Southeastern Connecticut Economic Forecast

January 28, 2011

Connecticut Economic Resource Center, Inc.

Presentation Overview

- National and State Economic Indicators
- New London County Trends
- 2011 Economic Issues to Watch

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Some positive indicators…

- Economic growth occurred in U.S. (GDP 3% est.) and many major countries
- Retail sales up 0.6% in December (6th straight monthly increase)
- Industrial output increased 0.8% in December (largest increase since July)
- S&P 500 Stock Index was up 11% for year through December 14

…and some that signal a soft economy.

- First-time unemployment filings in U.S. were up to 445,000 last week (from 410,000 prior week)
- Retail sales increased last month, but at a slower rate than forecasted
- Increasing gasoline and commodity prices weigh on consumer sentiments
- New England Mortgage Expo (Jan 14): expect more foreclosures and fewer sales

2011 versus 2010

- 2011: U.S. recovery is longer-lived than recession that preceded it

- As recovery strengthens, hope that employers will rehire

So if the economy is not as bad as it seems, why does it seem so bad?

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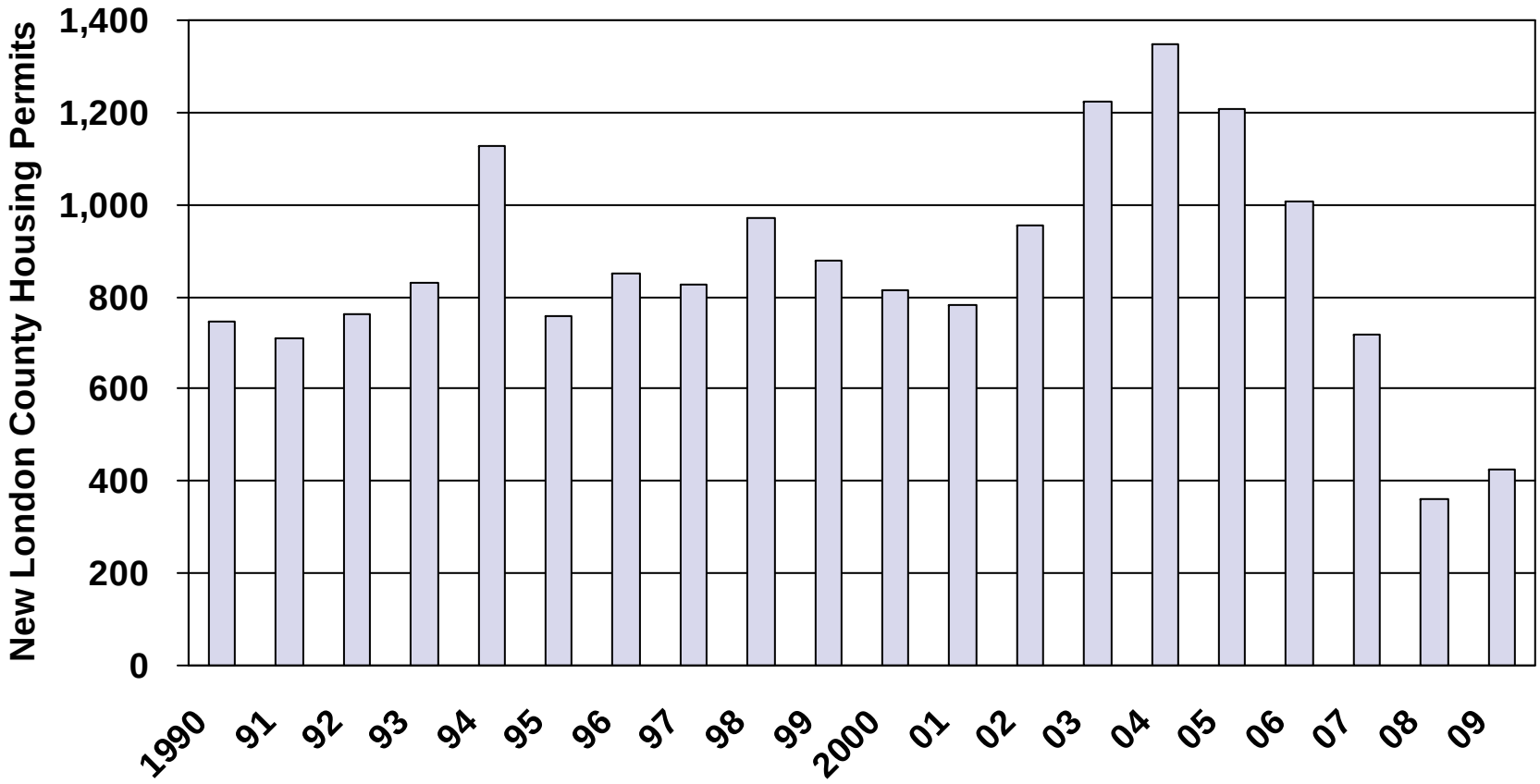
Housing permits in New London County were up in 2009 compared to previous year.



