

**Connecticut Economic Outlook:**  
**2010:Q1 to 2014:Q4**

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# **The U.S. Economic Recovery:** **Take (most of) these to the bank**

- **The “Great Recession” is over**
- **2010 will be a good cyclical economic year**
- **Federal deficits & debt are big problems**
- **Interest rates are falling b/c of Euro debt**
- **There are structural headwinds limiting gains**
- **Federal taxes will be increased**
- **Health care reform will need fixing**
- **Self-sustaining recovery starting in 2011?**

## **CT Economic Recovery:**

### **Take (most of) these to the bank**

- **CT recovery follow, lag, slower than U.S.**
- **CT housing market modest recovery**
- **CT Financial services jobs – Stronger than expected**
- **CT state budget – Serious structural deficits**
- **CT competitiveness – Falling behind**
- **Taxes to rise + Services cut**
- **Local budgets – Bad shape**

# Case for Optimism in 2010: The Worst is Behind Us

- ↑ Real GDP - The National Economy is Growing
- Inflation = Tame + Interest Rates Remain Low
- Initial Jobless Claims - ↓# Filed Weekly
- “Too Big to Fail” Banks = Are Making Money
- ↑Hire + Industrial Activity - Firms Starting up
- Major Stimulus Spending ≈ \$400 bil in 2010
  - Added spending in the works
- Bus Balance Sheets - Strong + Flush With Cash
- Asian↑ = ↑Exports & domestic sales

# U.S. Decade Retrospective + 2010: Six years of Excess Sandwiched by Fear

<u>Indicator</u>	<u>1999</u>	<u>2009</u>	<u>2010</u>
Real GDP %Δ	4.4%	-2.4%	2.8%
Employment	129 mil	131m	130m
Unemploy Rate	4.2%	9.3%	10.1%
CPI Inflation	2.2%	-0.3%	1.9%
New Home Starts mil	1.66	0.76	0.68
Home Sales mil	5.24	5.08	5.35
Median Home \$(000)	133	173	158
S&P 500 Ave	1,320	947	1,162

# **WHY HAS THIS DECLINE FELT SO BAD IN CT?**

- **Stress – Focused on households not bus**
- **Hit – Home prices + retirement assets**
- **Delinquencies + Foreclosures + loss of home**
- **Affected high paying finance jobs**
- **↑ Social Services – State + local budgets cuts**
- **Pain of debt + unwinding of excesses**
- **“Great Recession” = Recession w/fiscal crisis**

