interesting comparison. It shows the combined rate for state income, sales and profit taxes and the associated income per capita for every state. Principles of progressive taxation might lead us to expect those with higher incomes to bear a higher tax burden. But no such relationship exists. In fact Connecticut, the state with the highest per capita income, has a lower tax burden than 14 other states. Maybe Connecticut marches to the beat of a different bunny.

Census 2000: A Political Primer, With An Economics Chaser

By Arthur W. Wright

To many people, "the Census" is like certain species of locust: it shows up every so often, generates a lot of noise and a bit of bother, and then goes away. The last couple of times, the decennial census has stirred up a partisan political hubbub. But the public's attention soon wanders—as it did this year once the national election heated up. Arguably, citizens should pay more attention than they do to the decennial counts.

The population shifts, captured by Census 2000, will affect legislative reapportionments, both Federal and state. The new Census results will directly affect Federal funding of state and local programs, and thus ultimately either services or taxes. And that's not all. What follows is a primer on Census 2000, focusing on its political aspects and also highlighting several economic effects. Connecticut faces challenges on both fronts.

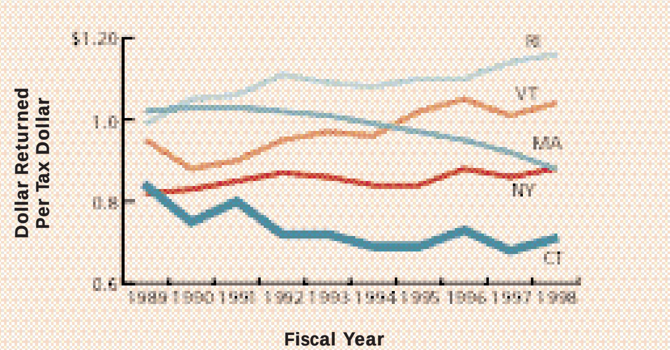
How Many Representatives, and So What?

Talk about hubbub! Just wait till the next election in 2002, when six sitting U.S. Representatives from Connecticut have to cram themselves into five seats. It's not official yet, but the odds are short that the Nutmeg state will lose a U.S. House seat once Census 2000 results are in. The General Assembly would have had to redraw the House district boundaries anyway, but the friction from having to create five districts from six should help the legislature stay within its fuel budget this winter.

What else is at stake? For openers, Connecticut will lose one electoral vote and thus may receive even less attention than it did this year from presidential candidates. And there also will be one fewer Congressional staff looking out for the state. We'll of course also lose a vote on the House floor, reducing our state's total representation there from 1.38% to 1.15%. The loss of clout could be greater, or less, depending on the split in party affiliations of our remaining five members, and on which party controls the House. The loss of two or three committee and sub-committee chairs could also make a real difference on hard-fought issues such as where weapons systems get built.

Before we worry too much or begin feeling sorry for ourselves, some historical and comparative perspective may help. The citizens of Connecticut and other states have survived the loss of House seats before. Our state finally got back to its original Constitutional allotment of five Representatives after the 1900 Census, and kept that figure following the 1910 Census, when the size of the House was fixed at the current 435 seats. We gained a seat, to the current figure of six, in 1930, the first reapportionment after Arizona completed the 48 states in 1912. Massachusetts, in contrast, lost no fewer than six out of 16 House seats between 1910 and 1990. Maine lost two of its four seats; Rhode Island one of three; and Vermont one of two. New Hampshire was the only other New England state besides Connecticut to hold its own (at two Representatives) through most of the 20th century.

Connecticut Last In Return of Federal Tax Dollars



New Hampshire's stability owed much to population gains in its southeast corner, now an exurb of Boston. Similarly, Connecticut gained people moving out of New York City, as did New Jersey, which had a more or less stable House delegation as well. From 1910 to 1990, New York lost 12 seats (43 to 31), with most of the decline coming after 1970. Pennsylvania lost 15 seats (36 to 21), again helping New Jersey stay about even with outflows from Philadelphia. Not surprisingly, the 20th century's big House-seat gainers were California, Florida, and Texas, followed by other southern or western states.

Nutmeggers should enjoy having five U.S. Representatives while they can. In the Census Bureau's population projections for 1995-2025, Connecticut's growth rate ranks 39th—14 places below the median. The main hope for our retaining five House seats in the future lies in the even slower growth rates projected for more populous states like Illinois, Indiana, Iowa, Massachusetts, Michigan, New York, Ohio, and Pennsylvania.

The Connecticut General Assembly will also have to redistrict itself as a result of Census 2000. The legislature will doubtless employ the same sausage machine used to stuff six U.S. Representatives into five seats. After each decennial census, the two major political parties jockey for advantage in redrawing district boundaries for the coming five elections—here, 2002-2010. In that light, the 2000 State legislative elections, just concluded, had a significance missed by almost everyone but the political pros, who spread party funds around in certain key districts in an attempt to influence the coming reapportionments.

Bringing Home the Bacon

President Clinton may have proclaimed that the era of big government is over, but the fact remains, the U.S. Government today administers some 1,425 "domestic-assistance" programs administered by 57 different agencies. Census 2000 matters here because many of the eligibility formulas and grant awards depend on allocation variables tabulated in or derived from the Census. Numbers of people and per capita incomes are probably the most frequently-used variables, but such derivative figures as numbers living in "poverty", their ethnic composition, or densities of qualifying "minority" populations, are common elements of domestic-assistance formulas.

The 1,425 programs include grants in money and in kind (*e.g.*, donated Federal property, various expert services, and technical information); they are completely separate from Federal procurement of goods and services (*e.g.*, submarines, red tape, and expert witnesses against Microsoft). In fiscal 2000, Connecticut received more than $1 million each from 18 Federal programs in education alone, according to the State Office of Policy and Management (OPM). Other major sources of our grants are the Departments of Agriculture and Labor.

Federal domestic-assistance programs, in the aggregate, are on the scale of big business. To learn what's available, and even how to apply, check out the web site of the "Catalog of Federal Domestic Assistance": http://www.cfda.gov. There one learns that the programs span local or regional economic development, emergency management, energy, health and human services, housing and home ownership, the humanities, international activities, rural development, and veterans. These programs are so important to state governments that the National Governors' Association and the National Conference of State Legislatures operate a joint subscription service known as the "Federal Funds Information Service" (FFIS) (http://www.ffis.org; use restricted to paid subscribers).

Small wonder that state and local officials in charge of functions where Federal support is available were keen to get accurate Census counts of their "client" constituents.

Another reason Connecticut officials want to ensure that the state receives its "fair share" of largesse from Washington is the state's low "Return of Federal Tax Dollars" (RFTD). That concept measures the Federal dollars coming back to a state in any form—grants, transfers, procurements —per dollar of Federal taxes paid by state residents. As the chart opposite shows, Connecticut trailed by this measure, compared with three other New England states and New York, from FY 1990 through 1998 (the last year available from OPM). In fact, Connecticut's $0.71 RFTD was dead last among the 50 states in FY 1998, below New Hampshire and Nevada (both at $0.75). First on the list was New Mexico ($1.93), with West Virginia ($1.64) a distant second.

Connecticut's low RFTD doubtless reflects its top position nationally in per capita income, coupled with the progressivity of Federal income tax rates. But, as the chart also shows, the Nutmeg State's RFTD declined by about 12 cents from 1989 to 1998, as did that of Massachusetts. In both cases, much of the decline traces to post-Cold War military procurement cuts and base closings, which hit the two states hard.

It's all well and good to accept our being tops in *average* income as the explanation for having the lowest RFTD of any state. But state and local officials responsible for helping Connecticut residents with *below-average* incomes want to be sure they capture the Federal grant dollars the state is entitled to. By being diligent, those officials will be helping Connecticut maintain its slice of the Federal government spending pie.

Census 2000 will continue to be more important than many think—to Connecticut's economy, its politicians, and ultimately the people they serve.

The Connecticut Economy: A New, Improved View

Jeff Blodgett, VP, Research, and Dale Shannon, Sr. Economist, CERC, Inc.

Buy a boat, lease a computer, shoe a horse, go bowling, hire a lawyer, enroll in school, conduct genetic research, seed some clouds. That disparate set of economic activities has but one thing in common: they're all part of the Connecticut "services" economy as defined by the Standard Industrial Classification (SIC). The venerable SIC—the reporting framework used for all Federal, state and private data on sectoral economic activity for more than 60 years—is being phased out and replaced with the North American Industry Classification System, or NAICS (pronounced "nakes").

This new economic taxonomy, will change our view of the Connecticut economy by, among other things, sharpening our focus on the importance of services and technology.

Why Develop NAICS, and Why Now?

The SIC ostensibly classified businesses by primary type of economic activity. When it was initially developed in the 1930s, nearly half of U.S. employment was in manufacturing, mining and construction (MMC). Today, despite four or five revisions, the SIC is still mired in the depression-era economic structure at the time of its birth.

The U.S. economy has, of course, changed profoundly since the 1930s. Employment in MMC dropped from about half to a quarter of total employment between 1940 and 1997. New industries never dreamt of in 1940, or even in the late 1980s, when the SIC was last revised, have come to the forefront of the nation's economy. The limitations of the SIC in providing data on new and emerging industries have been a growing problem, hindering the ability of industry and government analysts to monitor and react to economic change. For example, computer equipment was stuck in the SIC grouping for industrial and commercial equipment because computers were first seen as extending the design and functionality of mechanical adding machines!

That example points to another problem with the SIC. Some industry groupings were based on the process used in production, while others were based on the output of the industry. Trying to track down an industrial niche in the SIC can be...well, trying.

The last straw was the creation of the North American Free Trade Agreement (NAFTA). The implementation and enforcement of NAFTA, beginning in 1994, demanded a common industrial classification system among Canada, Mexico and the United States.

NAICS was the response to all the problems noted above and more. Its developers paid special attention to methodological consistency and flexibility, so that further changes in technology and emerging industries could be readily incorporated into the classification system.

How Does the NAICS differ from the SIC?

Perhaps the most significant difference between the two taxonomies lies in the underlying economic principles used to classify businesses. In contrast to the SIC, the NAICS relies solely on supply or production criteria in constructing a consistent framework for compiling information on both inputs and outputs.

A second important difference resulted from the focus, during the NAICS planning and design process, on new and emerging industries, on services, and on industries involved with advanced technologies. As a result, the NAICS incorporates many new sectors.

While a few detailed SIC industries will retain their codes under NAICS, there will be a number of breaks in time series at a detailed industry level and virtually no continuity at more aggregate levels. Where there were 1,004 SIC categories, there are 1,170 in NAICS. Of the latter figure, 358 are new—not previously recognized separately under SIC; 422 are substantially unchanged;

and another 388 represent revisions in the scope of SIC categories. The resulting loss of comparability is the necessary price for achieving a new structure for viewing data on the 21st-century U.S. economy.

Connecticut's Economy: New & Old

To appreciate the implications of the new classification for the state's economy, let's look at the distribution of jobs under the two systems. The left hand chart below gives the SIC view, measuring the relative concentration, in 1997, of private-sector employment in the state against that for the U.S. A value greater than 1.0 means that the share of total employment in the given industry exceeds the share for the nation as a whole; and conversely for values less than one. Industries with values above 1.0 are likely to sell a meaningful portion of their output beyond our borders, and are therefore key components of the state's "economic base". Connecticut has a substantially higher share of employment in FIRE—more than 40% greater than the U.S.—and a moderately higher concentration in Manufacturing. Services and Wholesale Trade are about the same as the U.S., but the remaining sectors are all at 90% or less of the national norm.