Source: CT DECD

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More Foreclosures in 2010 than 2009

- Foreclosures up 10% in Connecticut, 2010 vs. 2009
- 21,705 properties with at least one foreclosure in 2010
- One foreclosure per 1,288 households (compared with 1 out of 501 in nation)
- Foreclosure freeze does not bode well for 2011

Source: "Mortgage Woes Up in 2010," Ken Gosselin, *Hartford Courant*, January 13, 2011.

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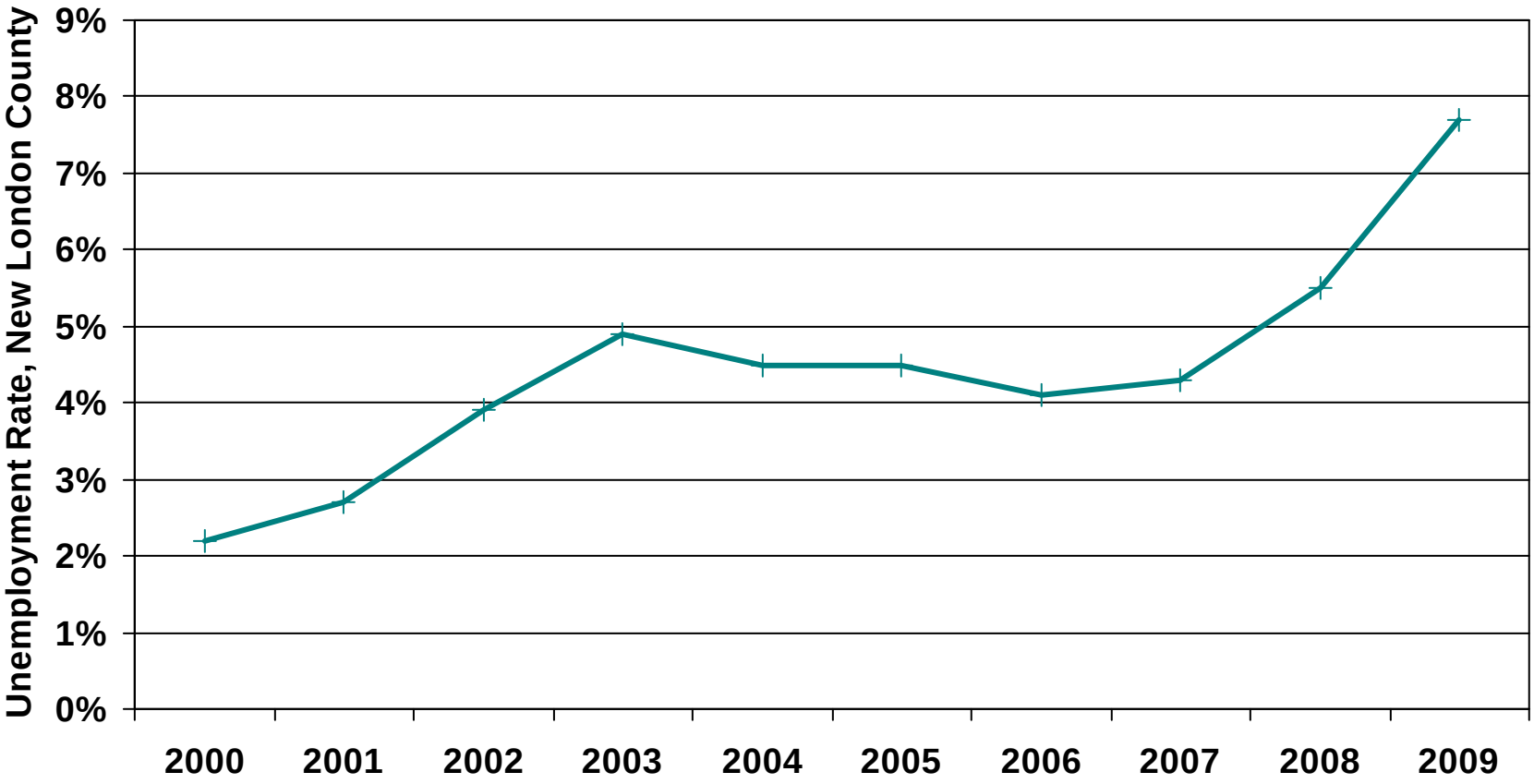
Unemployment rates have increased during recent recession.