# Connecticut Begins Recovery

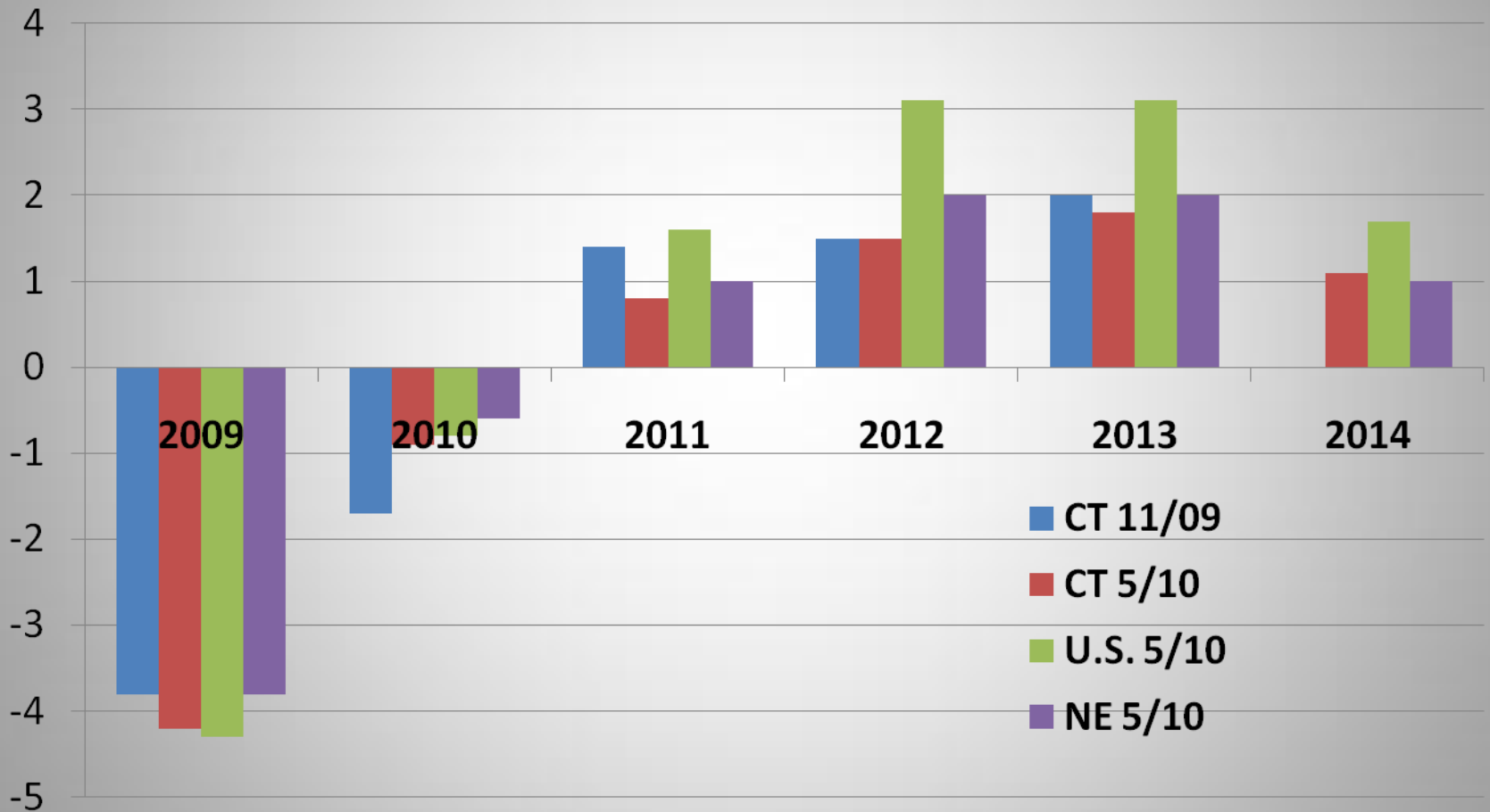
- *CT is in the early stages of a modest recovery from the U.S. Recession.*
- **CT jobs peaked at 1,711,500 jobs in March 2008, and hit bottom in December 2009 with a total loss of 103,400 positions, 40,300 of them in goods production. From 1989-93 156,000 jobs were lost.**
- **Peak to trough CT job losses appeared in construction (15.4k), finance (8.6k), professional & business services (27.2), manufacturing (20.4k), and trade (24.9k). Education & health services showed job ↑ (13.1k).**
- **The CT job total rose by 8,900 from Jan-April 2010, but the 10:Q1 average of 1,612,500 only equals that for 1997:Q3.**