The right hand chart presents the same analysis, but using NAICS for 1998 data. The increased sectoral detail—a key advantage of the new classification—is immediately apparent. Much of the new detail arises from decomposing the old SIC services sector into six new sectors. Interestingly, Arts and Entertainment, which contains casino gambling, has the highest relative concentration of jobs; but the SIC taxonomy masked the growth of gaming in Connecticut at this level of aggregation. Another sector where NAICS reveals a state strength is Educational Services, which encompasses the numerous secondary and post-secondary institutions in Connecticut. Management of Companies, Auxiliaries (separate establishments that provide services only to their parent companies), Utilities, Health Care, and Information also are part of our economic base in the NAICS view.

Manufacturing retains a relative concentration above 1.0, but only just, because adopting NAICS shifts more than 20,000 jobs, net, to other sectors. Activities lost by this category include logging and publishing—the latter into the new Information sector. Activities reclassified as manufacturing include retail bakeries, dental laboratories, and tire retreading.

Nowhere is NAICS seen to be more valuable than in the newly-created Information industry. The SIC scattered the data in this increasingly pivotal sector among three different divisions (Manufacturing; Transportation, Communication, and Utilities; and Services), involving nine different 2-digit SIC industries, making the data virtually invisible. With NAICS, we can readily see that Information (while still small in absolute terms at some 47,000 jobs) is a key part of Connecticut's economic base. Although it is still dominated by traditional information providers like newspapers and book publishers, "new wave" industries like software publishing and cable networks are gaining ground.

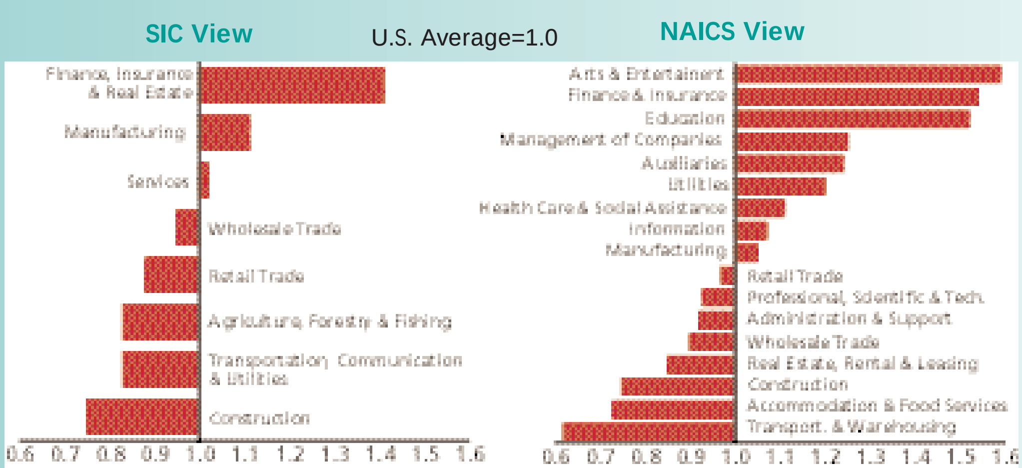
The Downside? A Cost Worth Bearing

As mentioned, hewing NAICS out of the old SIC will create some discontinuities in time series data for many industries. For example, of the fifty 4-digit SIC industries that make up "Information" under NAICS, only ten correspond exactly with NAICS industries. The other 40 SIC industries are split among 70 new 5-digit NAICS categories. The discontinuities will be mitigated by temporarily publishing data in both SIC and NAICS form. Some of the data in the 1997 Economic Censuses will appear that way, and other federal and state agencies will also publish data in both forms for a year.

Eventually, however, all federal and state data will appear only in NAICS form. The Connecticut Department of Labor, for example, is in the process of converting its records to NAICS and will begin reporting industry employment data on that basis early in 2001. The full transition should be complete by 2004.

The net result will be an industrial classification system that is based on consistent economic principles, accurately portrays the U.S. economy in the 21st century, and matches the systems used by our NAFTA partners. The NAICS taxonomy, like a new pair of glasses, sharpens our focus and allows us to 'see' our economy—especially the new industries—with greater clarity than ever before.

Connecticut's Employment Concentration* Relative to the U.S.



Source: *County Business Patterns*, SIC data 1997; NAICS 1998.

*Employment excludes Public Administration.

Connecticut Home Prices Now More Affordable

By Steven P Lanza

A state's demographic profile may change with time. Its numbers may grow larger, its average resident may grow older, and its ethnic composition may grow more diverse. But one constant remains—a population needs a roof over its head. And for Connecticut at least, that requirement has grown easier to afford.

Years of falling home prices, rising incomes and tumbling interest rates have combined to make Connecticut homes their most affordable in decades…and more affordable than the typical U.S. home for the first time in nearly twenty years. Even the recent rebound in the state's real estate market and tighter monetary policy at the Fed have failed to dull the luster of housing affordability in Connecticut.

Measuring Affordability

An affordability index measures the ability of a typical family to buy a typical single-family home. The National Association of Realtors (NAR) produces one such affordability index for the U.S. as a whole and for four broad geographic regions of the country. The NAR index shows what percentage of the mortgage payment on the median-priced home the median family can afford. The "median", represents the home price or family income that is exactly in the middle of a top-to-bottom ranking for the area in question. In calculating the index, the NAR assumes a down payment of 20% and a qualifying ratio of 25%, which is to say the monthly mortgage payment cannot exceed 25% of gross income.

Consider a Connecticut example. In 1998, the median family of four earned a monthly income of $6,300, so it could afford a maximum mortgage payment of $1,575. But the actual mortgage payment on the median home, priced at $149,000, was just $789. Thus the 1998 Connecticut affordability index was 199 (= $1575/$789 x 100). If the index is above 100 housing is "affordable" at the median, and "unaffordable" if the index is below 100.

NAR does not publish state-specific indices, but the same methodology can be used to produce home-made indices for Connecticut and the other 49 states. All we need are three pieces of data for each state: 1) the median price of an existing single-family home (Economy.com, Inc. based on NAR data); 2) the median income of a 4-person family (U.S. Census Bureau); and 3) the average 30-year fixed mortgage rate (Federal Home Mortgage Corporation).

The Connecticut Experience

As the chart illustrates, Connecticut's housing affordability index has swung between extremes over the past quarter century, ranging from relatively affordable in 1974, to unaffordable in 1981, and back to affordable in 1998 (the last year of Census income data). Over the same period, the U.S. index followed a similar, though not parallel, course.

In the 1970s, sharply rising interest rates and fitful income growth caused the Connecticut and U.S. indices to drop sharply. Then during the 1980s, a widening affordability gap opened up between Connecticut and the U.S. Nationwide, interest rates fell and incomes kept pace with rising home prices, so the U.S. index improved. In Connecticut, though, a 228% jump in median home prices kept the affordability index fairly flat. By 1986 and 1987, Connecticut ranked 48th in affordability out of 50 states, ahead only of Hawaii and Massachusetts. In 1988 and 1989, Connecticut also became more affordable than Connecticut, but we were still just 47th on the affordability list. For the decade then, the median U.S. family could afford the median-priced home or better, but the median Connecticut family decidedly could not.

But the decade of the 1990s was a completely different story for the state. Steady improvement in home affordability for the nation as a whole became, for Connecticut, dramatic progress. Nationally, vigorous economic expansion kept incomes and home prices growing apace, while interest rates fell. The difference in Connecticut was that real estate prices took a dive. Hence, as early as 1991—when Connecticut was still knee-deep in recession—its affordability index had passed 100, and in 1995 (as incomes in the state finally began to grow) the index jumped ahead of the nation's. In 1998, the median Connecticut family earned twice the income needed to finance the median-priced home, making Connecticut housing 13% more affordable than in the U.S as a whole.

What has happened since 1998, when interest rates nationally, and home prices statewide began to rise?. Census data on median family income is unavailable beyond 1998, but substitute data for average incomes is, and it suggests that for an average-sized household in Connecticut, housing affordability by 2000-Q1 had dropped 16% from its 1998 peak but still remains 12% above comparable U.S. figures.

Whose Cloud, Whose Silver Lining?

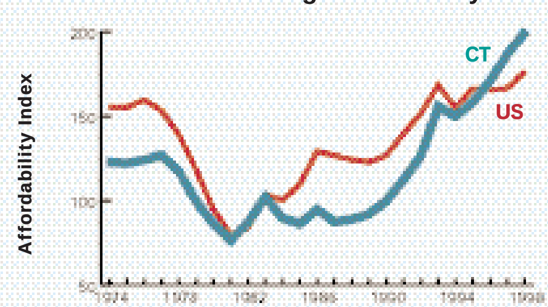
Homeowners who bought at the peak of the market in 1989 and sold at the trough in 1995 suffered a 16.5% drop in the value of their homes … and that's using data at the median. Fortunately, three-quarters of the gain in affordability over that period came not as a result of falling prices, but as a consequence of rising incomes and cheaper financing costs.

Still, for those forced to sell into a sinking market, Connecticut's impressive gain in housing affordability likely seemed little more than a silver lining in a cloud that rained buckets. Some were over-leveraged real estate speculators who had voluntarily assumed such risk. But others were young workers forced to leave the state for more promising opportunities in the south and west. Those of "Steady Habits" who stayed put, ate their paper losses and went about their business.

Among the likely beneficiaries of Connecticut's more affordable housing: younger population cohorts and other new entrants into the state's real estate market. Connecticut is apt to appear a relatively attractive place for first-time homebuyers and potential migrants from regions with less affordable housing. The attraction should not only help to draw workers from out-of-state, it should also help to keep more workers here—something Connecticut employers, desperate for workers to help grow their businesses, would welcome.

And for those who do call Connecticut home, the exhibit at the bottom of the next page shows how their prices changed in 2000-Q3.

Connecticut's Housing Affordability Soars



Developed by *The Connecticut Economy* based on data from Economy.com, the Census. Bureau, and Federal Home Mortgage Corporation.

GDI Acrophobia

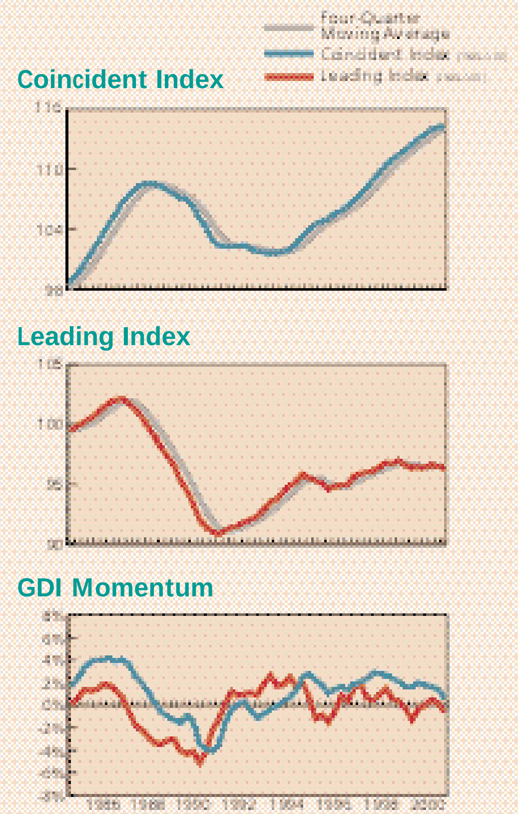
By Steven P. Lanza

After a dizzying climb, the GDI appears to have developed a fear of heights. Mounting evidence suggests the GDI may have reached a plateau and is now struggling for some solid footing. The coincident index grew at its slowest rate in six and a half half years, and the leading index hit the skids once again. The GDI is a composite measure of the four-quarter change in three coincident and four leading economic variables, and is indexed so 1986 = 100.