Source: CT DOL

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Jobs in Certain Cities

- America remains over 7m jobs short of previous employment peak
  - U.S. economy added 103,000 jobs in December
  - Unemployment rate fell to 9.4%, but mainly because many jobless workers stopped looking

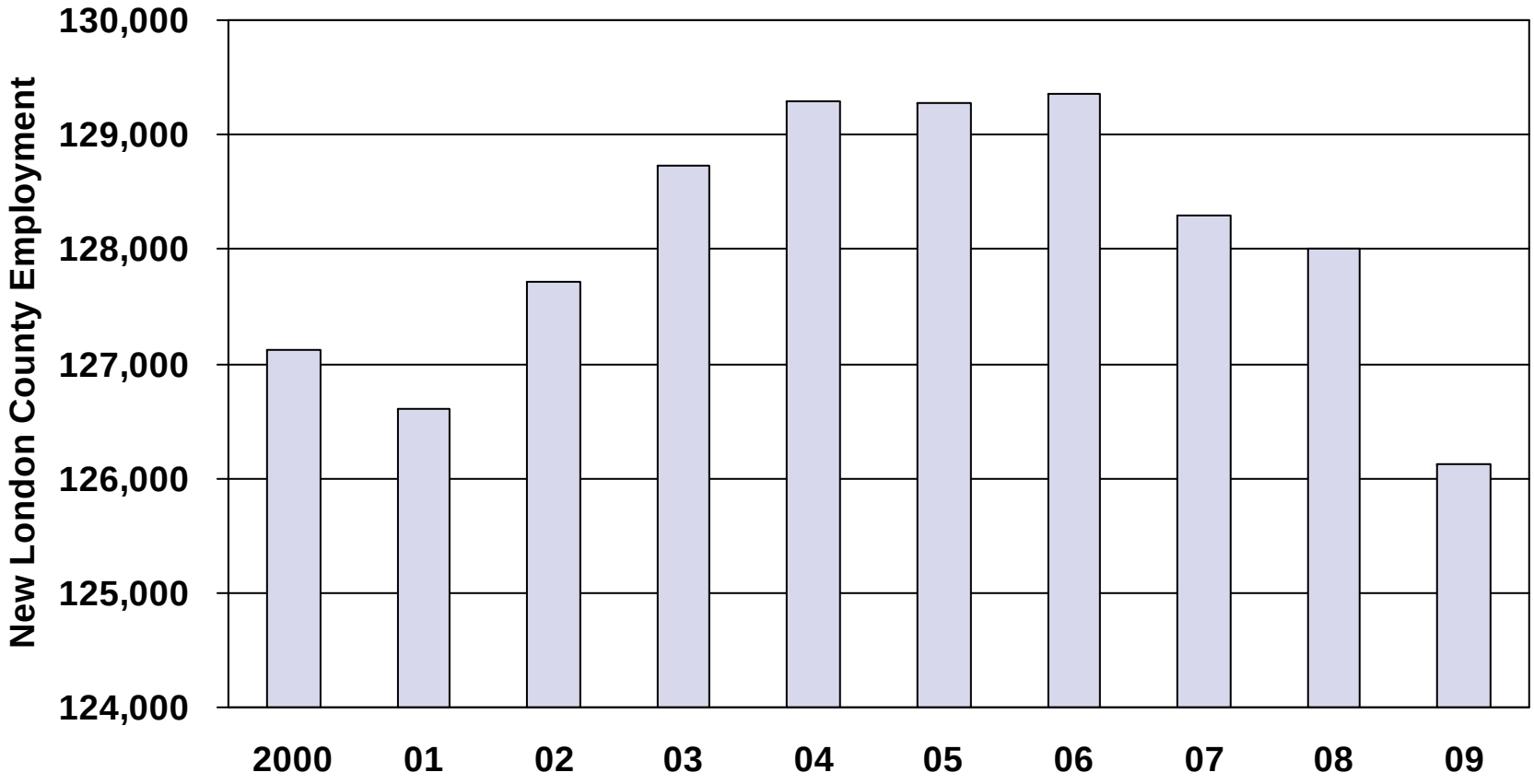
- Of the million or so jobs added in the U.S. in 2010
  - Two-thirds were created in just 11 states
  - Texas accounted for 20% of country's net job gains
  - Hiring has been tightly packed in few cities leaving most residents feeling glum