## **The CT Recovery (2)**

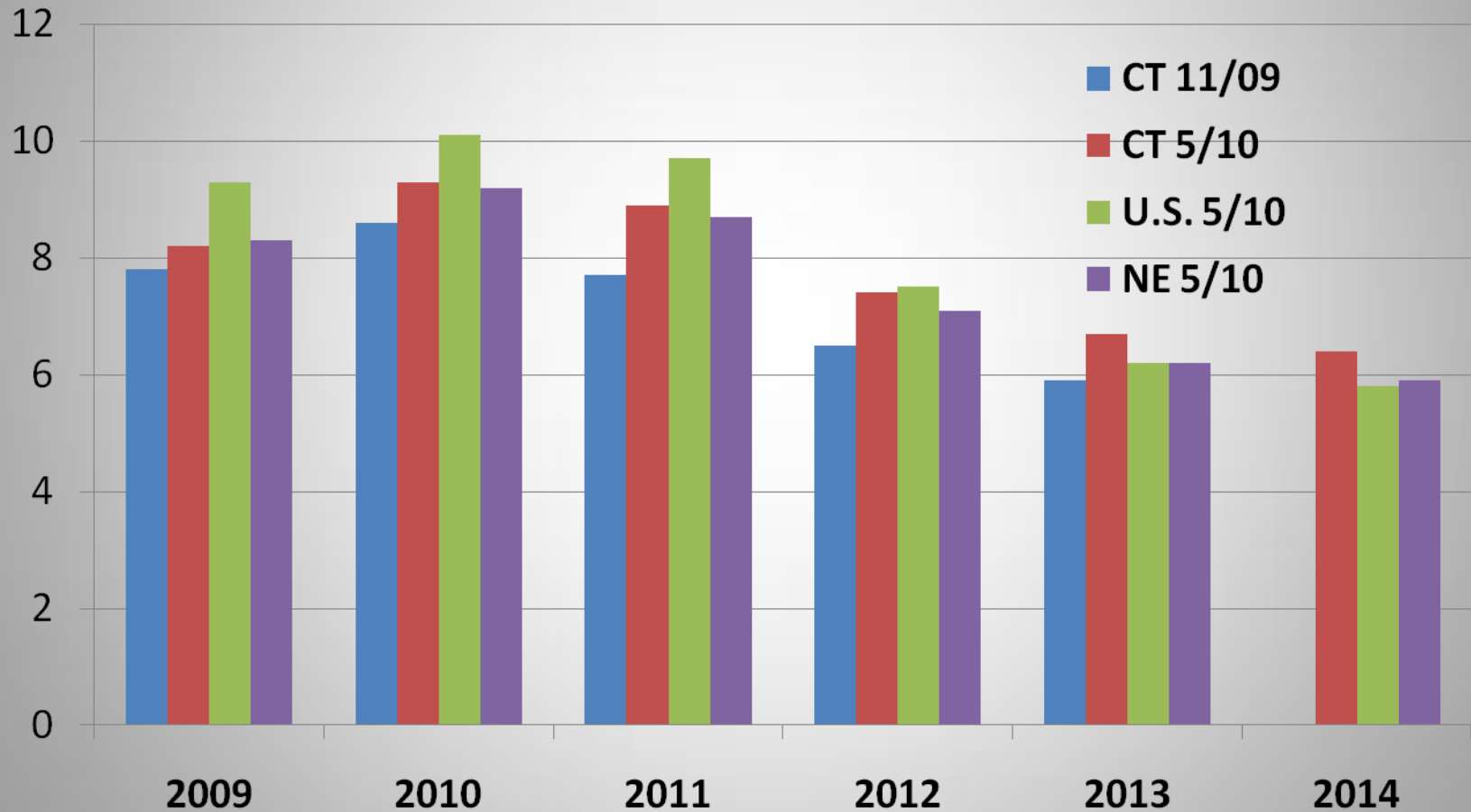
- **CT jobs should ↑ steadily with big gains in 2012 (25k) & 2013 (30k), with 1,701,100 in 14:Q4, still 6.2k < 2008:Q1.**
- **The CT unemployment rate should peak at 9.4% in 10:Q4 up from 4.3% in 06:Q2, falling to 6.4% in 14:Q4.**
- **Budget deficits for fiscal 2010 + 2011 have been lifted.**
  - **CT will borrow nearly \$1 bil. to balance the 2011 budget.**
- **But a \$3+ bil structural deficit remains for 2012 & 2013.**
- **Casino revenues ↓ 5.3% this fiscal year, & 16.9% from \$430 mil peak in fiscal 2007.**