The coincident GDI inched up one tenth of a point, from a revised 114.2 in 2000-Q2 to 114.3 in 2000-Q3, for a four-quarter growth rate of just 0.4%. Though the coincident GDI has experienced slowing momentum since early 1998, this quarter's increase was the smallest since 1994, a period soon after the economy had pulled itself out of a prolonged recession. The Connecticut Manufacturing Production Index declined for the second straight quarter, dropping 2.2% in the four quarters ending 2000-Q3. Employment growth held steady, as the economy added jobs at the same 1.4% rate in 2000-Q3, as in 2000-Q2. Higher prices, however, cut into income gains. Real income made a four-quarter gain of 1.6% in 2000-Q3, compared to a 2.0% advance in 2000-Q2.

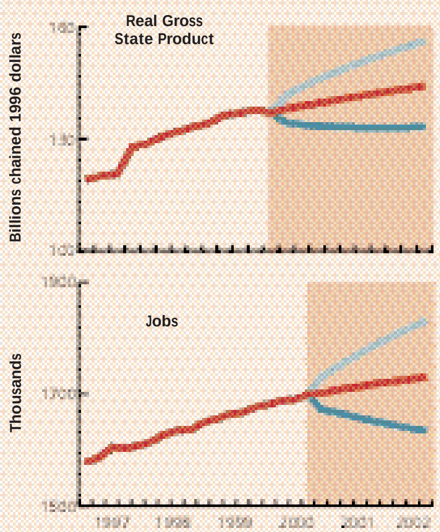
Though hardly in a free-fall, the leading index again lost ground, slipping from 96.5 in 2000-Q2, to 96.4 in 2000-Q3. The same three variables that contributed to a weak second quarter also produced a third quarter loss, although the damage was a bit less severe. Housing permits suffered a 15.2% four-quarter drop—a disappointment, for sure, but better than the second quarter decline of 21.1%. Average weekly hours dropped 0.4%, and help-wanted advertising was down 5.4%. Only initial unemployment claims made any headway, with 9.5% fewer new claims in 2000-Q3 than in 1999-Q3. The improvement, however, was not enough to catch the fall of the leading GDI.

GDI Components



A Chill Runs Through the Connecticut Forecast

By Kathryn Parr

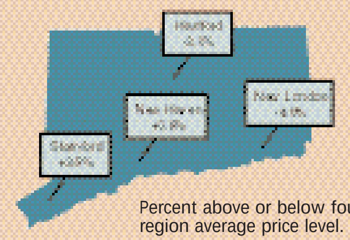


Where the lines branch out, the red line shows the predicted values for RGSP and jobs, and the green lines show a one-standard deviation margin-of-error around the forecast.

Weaker than expected growth in real U.S. Gross Domestic Product (GDP) sent a chill through Connecticut this quarter. Connecticut's real Gross State Product (GSP) grew by a lower-than-expected 2.9% annualized growth rate in 2000-Q3. And with national figures showing an economy that's continuing to cool, GSP growth is likely to moderate further, falling to a lower, though still respectable, 2.0% rate by this time next year.

Connecticut added a healthy 22,600 jobs between 1999-Q3 and 2000-Q3. Our forecast suggests that jobs will continue growing through the coming year, though at a diminishing rate. By 2001-Q1, we expect a four-quarter growth in jobs of just 14,500. Labor supply pressures and a slowing national economy are the major obstacles to job growth. Other economic indicators performed modestly, with an especially noticeable slowdown in the growth of real state personal income.

Cost of Living by Region, Excluding Housing



Percent above or below four-region average price level.

Connecticut Price Changes

Percent Change 1999-Q3 to 2000-Q3

Food	H	6.9%
Housing	H	7.5%
Apparel	P	1.4%
Transportation	H	5.5%
Medical	H	15.7%
Entertainment	H	1.2%
Miscellaneous	H	6.9%
Overall	H	6.7%

Connecticut Workers Plan to Retire Later and Work More

By Chase Harrison, CSRA

The life cycle of workers isn't what it used to be. The traditional model—formal education, entry-level work, gradual advancement in the same company, and finally, retirement—is no longer the rule. Social and technological changes have prompted two new trends: lifelong worker training and a blurring divide between work and retirement.

To see how these changes are affecting Connecticut workers, *The Connecticut Economy* commissioned the University's Center for Survey Research and Analysis to survey state residents. The survey found few differences in on-the-job training between Connecticut and the nation, but substantial differences in retirement prospects. Surprisingly, Connecticut residents feel especially pressured financially as they plan their retirements.

Lifetime Learning

Connecticut and U.S. workers exhibit similar lifetime learning patterns. Sixty percent of Connecticut workers, and 63% nationally, have participated in some type of education and training since completing their formal educations, most commonly by taking college courses. Fifty-one percent of all workers in Connecticut, and 47% of workers nationally, have taken college courses beyond a formal degree. Nearly one-third of all Connecticut workers have received on-the-job training, one-fourth have received structured classroom training from their employer, and almost one-fifth have received training from a private consultant. These patterns are similar to the nation's, although Connecticut workers are slightly more likely to receive training from their employer, than from an outside consultant.

Retirement Prospects

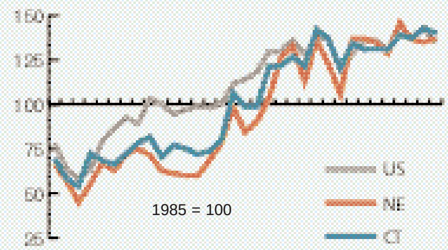
The retirement prospects of Connecticut workers, however, aren't so typical. Though Connecticut residents have the highest incomes in the nation, they are less optimistic about their ability to retire early. In a National Workforce Survey that CSRA conducted early this fall, 50% of U.S. workers thought they would be financially able to retire before age 60, and 73% before age 65. In Connecticut, by contrast, only 35% of workers think they will be able to retire by age 60, although 69% anticipate being able to retire before reaching 65. Nearly twice the percentage of Connecticut workers as workers nationally report they will be unable to afford to retire until after they reach 65.

Most plan to keep working after retirement, according to our national survey. Only one worker in ten plans not to work after retirement; another 11% plan to do volunteer work. In this respect, Connecticut workers virtually mirror the nation as a whole, with 9% planning not to work and 12% planning to volunteer. However, 22% of all Connecticut workers say they will have to work part-time, primarily for income, after they retire, compared to only 10% of workers nationally. One-third of Connecticut workers plan to work part-time primarily for interest or enjoyment, compared to about 45% of workers in the nation. About 5% of Connecticut workers expect to work full-time after they retire, compared to 3% nationally, while 14% of Connecticut workers anticipate starting their own business, compared to 19% nationally.

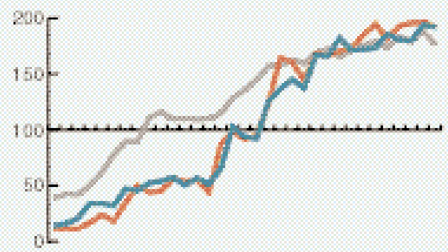
Since these data measure attitudes, they don't necessarily mean that Connecticut workers will retire in worse financial circumstances than their counterparts in other states. It's equally possible that Connecticut workers enjoy a higher living standard than workers elsewhere, and are planning to retire later and work more in retirement to maintain this higher standard. Whether Connecticut's high cost of living is putting pressure on workers' retirement plans, or whether those plans are being shaped by higher income expectations, Connecticut workers clearly think differently about retirement than do workers in other parts of the nation.

Consumer Confidence Survey

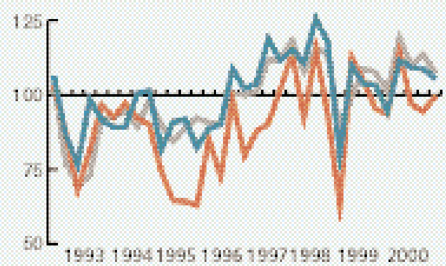
Overall Confidence



Current Assessments



Expectations



Source: National and New England data are from the Conference Board, Inc.

State Consumer Confidence Slips But Remains Above Last Year

Connecticut consumer confidence dropped slightly between 2000-Q2 and 2000-Q3, but still remains at a higher level than one year ago. October consumer confidence dropped in the nation to it's lowest level of the year, driven by declines in both current assessments and future expectations. Despite this drop, national consumer confidence still remains at a relatively high level. Contrary to the national trend, consumer confidence in New England increased slightly from July, driven principally by an increase in future expectations.

The consumer confidence survey was conducted from September 26 through October 3. A random sample of 812 adults were interviewed for the consumer confidence measures. Retirement questions were asked of a sub-sample of 585 members of the workforce.

Bridgeport LMA

	Density Per Sq. Mile '90	Density Per Sq. Mile '98	Growth Rate
Ansonia	3053.2	2938.0	-3.78%
Beacon Falls	519.9	531.5	2.22
Bridgeport	8857.7	8589.1	-3.03
Derby	2450.6	2398.0	-2.15
Easton	229.9	246.0	6.98
Fairfield	1778.7	1788.9	0.58
Milford	2213.6	2216.5	0.13
Monroe	647.1	710.8	9.85
Oxford	264.2	282.1	6.79
Seymour	981.1	977.6	-0.35
Shelton	1159.3	1239.3	6.90
Stratford	2810.1	2779.1	-1.10
Trumbull	1373.9	1437.8	4.65