Temporary Job Hires

- The focused nature of new employment growth
  - Many new positions are for temporary workers
  - This reflects uncertain nature of recovery, and a move towards leaner business models

- High proportion of temporary work breeds insecurity
  - People who feel their job is about to disappear may be reluctant to spend
  - Workers in positions where few skills are required face pressure from nearly 15m Americans without a job
  - In a hirer's market, little chance that wages will rise

Employment was down 1,000 between 2000 and 2009.



Source: CT DOL

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New London County Snapshot

Population, 2010	262,442
Households, 2010	105,030
Median Household Income, 2010	$62,675
Nonfarm Employment, 2009	126,091
Businesses, 2009	6,976
Unemployment Rate, 2009	7.7%

Sources: CERC DataFinder, CT DOL

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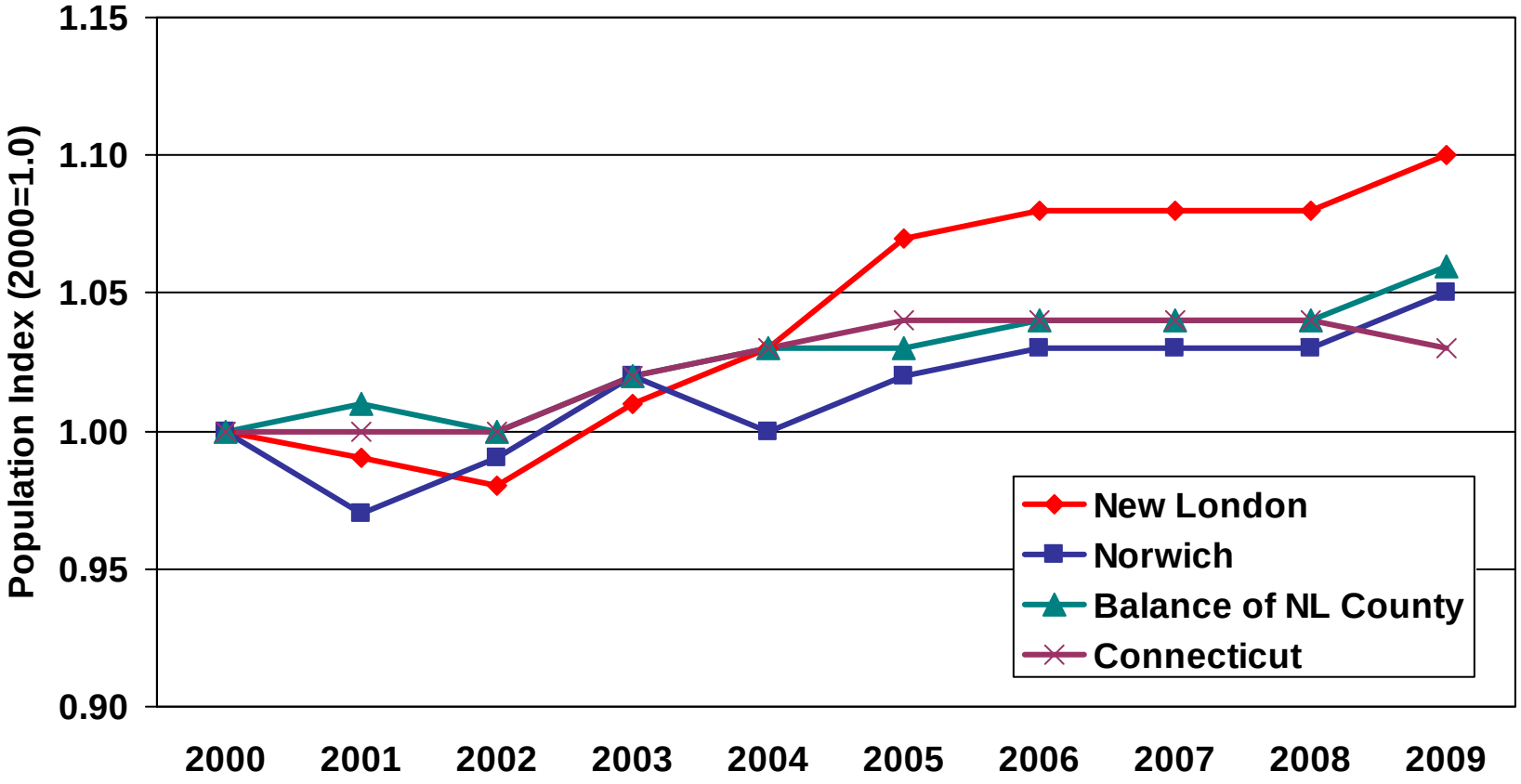
Recent population gains in the county have outpaced the state.