# Annual Job Change %:

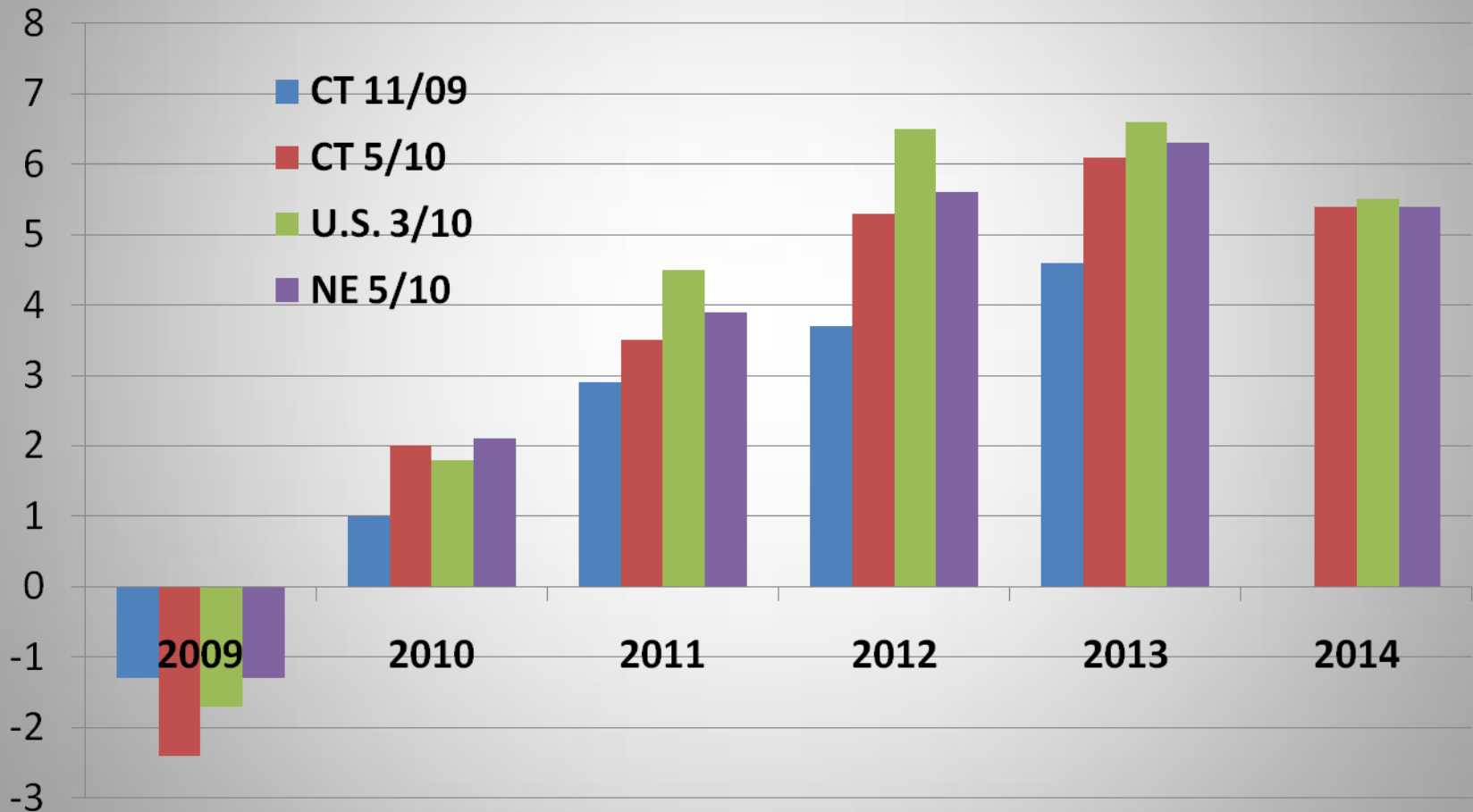
## CT v. U.S. v. New England 2009-14