Danbury LMA

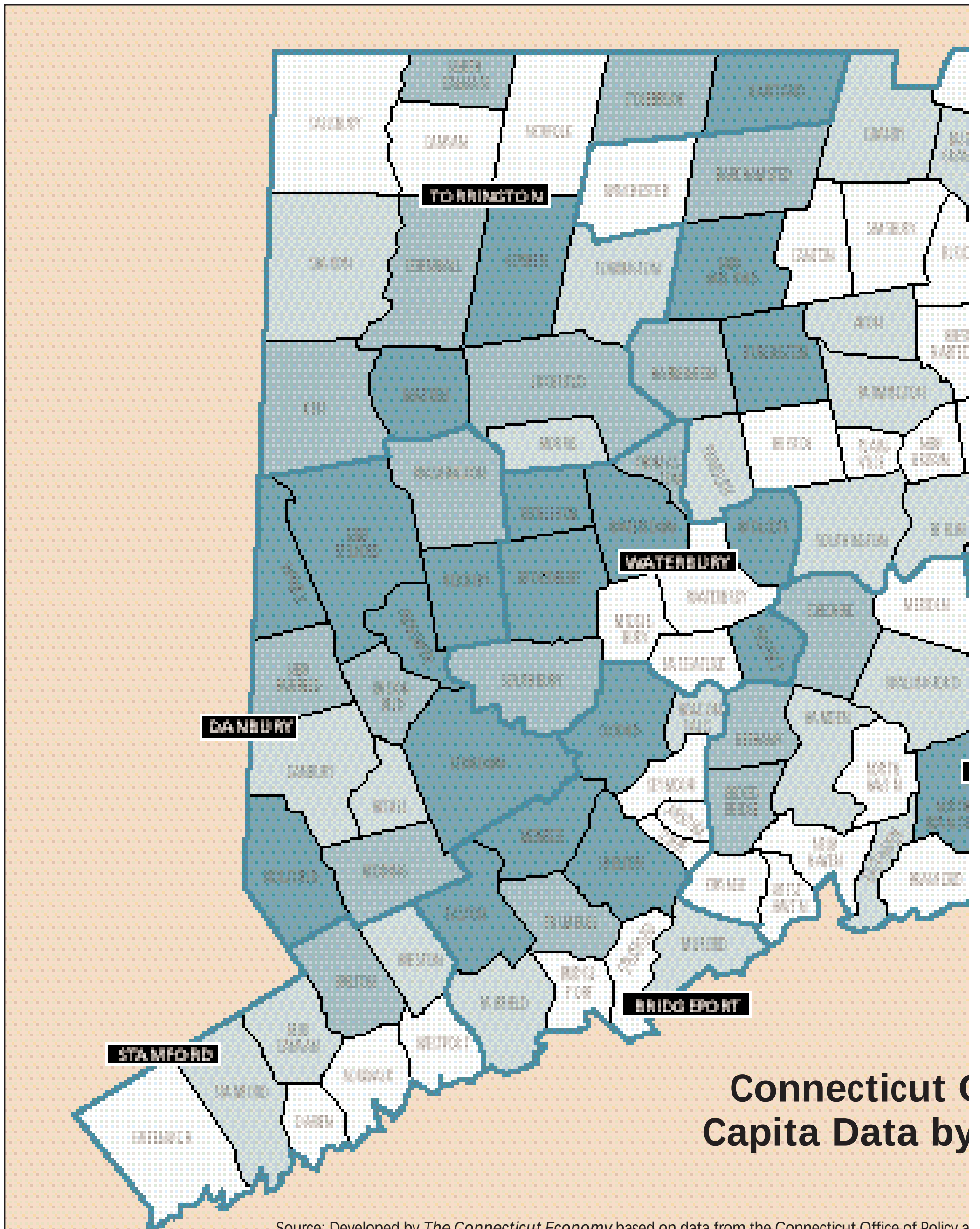
	Density Per Sq. Mile '90	Density Per Sq. Mile '98	Growth Rate
Bethel	1045.0	1064.6	1.87%
Bridgewater	102.2	107.8	5.49
Brookfield	713.0	740.6	3.88
Danbury	1557.5	1562.9	0.35
New Fairfield	630.9	660.3	4.66
New Milford	384.5	414.2	7.74
Newtown	359.8	406.3	12.92
Redding	251.6	259.2	3.00
Ridgefield	607.8	643.7	5.92
Roxbury	69.8	76.6	9.79
Sherman	128.9	138.4	7.37
Washington	102.5	105.8	3.22

Danielson LMA

	Density Per Sq. Mile '90	Density Per Sq. Mile '98	Growth Rate
Brooklyn	230.9	238.5	3.29%
Eastford	45.6	50.2	10.18
Hampton	63.2	65.4	3.54
Killingly	327.9	330.9	0.92
Pomfret	77.1	85.4	10.82
Putnam	445.7	437.6	-1.81
Scotland	65.4	77.4	18.49
Sterling	86.6	103.3	19.24
Thompson	184.9	191.6	3.63
Union	21.4	23.8	11.42
Voluntown	54.2	56.6	4.40
Woodstock	99.4	108.7	9.38

Hartford LMA

	Density Per Sq. Mile '90	Density Per Sq. Mile '98	Growth Rate
Andover	164.6	184.3	12.03%
Ashford	97.1	101.5	4.54
Avon	602.6	609.3	1.11
Barkhamsted	93.2	97.8	4.89
Berlin	634.7	652.0	2.72
Bloomfield	749.1	730.5	-2.49
Bolton	318.0	329.8	3.71
Bristol	2287.7	2231.5	-2.45
Burlington	235.8	264.8	12.31
Canton	336.5	330.3	-1.86
Chaplin	105.5	116.2	10.09
Colchester	224.0	259.1	15.65
Columbia	211.5	226.6	7.15
Coventry	267.2	293.7	9.89
Cromwell	993.4	1016.1	2.28
Durham	243.3	277.8	14.16
East Granby	246.1	253.9	3.16
East Haddam	123.1	137.8	11.99
East Hampton	293.5	310.5	5.79
East Hartford	2800.1	2628.7	-6.12%
East Windsor	383.5	381.4	-0.56
Ellington	329.3	344.7	4.68
Enfield	1361.7	1288.8	-5.35
Farmington	734.8	754.4	2.67
Glastonbury	543.2	561.3	3.33
Granby	230.3	235.7	2.37
Haddam	154.0	163.7	6.31
Hartford	8078.2	7602.5	-5.89
Harwinton	170.4	175.8	3.15
Hebron	192.2	218.0	13.43
Lebanon	111.7	115.9	3.72
Manchester	1893.7	1895.0	0.07
Mansfield	475.0	428.6	-9.77
Marlborough	237.8	247.2	3.94
Middlefield	309.6	323.4	4.45
Middletown	1047.3	1067.0	1.88%
New Britain	5659.5	5284.3	-6.63
New Hartford	156.1	165.4	5.90
Newington	2216.3	2150.7	-2.96
Plainville	1785.8	1721.8	-3.59
Plymouth	545.5	554.3	1.61
Portland	360.2	375.7	4.31
Rocky Hill	1229.9	1243.8	1.13
Simsbury	650.1	642.5	-1.17
Somers	321.8	333.9	3.75
South Windsor	789.8	812.0	2.80
Southington	1070.4	1074.8	0.42
Stafford	191.7	198.8	3.72
Suffield	270.7	267.6	-1.13
Tolland	277.4	312.1	12.49
Vernon	1686.1	1650.8	-2.09



Connecticut
Capita Data by

Source: Developed by *The Connecticut Economy* based on data from the Connecticut Office of Policy a
that the classification of land as "open" is subject to various interpretations. In addition, the accuracy of t
what diminished by the low response rate of towns in furnishing land data as well as some imprecision in

	Density Per Sq. Mile '90	Density Per Sq. Mile '98	Growth Rate
West Hartford	2734.9	2545.5	-6.92%
Wethersfield	2070.5	2025.4	-2.18
Willington	180.1	184.4	2.37
Winchester	357.8	350.6	-2.02
Windham	815.4	792.2	-2.86
Windsor	3080.8	3042.6	-1.24
Windsor Locks	417.1	403.1	-3.36

Lower River LMA

Chester	213.5	238.9	11.89%
Deep River	320.3	329.2	2.79
Essex	570.4	592.4	3.86
Lyme	61.2	61.8	0.92
Westbrook	345.0	357.3	3.56

New Haven LMA

	Density Per Sq. Mile '90	Density Per Sq. Mile '98	Growth Rate
Bethany	219.8	230.3	4.77%
Branford	1255.8	1234.5	-1.70
Cheshire	780.8	804.3	3.02
Clinton	785.7	805.3	2.49
East Haven	2131.7	2179.3	2.23
Guilford	421.1	429.2	1.92
Hamden	1600.2	1617.2	1.06
Killingworth	136.5	161.2	18.06
Madison	428.1	447.6	4.55
Meriden	2506.5	2387.0	-4.77
New Haven	6924.6	6535.2	-5.62
North Branford	521.7	560.5	7.42
North Haven	1071.1	1065.8	-0.49
Orange	746.7	722.9	-3.19
Wallingford	1046.6	1050.7	0.39
West Haven	4985.7	4763.7	-4.45%
Woodbridge	420.8	438.7	4.25

New London LMA

Bozrah	115.1	115.0	-0.13%
Canterbury	112.1	117.5	4.85
East Lyme	451.0	464.9	3.08
Franklin	92.8	89.6	-3.48
Griswold	297.2	300.5	1.12
Groton	1443.3	1319.0	-8.61
Ledyard	391.2	379.1	-3.10
Lisbon	233.3	238.3	2.16
Montville	397.1	395.5	-0.41
New London	5155.2	4308.5	-16.43
North Stonington	90.0	89.9	-0.12
Norwich	1320.4	1232.6	-6.65
Old Lyme	283.1	279.0	-1.44
Old Saybrook	636.7	648.0	1.78
Plainfield	340.2	345.2	1.47
Preston	162.1	162.6	0.28
Salem	114.4	120.8	5.61
Sprague	227.9	217.7	-4.45
Stonington	437.7	427.1	-2.42
Waterford	547.9	547.1	-0.15

Stamford LMA

Darien	1416.4	1407.4	-0.64%
Greenwich	1221.1	1218.6	-1.21
New Canaan	807.5	816.4	1.11
Norwalk	3436.5	3423.9	-0.37
Stamford	2865.5	2934.5	2.41
Weston	436.9	446.8	2.27
Westport	1220.2	1210.4	-0.80
Wilton	593.4	617.3	4.03