Source: CERC DataFinder

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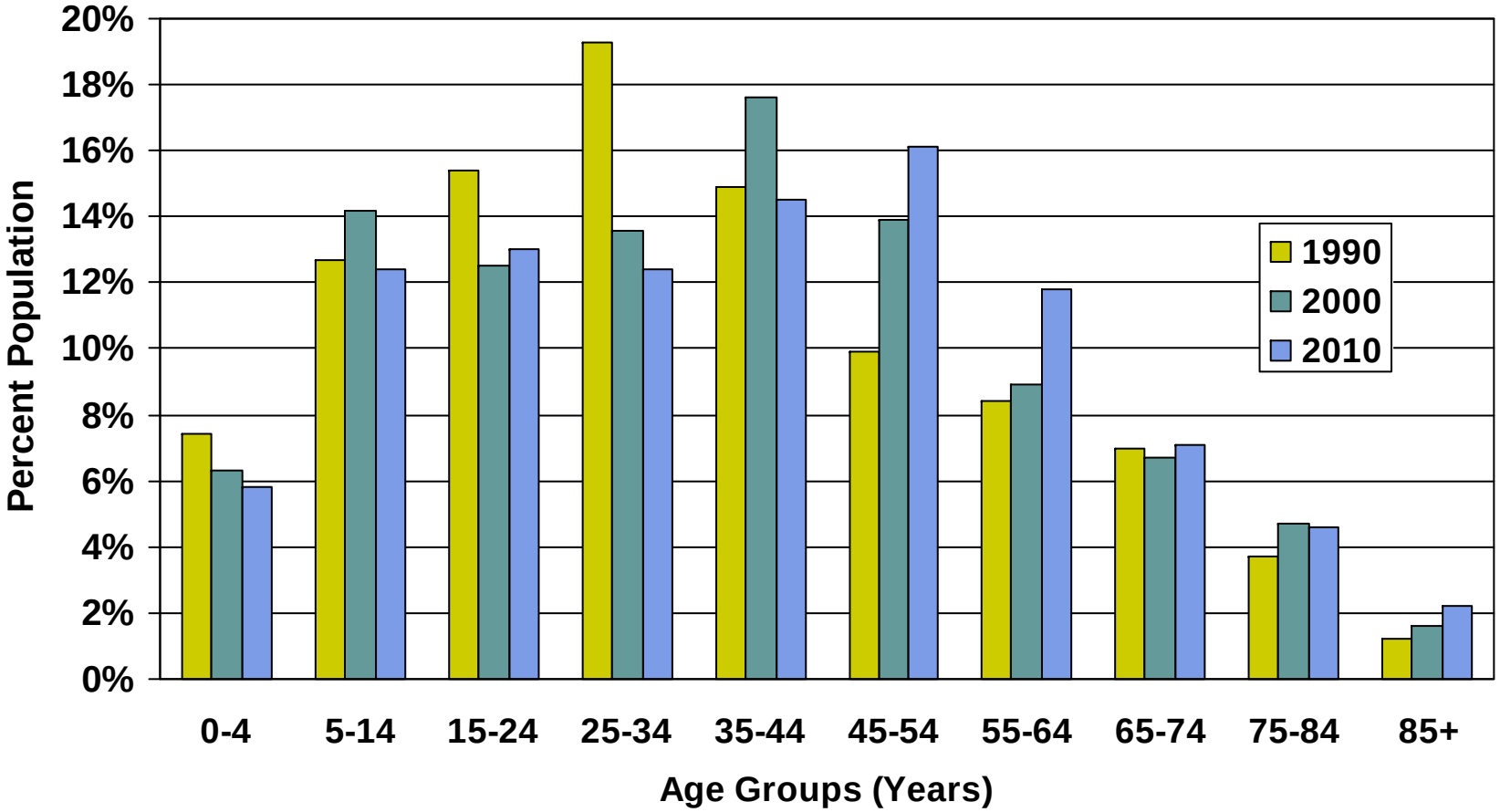
Like the state and nation, New London County's population is aging.