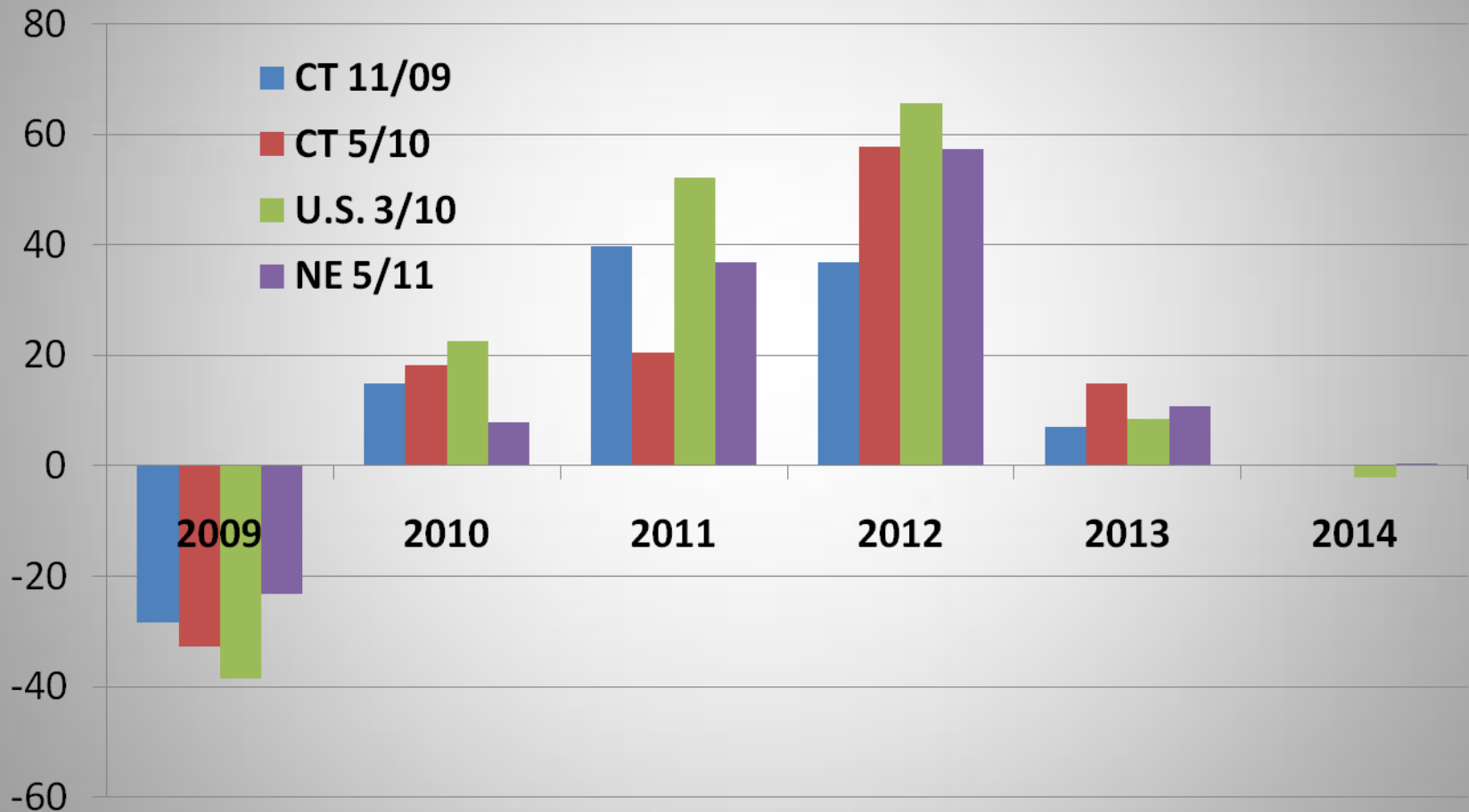
# Annual Unemployment Rate %: CT v. New England v. U.S. 2009-14