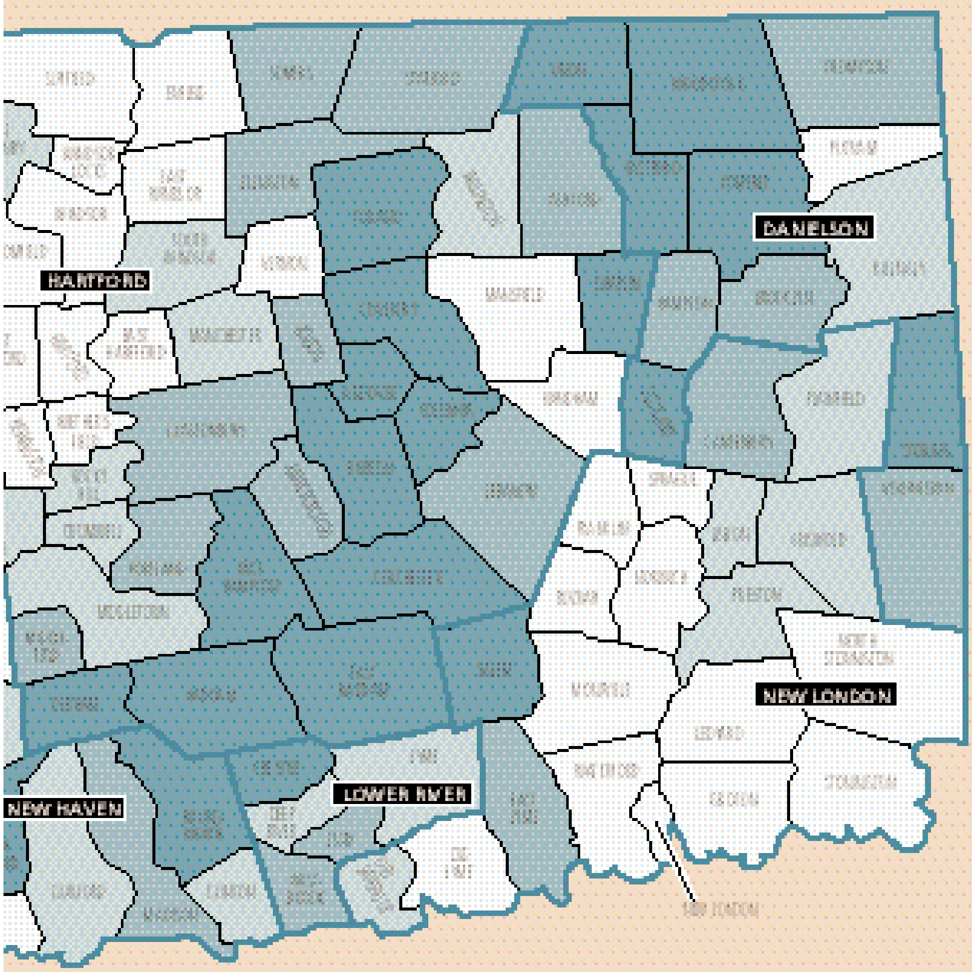
Torrington LMA

Canaan	32.1	31.9	-0.66%
Colebrook	43.4	45.4	4.61
Cornwall	30.8	32.1	4.31
Goshen	53.5	56.3	5.40
Hartland	56.5	59.6	5.57
Kent	60.3	63.3	4.89
Litchfield	149.6	156.0	4.33
Morris	118.9	122.1	2.69
Norfolk	45.6	44.7	-1.84
North Canaan	169.2	176.4	4.25
Salisbury	71.5	71.0	-0.63
Sharon	50.0	50.2	0.41
Torrington	848.5	865.8	2.04
Warren	46.7	49.7	6.35

Waterbury LMA

Bethlehem	159.0	168.3	5.88%
Middlebury	346.4	341.9	-1.29
Naugatuck	1869.4	1844.5	-1.33
Prospect	543.2	577.5	6.33
Southbury	405.1	424.2	4.70
Thomaston	579.8	608.3	4.93
Waterbury	3816.9	3688.6	-3.36
Watertown	703.1	743.8	5.79
Wolcott	670.9	718.6	7.11
Woodbury	223.4	239.0	6.98

Town Average



Map shows the population growth rate, 1990-1998

More than 5.0%
3.0% to 5.0%
0% to 2.99%
Less than 0%

Open Space Per
/ Town for 1998*

and Management (OPM). OPM cautions
this inventory of open space is some-
computerized calculations.

When People Vote With Their Feet

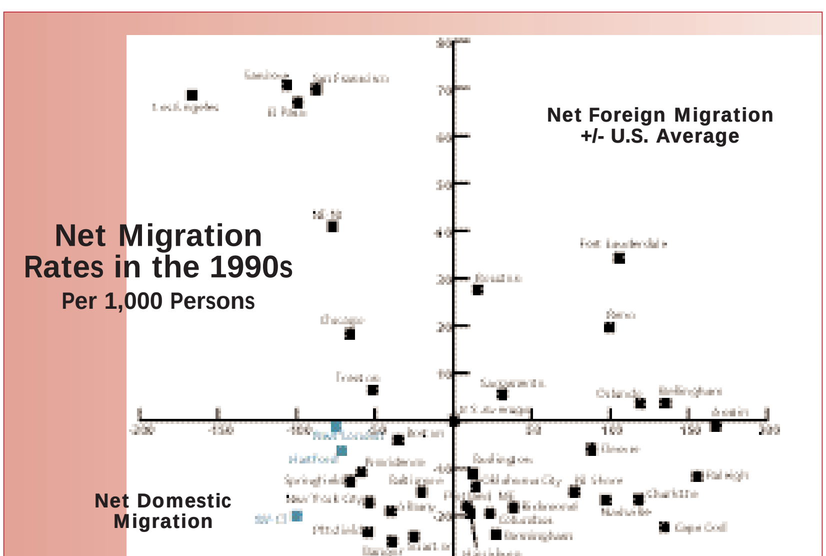
By Jim Moor

The Connecticut economy experienced tough times in the 1990s. The serious national recession early in that decade only exacerbated difficulties already apparent here, especially in bellwether industries like financial services and defense manufacturing. Ultimately, Connecticut's malaise showed up in our demographic trends, most notably in net migration—the component of population change most affected by a region's economic fortunes. Net migration patterns, in turn, have important feedback effects—for good or ill—on an area's economic performance. Connecticut is no exception.

How Does Net Migration Affect an Area?

Net migration measures the number of people who move into a geographic area from elsewhere, minus the number of people who leave that area for a different location. Because migrants tend to be working-age adults, whether from overseas or another area within the domestic U. S., they are more likely to participate immediately in the economies where they land In other words, when people vote with their feet, it can either provide an important economic lift to a metropolitan area or be a major downer.

Net in-migration boosts the demand for locally-produced products and services, augments the labor force, stimulates the housing market, and expands the tax base. Net out-migration, on the other hand, has opposite, largely deleterious effects. And like all demographic trends, net migration eventually generates countertrends. For example, persistent net in-migration ultimately strains the local infrastructure, creates the need for higher government spending and taxes, raises housing and retail prices, causes congestion, and so on. Likewise, sustained net out-migration produces opposite effects that may eventually attract new economic activity. Over time, then, strong net migration flows tend to sow the seeds of their own reversal.



To confirm the potency of net migration patterns, we looked at the correlation between 1990s net migration and economic growth for all 318 U.S. metros, using employment growth as the measure of economic performance. Not surprisingly, there is a high correlation (69%) between the rate of domestic net migration and economic performance, but virtually no correlation (2%) with foreign net migration. The generally accepted explanation for this result is that those who choose to migrate within the U.S. are apt to be younger, more educated, and wealthier than those who do not. Consequently, there tends to be a transfer of economic vitality from the losing to the gaining area.

On the other hand, while foreign in-migrants also seek opportunity and better living and working conditions, the economic costs associated with their arrival can often be as high if not higher than the benefits. These costs encompass several dimensions of assimilation including higher-than-average needs for education, training, and public support. Also costly is the common practice of repatriating income earned in the U.S., rather than spending it locally. While it is widely held that such costs are more than overcome by benefits after the first generation of U.S. residency, the relative economic performance of metros that assimilate above-average numbers of foreign in-migrants remains a mixed bag at best.

How Did Connecticut Fare in the 1990s?

The analysis that follows highlights the State's three major metros (Hartford, New London-Norwich, and Connecticut's Southwestern (SW) complex: New Haven-Bridgeport-Stamford-Danbury-Waterbury) and compares them to some of their major competitors. Migration data from the U.S. Census Bureau are separated into domestic net migration and foreign net migration, which together equal total net-migration. Each net flow is either positive (in) or negative (out) for any given metro.

The accompanying chart compares the net migration patterns of Connecticut's metros to their peers. These include a few of the nation's largest metros, selected metros the size of Hartford and SW-CT (one-to-two million population), and some metros the size of New London (under 500,000). The metros charted include many of our Northeast neighbors. Each point on the chart shows that metro's cumulative domestic (horizontal axis) and foreign (vertical axis) net migration rates.

Domestic in-migrants, of course, must come from some other location within the U.S.; thus the U.S. average is zero by definition. Foreign net migration, on the other hand, is positive almost everywhere in the U.S. because more people immigrate to the U.S. from abroad than emigrate. The net migration data used here are expressed as rates per 1,000 population, so all measures are normalized for the size of each metro.

For example, the net domestic migration rate for the Hartford metro is –71.7 persons per 1,000 population. This ranks Hartford near the bottom—290 out of 318 U.S. metros—in the zero-sum game of domestic migration. In comparison, Hartford's cumulative net foreign migration rate in the 1990s is 21.6 persons per 1,000, a bit lower than the overall U.S. average of 27.8. So that the chart's origin (0.0, 0.0) reflects the overall U.S. average, each metro's foreign net migration rate is displayed as above (+) or below (-) the U.S. average. On the chart, then, Hartford's rate shows up as –6.2 per 1,000 persons.

It is instructive to see in which quadrant of the chart a particular metro falls. For starters, all three of Connecticut's major metros occupy the lower-left quadrant, where domestic migration is negative and foreign migration is below the U.S. average. All three have some of the most negative domestic migration rates in the nation, ranking in the lowest decile for the 1990s.

As the chart shows, the same is true for Albany, Boston, Pittsfield, Providence, and Springfield. This pattern suggests that Connecticut's out-migration is part of a larger Northeast phenomenon. Whether the root causes are higher costs, an older population and infrastructure, a colder climate, or perhaps all of the above, the Northeast is losing population to places like the Sun Belt and Rocky Mountain states.

Some would say that fewer people raise the value of our region's amenities and quality of life for the rest of us. Others would fret that outflows of human resources will erode our ability to compete effectively with other regions, eventually threatening that high quality. Neither side, as is so often the case, is wholly right or wrong. Should we want to use public policy to stem the outflow, however, policy makers only have a limited number of levers to pull. They can cut relative tax rates or fund improvements to the transportation system. But they are powerless to control climate or to do more than attempt to influence people's preferences.

So What's the Good News?

For Connecticut, there is already some good news. A year-by-year look at the data (not shown) reveals that the rate of net out-migration at the end of the 1990s was much lower than earlier in the decade for each Connecticut metro and for much of the Northeast as well. This means that the population drain that accompanied our dramatic recession is on the wane and suggests that this area of the country is faring a bit better against its competition. Moreover, we can be sure that the equilibrating effects of long–term net in-migration flows will eventually raise costs, lower the average age, create infrastructure strains, etc. in the areas that are gaining population. The Northeast's comparative disadvantage, then, may continue for a while, but it's not likely to be permanent.

In the meantime, though, we shouldn't be fooled by headlines trumpeting that the State's population is now increasing for the first time since the 1980s. This is true only because births exceed deaths by an amount that is greater than net out-migration. Reversing net domestic migration outflows is a socioeconomic problem that remains to be solved.

And What of Connecticut's Competitors?

Most of the areas that compete with Connecticut's metros are found in one of the other quadrants. The likes of Austin, Columbus, Raleigh, and Richmond—all in direct competition with our state's capital, Hartford—are found in the lower-right quadrant, where domestic migration rates are positive and foreign rates are lower than average. This is the "best" quadrant, in the sense of benefiting from domestic net in-migration while avoiding the cost burden of above-average foreign in-migration. Note that some metros in the Northeast appear there as well, including Portland, Burlington, and Cape Cod. Clearly, the Northeast's malaise is not universal. Some of its metros have positive rates of domestic net migration that compare favorably with the toughest competition.

A few of Connecticut's competitor metros appear in the upper-left quadrant, notably Trenton and NE-NJ (Bergen and Passaic counties), but most are much larger places, well known for their central role in assimilating large in-flows of foreign migrants. In this quadrant, the costs of performing this essential economic function for the nation are compounded by net outflows of domestic migrants. It is interesting to note that the New York metro (NYC), long the nation's principal "half-way house" for foreign in-migrants, now falls into the lower-left quadrant—i.e., below the national average in this regard. In its place are Los Angeles, San Jose, and San Francisco, as well as El Paso (and other metros like Miami or San Diego, which are not shown).