Source: CERC DataFinder

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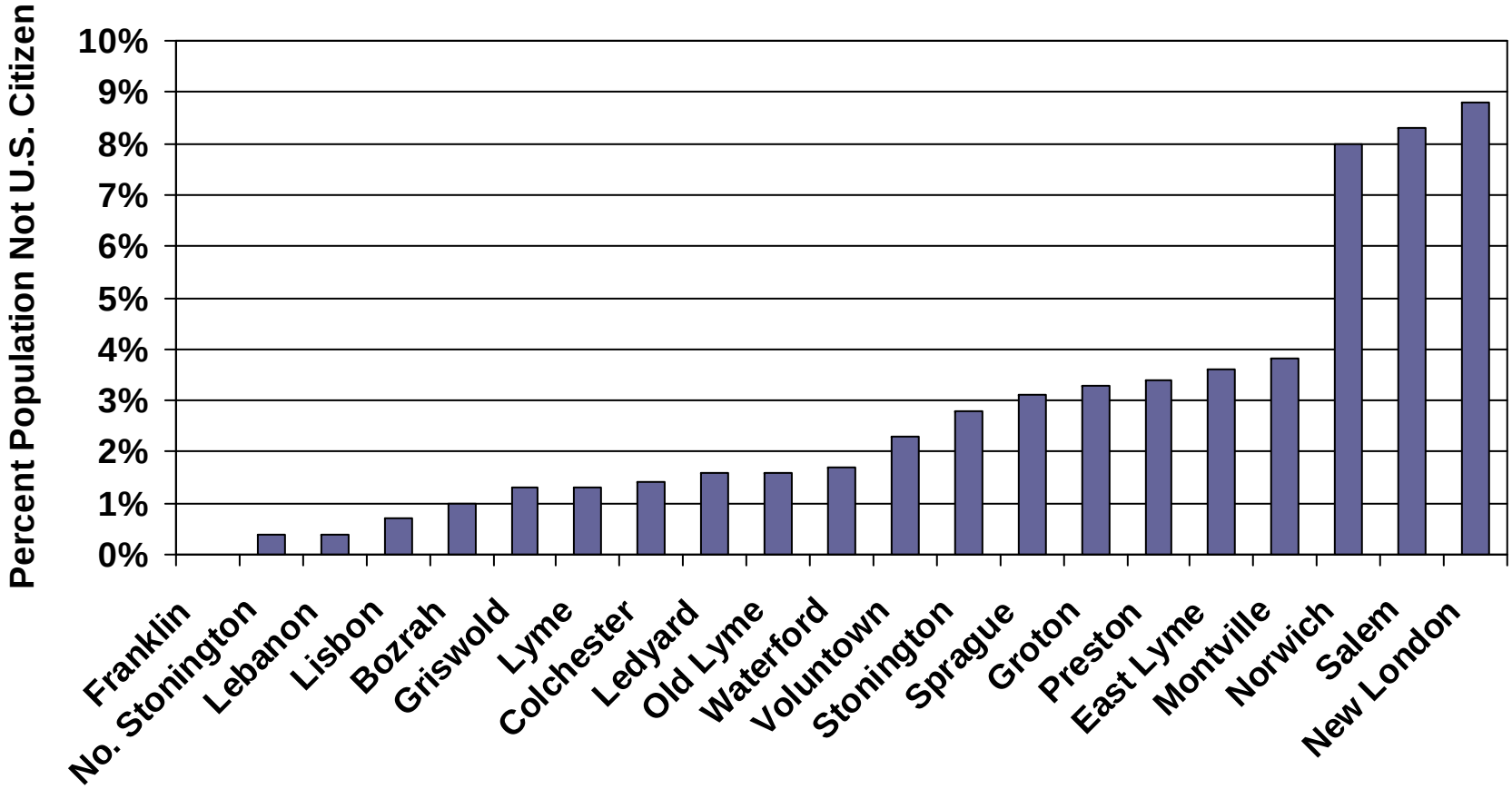
Norwich, Salem and New London have non-citizen populations between 8% and 9%.