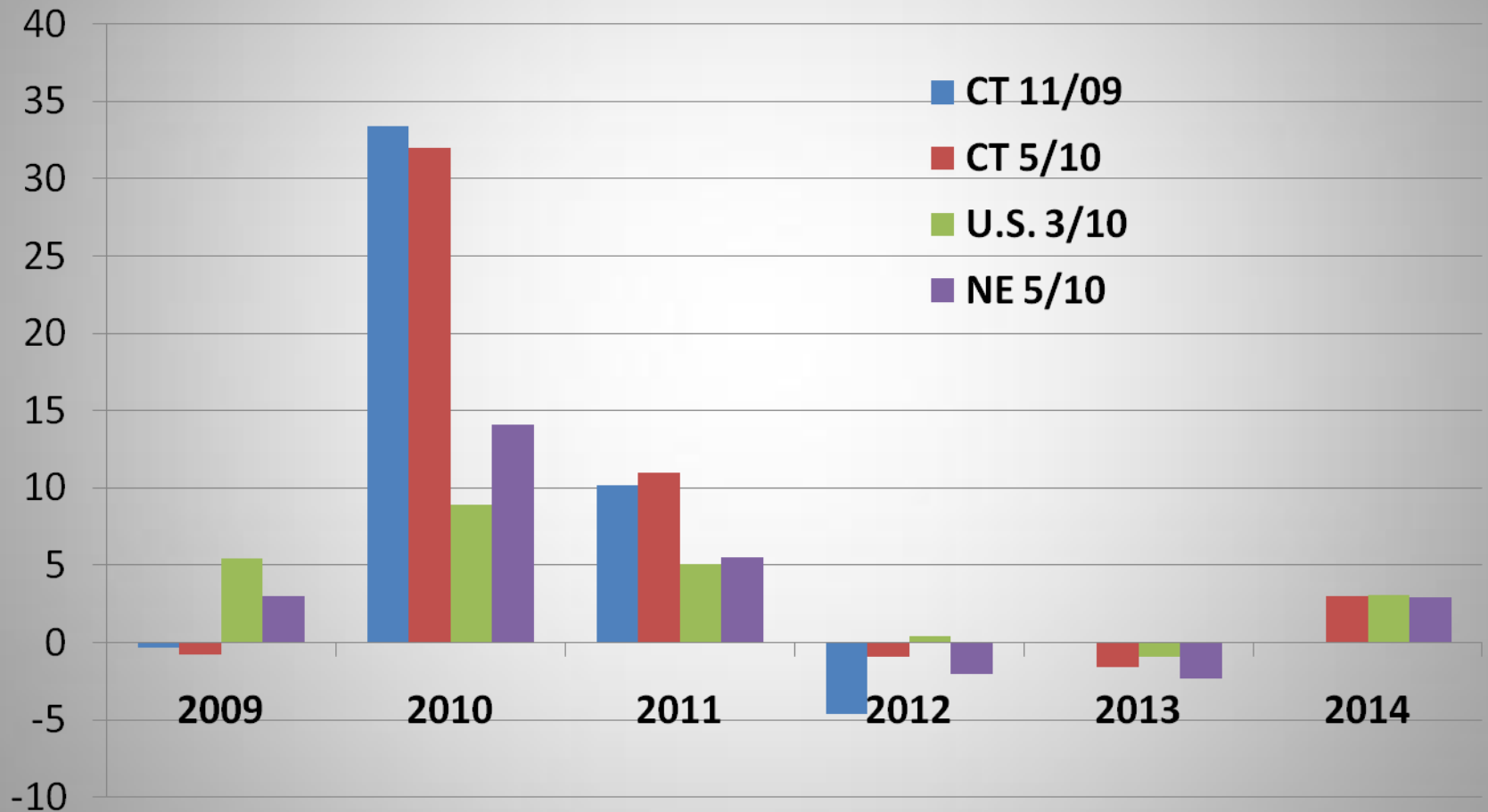
# Annual Nom Per Income Chg %: CT v. U.S. v. New England 2009-14