Last is the upper-right quadrant, where above-average foreign net in-migration is complemented by positive domestic net in-migration. These are some of the "hottest" metros in the nation (pun intended). All the metros shown there, save Sacramento, rank in the top decile nationally for population growth, their high growth boosted by climate or recreational amenities.

For Connecticut's economic developers, policymakers, business managers, and residents, the goal is to see our metros migrating toward the right-hand quadrants of the chart. When people begin to vote for Connecticut with their feet, we'll know that our state is once again competing effectively with some of the nation's most attractive metropolitan areas.

The Slowdown Continues

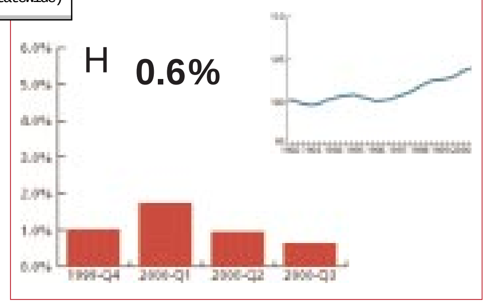
By Steven P. Lanza

Following an already cooler second quarter, the statewide Labor Market activity index, or LMI, slowed to a 0.6% advance between 1999-Q3 and 2000-Q3. That's significantly below the second quarter's 1.0% growth rate, and far off the robust 1.7% pace of quarter one, but it's still above the 0.5% norm for the current expansion, if only by a whisker. Every region suffered a slowdown and three, Bridgeport, Danielson and Waterbury, slipped into the negative column. Statewide, several key measures showed strength: job growth—at 1.4%—matched the rate in 2000-Q2; labor force growth—at 1.1%—showed its best progress in 15 quarters; and the number unemployed is down 21.2% from last year. The culprit behind this quarter's flagging LMI numbers was the drop in real hourly manufacturing earnings. Nominally, hourly earnings grew 1.6% between 1999-Q3 and 2000-Q3. But after adjusting for higher prices, real earnings are down 1.8%. Housing permits declined 15.2%.

Danielson, the state's worst-performing region, got a triple whammy—employment, hours and earnings all dropped. The state's top-performing region, Danbury, enjoyed the rare distinction of showing improvement in all measures of labor market health.

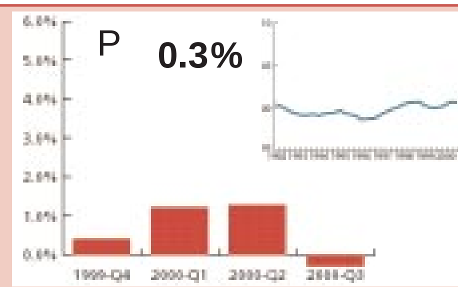
The LMI measures the four-quarter change in a composite index of labor activity for each labor market region and for the state as a whole. The index includes five variables: the labor force, jobs, the number unemployed, weekly manufacturing hours, and real hourly earnings in manufacturing; and is indexed so 1992 = 100.

Statewide



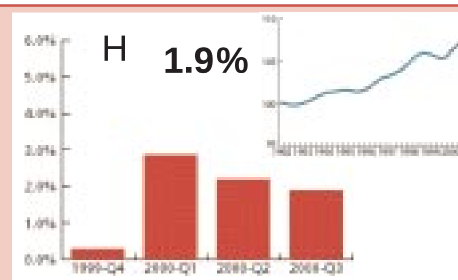
Bridgeport

Just when it seemed Bridgeport had built up a head of steam, the fire went out under its LMI. After five quarters of growing momentum, Bridgeport's LMI sank 0.3% between 1999-Q3 and 2000-Q3. True, jobs grew 0.8%, the labor force increased 1.3%, and the number unemployed fell 23.6%. But Bridgeport was stung by weaknesses in its manufacturing sector, where jobs fell 1.6% and real hourly earnings dropped 4.2%. Though the average manufacturing workweek increased 0.4%, real weekly earnings slumped 3.9%. Other sectors did, however, show promise. Trade jobs grew 1.6%; FIRE jobs grew 2.6%.



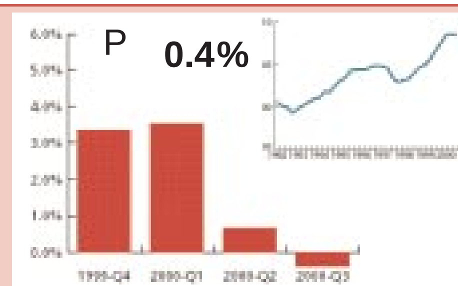
Danbury

Danbury, the state's strongest LMI performer in 2000-Q3, registered improvement in all five measures of labor market activity. Manufacturing hours increased 0.4% while real hourly earnings grew 1.9%. Combined, the two elements produced a 2.3% increase in real weekly earnings. Labor force growth, at 1.7%, was second only to Stamford's. The number unemployed dropped 27.4% and jobs grew 0.9%. The strongest sectors were FIRE, up 9.3%, and transportation, communications and utilities, up 3.6%. Despite stellar labor market news, the housing market remained lackluster with new permits down 37.3%.



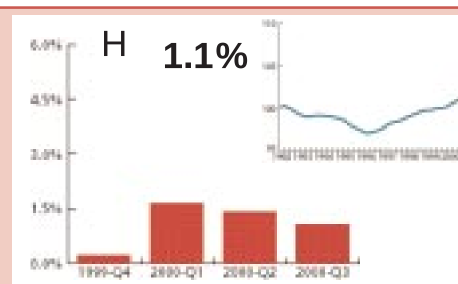
Danielson

Danielson's manufacturing sector delivered a body blow to this area's LMI in 2000-Q3. A 3.6% job loss in that sector accounted for all of the 0.2% drop in non-farm positions and then some, as jobs grew in government and services. Adding insult to injury, average weekly hours in manufacturing declined 1.0%, while real hourly earnings dropped a surprising 4.6%. That translated into a 5.6% decline in real weekly earnings, the worst erosion in any area. Danielson's 7.4% drop in housing permit activity, however, was less than the state average.



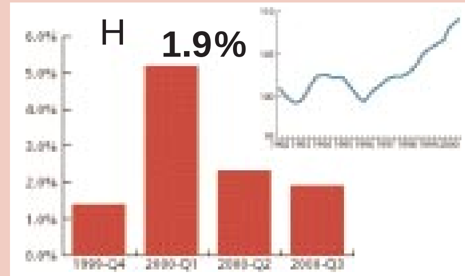
Hartford

A healthy 2.2% jump in the manufacturing work week, coupled with only a modest decline in real hourly earnings, helped Hartford's four-quarter LMI gain of 1.1% once again exceed the state average. And since the jump in hours offset the drop in the wage rate, real weekly earnings grew by 2.1%. Hartford's experience this quarter highlights the difficulty of accurately sizing up the employment picture: jobs dropped 0.3%, the labor force grew 0.6%, and yet the number unemployed fell 20.4%. More likely than not, the jobs number is understated. Housing permits, however, declined 13.3%.



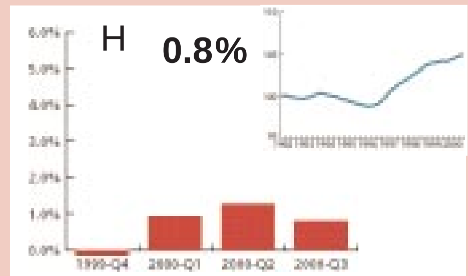
Lower River

Lower River tied Danbury this quarter for LMI performance, though the reason may have more to do with estimation difficulties than with genuine improvement. Lower River's labor force reportedly grew 1.6%, but jobs were unchanged from 1999-Q3. Nevertheless, the ranks of the unemployed dropped 22.9%, so the numbers don't exactly jibe. In manufacturing, real hourly earnings increased 1.8% and despite a 0.5% drop in weekly hours, real weekly earnings grew 1.3%. Job losses in trade and in transportation, communications and utilities cancelled out job gains in manufacturing and in FIRE.



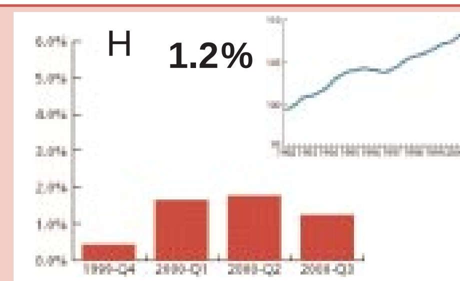
New Haven

New Haven's 0.2% drop in real hourly earnings didn't help its LMI performance any, but what really held the region back this quarter was its ho-hum job creation effort. Though total jobs grew a scant 0.2%, private sector payrolls reported a 0.2% decline. Besides government, most hiring went on in the manufacturing sector, while trade was the big job loser. Still, the 15.9% drop in the number unemployed and the 1.1% increase in the labor force was sufficient to lift New Haven's LMI 0.8% between 1999-Q3 and 2000-Q3. New Haven also lost steam in housing, with permits down by one-third.



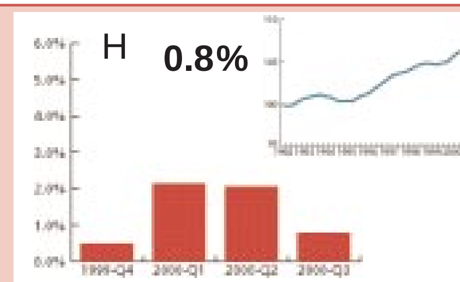
New London

New London again outperformed the statewide average in 2000-Q3. The bad news was that both manufacturing jobs and the average manufacturing workweek declined in the region. Most of the other news was, however, good. Total jobs grew 0.8%, with services and government taking the lead. Despite the drop in weekly hours, real hourly earnings advanced 1.1%, and the labor force expanded 1.2%. But the reduction in the number unemployed, down 26.7%, was the region's real showstopper, and second-best among the regions. New housing permits, however, declined 10.6%.



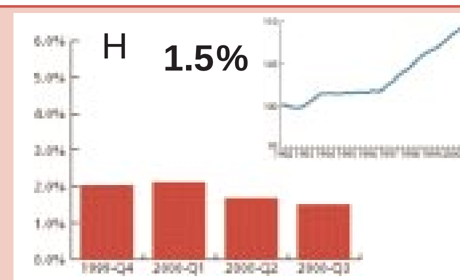
Stamford

A big drop in the real manufacturing wage rate and a decline in weekly hours significantly slowed Stamford's LMI advance this quarter. Real wages declined 6.1% and hours worked fell 1.9%. The combination spelled a 7.8% decrease in real weekly manufacturing earnings. Still, the region's LMI grew 0.8% thanks to a 1.8% rise in the labor force, a 1.1% increase in jobs, and a 29.0% decrease in the number unemployed. Most of the job gains came in FIRE and in services, and the largest job losses came in manufacturing. Housing permits, however, jumped by 53.0%.



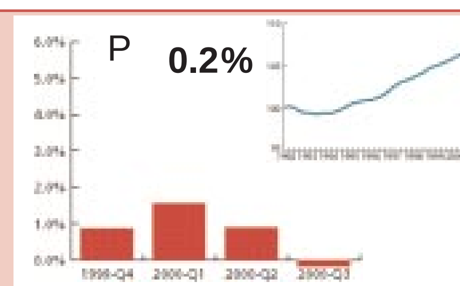
Torrington

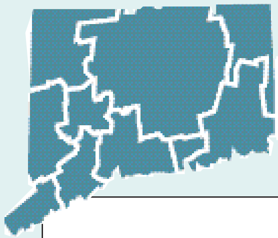
Torrington's LMI growth slowed this quarter, but not by much. The index logged a 1.5% four-quarter advance in 2000-Q3, compared with 1.7% in 2000-Q2. A small 0.2% drop in real hourly earnings dampened spirits some, but a 1.5% increase in weekly hours helped register a gain in real weekly earnings. Other measures looked good, too. Jobs grew 0.5%, the labor force expanded by 1.0%, and the number unemployed declined 22.7%. The sectors with the biggest growth in jobs included construction, with a 1.5% increase, and FIRE, where jobs jumped 7.4%. Housing permits increased 7.6%.



Waterbury

Waterbury followed a relatively weak second quarter LMI performance with an even weaker third quarter number. In 2000-Q2 Waterbury registered the smallest improvement among regions; in 2000-Q3 the region lost ground with a 0.2% year over year decline. Despite having the biggest percentage gain among the regions in manufacturing jobs, real hourly earnings dropped 3.3%. The modest increase in weekly hours was not enough to stop a 2.8% slide in real weekly earnings. A healthy growth in the labor force limited the reduction in the number unemployed to 16.4%. Housing permits dropped 27.0%.





L a b o r   M a r k e t   D a t a

Labor Market Area	Labor Force 2000-Q3 (000)	Labor Force % Change Year Ago	Nonfarm Jobs 2000-Q3 (000)	Nonfarm Jobs % Change Year Ago	Manufacturing Jobs 2000-Q3 (000)	Manufacturing Jobs % Change Year Ago
Bridgeport	217.8	1.3	188.2	0.8	36.4	-1.6
Danbury	110.1	1.7	88.8	0.9	18.9	-0.4
Danielson	33.0	0.7	20.9	-0.2	5.3	-3.6
Hartford	680.7	0.6	607.6	-0.3	88.8	-1.8
Lower River	12.8	1.6	10.2	0.0	2.9	1.2
New Haven-Meriden	275.8	1.1	259.8	0.2	40.1	1.9
New London-Norwich	156.3	1.2	143.1	0.8	23.3	-2.0
Stamford	199.3	1.9	213.8	1.1	24.8	-3.1
Torrington	40.7	1.0	30.9	0.5	6.1	1.1
Waterbury	117.1	0.9	88.3	0.2	18.8	4.1
Statewide	1,726.2	1.1	1,693.5	1.4	264.8	-0.8

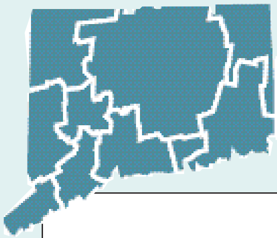
Labor Market Area	Construction Jobs 2000-Q3 (000)	Construction Jobs % Change Year Ago	Trade Jobs 2000-Q3 (000)	Trade Jobs % Change Year Ago	FIRE* Jobs 2000-Q3 (000)	FIRE* Jobs % Change Year Ago
Bridgeport	7.0	0.0	42.7	1.6	11.9	2.6
Danbury	4.2	2.5	20.9	-1.7	5.9	9.3
Danielson	1.0	0.0	5.3	-1.2	0.6	0.0
Hartford	23.7	2.9	121.3	-1.4	72.8	-1.3
Lower River	0.4	0.0	2.1	-3.1	0.4	33.3
New Haven-Meriden	10.7	0.0	54.3	-1.0	12.6	-3.3
New London-Norwich	5.1	0.7	29.3	0.9	3.7	-2.7
Stamford	6.9	3.0	44.7	-0.2	28.7	4.6
Torrington	2.3	1.5	6.8	0.5	1.0	7.4
Waterbury	3.9	8.3	18.2	0.2	4.0	2.5
Statewide	67.2	3.0	363.5	1.0	142.5	0.6

* Finance, Insurance & Real Estate

Labor Market Area	Service Jobs 2000-Q3 (000)	Service Jobs % Change Year Ago	Government Jobs 2000-Q3 (000)	Government Jobs % Change Year Ago	TCU* Jobs 2000-Q3 (000)	TCU* Jobs % Change Year Ago
Bridgeport	61.6	0.6	21.5	3.9	7.0	-0.5
Danbury	26.4	1.3	9.8	1.7	2.9	3.6
Danielson	5.2	3.3	3.0	2.3	0.5	0.0
Hartford	182.7	1.1	92.0	0.3	26.2	-1.6
Lower River	3.1	0.0	0.9	0.0	0.4	-15.4
New Haven-Meriden	93.3	-0.3	32.6	2.8	16.3	0.2
New London-Norwich	37.4	2.1	37.2	2.0	7.1	-0.5
Stamford	80.8	2.3	17.8	0.0	10.3	-0.3
Torrington	10.7	0.6	3.5	-1.0	0.5	-11.8
Waterbury	26.6	-3.3	12.7	-1.3	4.1	1.7
Statewide	546.6	2.3	231.3	2.3	77.5	0.7

*Transportation, Communications, and Utilities

Sources: Quarterly figures developed by *The Connecticut Economy* based on monthly estimates from the Connecticut Department of Labor. Figures are not seasonally adjusted. Statewide totals are not necessarily the sums of individual labor market areas.



L a b o r   M a r k e t   D a t a

Labor Market Area	Number Unemployed 2000-Q3 (000)	Number Unemployed % Change Year Ago	Unemployment Rate (%) 2000-Q3	Unemployment Rate (%) 1999-Q3	Initial Unemployment Claims 2000-Q3	Initial Unemployment Claims % Change Year Ago
Bridgeport	5.7	-23.7	2.6	3.5	1,112	-36.2
Danbury	1.6	-24.6	1.5	2.0	299	-4.5
Danielson	0.9	-6.7	2.8	3.1	228	+2.5
Hartford	13.3	-20.4	2.3	2.9	2,912	-12.6
Lower River	0.2	-14.3	1.6	1.9	*	*
New Haven-Meriden	6.4	-15.8	2.3	2.8	1,615	+12.9
New London-Norwich	3.3	-26.7	2.1	2.9	541	-27.8
Stamford	2.5	-29.2	1.3	1.8	454	-13.3
Torrington	0.6	-24.0	1.6	2.1	324	-2.1
Waterbury	3.1	-16.4	2.6	3.2	792	-11.9
Statewide	37.3	-21.2	2.2	2.8	8,277	-13.3

* Lower River included in Hartford LMA.

Manufacturing Labor Market Area	Average Weekly Earnings 2000-Q3	Average Weekly Earnings % Change Year Ago	Average Weekly Hours 2000-Q3	Average Weekly Hours % Change Year Ago	Average Hourly Earnings 2000-Q3	Average Hourly Earnings % Change Year Ago
Bridgeport	$641.76	-0.5	41.0	0.4	$15.64	-0.9
Danbury	647.31	5.9	41.1	0.4	15.75	5.4
Danielson	510.94	-1.2	41.4	0.2	12.35	-1.3
Hartford	730.61	6.7	43.3	2.2	16.86	3.4
Lower River	553.48	4.9	40.2	-0.5	13.76	5.4
New Haven-Meriden	634.11	3.4	42.2	0.1	15.50	3.3
New London-Norwich	700.05	3.1	41.8	-1.4	16.74	4.6
Stamford	519.41	-4.6	39.4	-1.9	13.18	-2.8
Torrington	598.27	4.8	41.9	1.5	14.29	3.3
Waterbury	634.87	0.7	43.7	0.6	14.52	0.0
Statewide	$660.09	1.9	42.1	0.2	$15.67	1.6

Labor Market Area	State Job Service Postings 2000-Q3	State Job Service Postings % Change Year Ago	Housing Prices* 2000-Q3 (000)	Housing Prices* % Change Year Ago	Housing Permits 2000-Q3	Housing Permits % Change Year Ago
Bridgeport	563	12.3	241.2	10.4	228	-12.0
Danbury	149	-21.8	254.2	13.0	203	-37.3
Danielson	135	69.2	★	★	75	-7.4
Hartford	1,177	7.6	141.4	8.1	918	-13.3
Lower River	F	F	★	★	31	-41.5
New Haven-Meriden	462	-12.0	143.1	9.7	283	-33.3
New London-Norwich	412	83.9	N/A		202	-10.6
Stamford	240	52.7	556.5	8.6	277	53.0
Torrington	71	-56.0	113.9	2.8	71	7.6
Waterbury	384	-28.4	170.8	6.7	138	-27.0
Statewide	3,592	3.5	$227.0	8.7	2,426	-15.2

* Current period's housing prices are a four-quarter moving average of the selling price of a typical home.

F Lower River included in Hartford LMA.

★ Markets are too small for reliable estimates.

Sources: Quarterly figures developed by *The Connecticut Economy* based on monthly estimates from the Connecticut Department of Labor. Figures are not seasonally adjusted. Statewide totals are not necessarily the sums of individual labor market areas. Housing permits are quarterly averages based on monthly figures from the Connecticut Department of Economic and Community Development and are not seasonally adjusted. Housing prices, from UConn's Center for Real Estate and Urban Economic Studies, are preliminary.

Death Valley

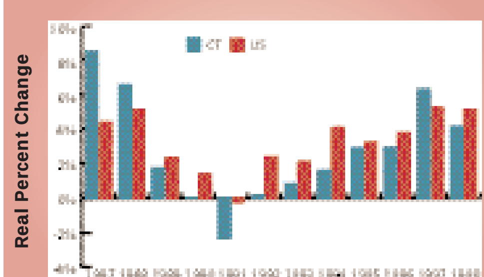
Real gross state product, an inflation-adjusted estimate of the dollar value of goods and services produced in Connecticut, reached $138.1 billion in 1998 (using 1996 chain-weighted dollars), up 4.2% from 1997. In the nation, real GDP grew 5.1%. The bar chart below compares Connecticut's annual percentage changes to the U.S.

Connecticut's plunging growth rate after 1988 is unmistakable. Growth trended down each year, turning negative in 1991—a precipitous drop of 2.3%. After descending into Death Valley, the state began its slow recovery, with the growth rate increasing each year through 1997. The biggest pop came in 1997, when growth more than doubled to 6.3%, versus 3.0% the year before. For the first time in a decade, Connecticut's growth in 1997 topped the nation's.

The state's Great Recession took its toll on state production. The level of output achieved in 1989 was not surpassed until 1994, five years later. Nationally, after slipping in 1991, output grew enough in 1992 to exceed its 1990 level. So while Connecticut took five years to make up for lost ground, the nation took but two.

Between 1988 and 1994, Connecticut's gross state product grew only 2.1% compared to 12.8% for gross domestic product. No wonder people left the state in droves (see pages 12-13). Since 1993, growth has been closer—17.3% for Connecticut versus 18.5% for the nation.

Connecticut's Wild Ride: Output Growth Falters, Then Slowly Recovers



Source: Developed by *The Connecticut Economy* based on data from the Bureau of Economic Analysis.