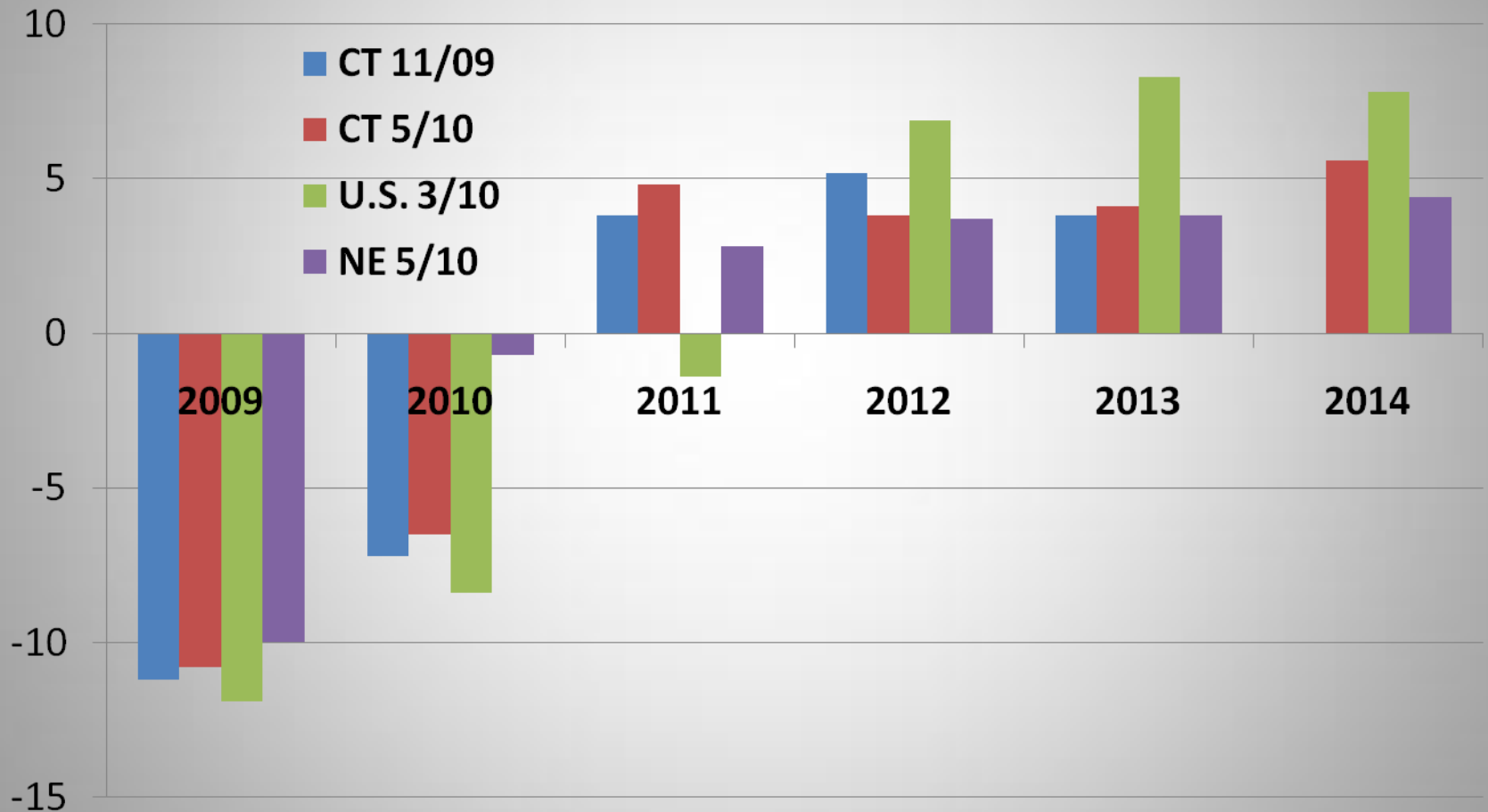
# Annual Home Permits % Chg: CT v. U.S. v. New England 2009-14



# Sales of Existing Homes % Chg: CT v. U.S. v. New England 2009-14



# Median Sale Price Existing Home: % chg CT v. U.S. v. NE 2009-14



# CT “Great Recession” Take-Aways

- **CT late to bottom slow to recover jobs + ↓UE**
- **Restructuring of Financial Services sector**
  - High wage job losses, less capital gains + bonus income
  - Weakened Hedge Fund + Insurance firms/jobs
- **Defense spending helps mfg**
  - Pending losses at Pratt & Whitney, HealthNet
- **State +Local Budget Deficits = Recovery drag**
- **Housing + Commercial RE – Slow to rebound**
  - Permits at depression levels, median prices falling
- **Aging pop + slow growth labor force**