Connecticut's Poorest...

Recent federal estimates show that Connecticut's poverty rate has dropped since the middle of the decade, falling from 10.7% for 1994-1996 to 8.4% in 1997-1999 (annual rates for three years are averaged for greater reliability). The line chart shows the three-year moving averages for Connecticut and the United States since the beginning of the decade. The state poverty rate climbed from 4.3% in 1988-1990 to 10.7% in 1994-1996, implying a growth in the number of poor people from about 140,000 to 350,000. By 1997-1999, the rate had subsided to 8.4%, or about 275,000 people, but nearly double the total at the beginning of the decade. Thus, at least in terms of poverty rates, Connecticut has a way to go yet to get down to pre-recession levels.

Throughout the decade, the national poverty rate stood at least four percentage points higher than Connecticut's. The national rate also moved within a relatively narrower range, rising from 13.1% in 1988-1990 to 14.8% in 1992-1994, then slipping to 12.6% most recently. One of the strongest national recoveries on record cut the national poverty rate by only one seventh and the state poverty rate by one fifth.

Incidentally, the poverty threshold in 1999 was $13,423 for a family of one parent with two children under 18. For a parent with three children, the threshold was $16,954. Although the cost of living varies considerably across states, the same poverty thresholds are used in every state. Since the cost of living in Connecticut exceeds the national average, incomes are stretched thinner here, so our poverty rate tends to be understated. Still, the bias is probably smaller now than in 1990, when Connecticut housing costs were much higher relative to the national average. Also, the state's poor benefited from the cut in the sales tax from 8% to 6%, and they are effectively exempt from the state income tax introduced in late 1991.

...And Connecticut's Wealthiest

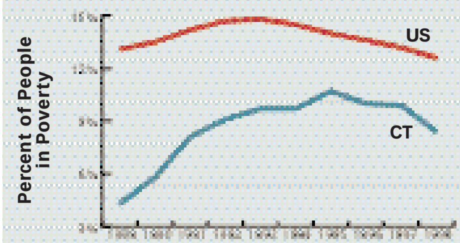
Each fall Forbes magazine identifies the "400 Richest People in America" based on net wealth. The 2000 list includes eight people from Connecticut, a total that ranks the state tenth among the 50 states.

Connecticut's total exceeds that of the bottom third of all states combined.

When adjusted for population, Connecticut ranks sixth in the nation in 2000, with 2.4 Forbes members per million residents—behind California (3.2), Colorado (3.0), Massachusetts (2.6), New York (2.6), and Washington (2.6).

All eight Connecticut residents on the 2000 Forbes list are from Fairfield County and all but two are from Greenwich. Three people, all from Greenwich, have been listed each year since at least 1996. Lawrence Flinn, 65 years old, made his $1.8 billion from *TV Guide*; Mary Anselmo, 71, has $1.1 billion thanks to her late husband Rene, founder of PanAmSat Corp. with its 21 satellites. And Norman Hascoe, 71, is worth $775 million from semiconductor materials and investments.

Poverty Rate in Connecticut Climbed Until Mid-Decade, Then Backed Off



Source: Developed by *The Connecticut Economy* based on data from the Bureau of the Census.

The only other 2000 listee to appear earlier on Connecticut's roll is Jay Walker, founder in Norwalk of Priceline.com. At 44, he is the state's youngest member, but his wealth may be fleeting. His $1.6 billion is down sharply from the $4.1 billion reported for 1999, as Priceline shares took a drubbing. Worse still, the share price is down another 80% just since July.

Four state residents are new to the 2000 list. Sanford Weill, 67, of Citigroup (Travelers), weighs in at $1.8 billion, up from $1.1 billion last year, when he lived in New York. George Lindemann, 64, who earned his $1.2 billion building and selling companies, appeared on Florida's list last year. Vincent McMahon, 55, made 1.1 billion smackers from Smackdown and the World Wrestling Federation of Stamford, which he founded. And Martha Stewart, 59, one of only six "self-made" women on the Forbes list, reaped an even billion going public. She has since announced her departure from Westport to New York.

Since 1996, a total of 12 different Connecticut residents have made the Forbes list—that is, four others in addition to the eight on the 2000 list. What happened to the four dropouts? One, Leona Helmsley, left Greenwich for New York, where she shows up on the list. The other three didn't make this year's cutoff of $725 million.

Should the average state resident care whether or not rich people live here? There are some advantages. Rich people, when more broadly defined from the

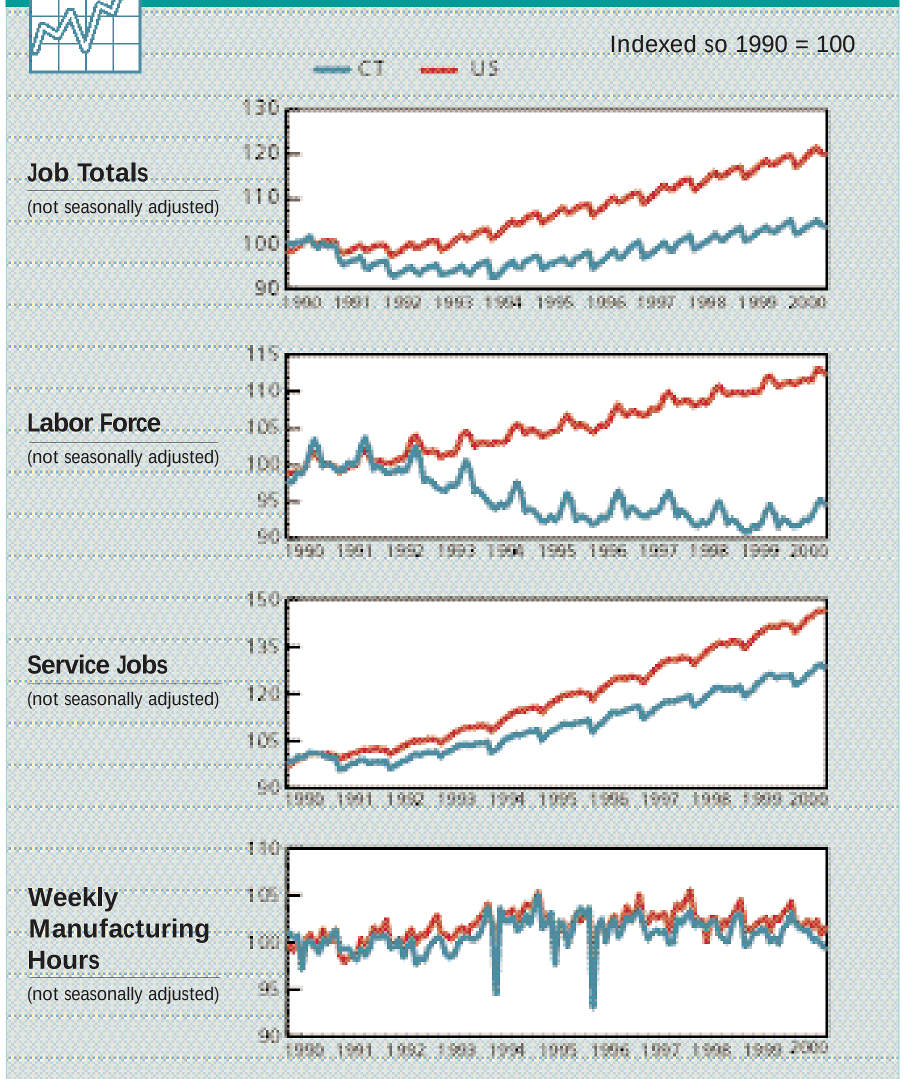
Forbes list, pay the overwhelming share of Connecticut's income tax (as documented in these pages each spring). Perhaps more importantly, some of these people got rich by creating jobs in Connecticut.

This Is the Last Straw!

Pat and Will McEachern, pictured at Will's retirement bash, with the Director of the CCEA Fred Carstensen (center)

After 27 years at the University of Connecticut, including seven years as Editor-in-Chief of *The Connecticut Economy*, Will McEachern has retired. Will's knack for accurately taking the pulse of the state's economy, and his ability to interpret and communicate these events with clarity and humor, will be greatly missed. Thanks, Will, for your outstanding leadership. We wish you and Pat all the very best.

INDEX OF ECONOMIC INDICATORS



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Connecticut Travel and Tourism Index

The overall index decreased 1.3% in the third quarter compared to the same quarter the year before. The index consists of hotel-motel revenues, hotel-motel occupancy rates, attendance at six major tourist attractions, and traffic on five tourist roads.

Hotel/Motel Rev.	H	9.3%
Occupancy Rate	P	-3.4%
Attendance	P	-9.4%
Traffic	P	-1.6%
Overall	P	-1.3%

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Census 2000: Worth the Wait?

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Connecticut
a forward look...

Everybody's waiting for Census 2000 data to begin appearing. The allocation of billions of government and business dollars depends upon the social and economic profiles that Census data help to develop. The first numbers will begin to appear within months, but it will take about two years for all the Census data to become available. In the meantime, the Census Bureau is introducing changes that will improve the future quality and availability of demographic data.

Through the hard work of its employees and with the help of many partners in Connecticut, the U. S. Census Bureau reversed a three-decade trend in declining Census participation. Connecticut's mail-back response rate this year was 70%, and we are now busy compiling, editing and summarizing the data gathered in that count. In January 2001, Census will release the first official number—the state population total. This figure will be used for Congressional reapportionment.

Then, in April 2001, the Census Bureau will release Connecticut municipal data containing block-level population totals by age, sex, race and Hispanic or Latino origin. These municipal data will be used for the state's own legislative redistricting. Although the data will reflect corrections made during our quality checks, a 1997 Federal law requires the Bureau to produce the same data with unadjusted numbers. The question of which number—adjusted or unadjusted—Connecticut will use is up to the state legislature.

Much of the remaining data gathered in Census 2000 will be released in a two-set Demographic Profile. The first set, available on the Internet in summer 2001, will include population totals, age, gender, race and the number of housing units owned and rented—all down to the block level.

The second set, available on the Internet in late 2001 or early 2002, will report socio-economic data from the long form by census tract. Among the data included: urban and rural population, residence in 1995, disability, veteran status, nativity and place of birth, ancestry, labor force statistics, occupation, industry and class of worker (private wage, government worker, or self employed), commuting data, income and poverty, and housing statistics.

Over this same period, Census will prepare Geographic Comparison Tables to enable users to easily compare age, gender, race and housing information across geographic regions, such as Connecticut towns. The Bureau can even custom design presentations or workshops, upon written request.

Our most important new initiative is the American Community Survey (ACS), designed to provide more timely demographic information. Instead of the decennial "snapshot" that the census now allows, the ACS will provide a statistical "video" of how communities are changing. The questions asked in the ACS will replace the 2010 census long form.

The ACS will start collecting data in every county in the U.S. in 2003, and those data will become available in mid-2004 for areas or population groups of 65,000 or more. Data wil1 be available each year thereafter for progressively smaller population groups based on multi-year averages. Three-year averages for areas with populations of 20,000 to 30,000 will first become available in 2006 and then be updated annually.

Thanks to special efforts this year and to new initiatives, by the time of the 2010 Census there will already be current data available for all Connecticut communities. It may have taken time, but the results from Census 2000 will be worth the wait.

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