Source: U.S. Census, 2005-2009 ACS

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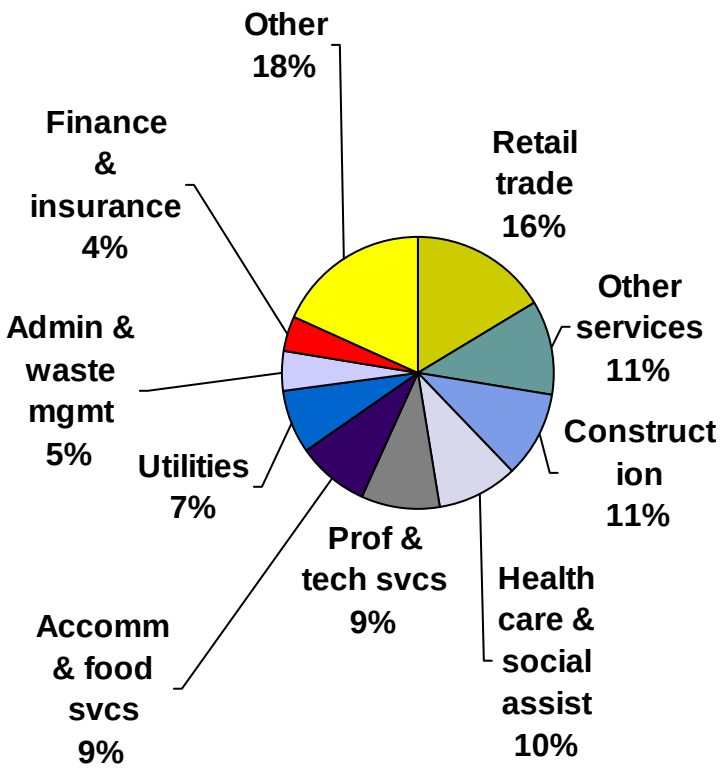
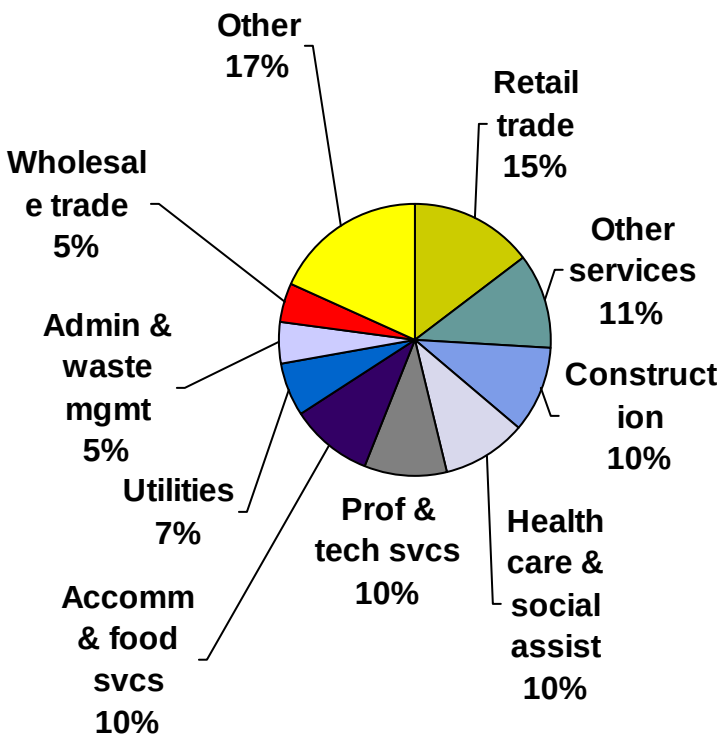
The business mix of New London County has been relatively the same through the decade.



2000
Source: CT DOL



2009

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Largest growth took place in businesses with fewer than 5, and 50-99 employees.

# Emp	Fourth Quarter 2005				Fourth Quarter 2009			
	Worksites	% of Total	Employees	% of Total	Worksites	% of Total	Employees	% of Total
0-4	3,379	54.4	5,976	6.6	3,713	57.1	6,111	6.9
5-9	1,248	20.1	8,316	9.23	1,265	19.4	8,404	9.6
10-19	817	13.1	10,936	12.1	764	11.7	10,236	11.6
20-49	503	8.1	14,981	16.6	482	7.4	14,646	16.7
50-99	151	2.4	10,370	11.5	166	2.6	11,328	12.9
100-249	91	1.5	13,748	15.2	90	1.4	13,487	15.3
250-999	22	0.4	7,726	8.5	18	0.3	6,741	7.7
> 1,000	6	0.1	18,346	20.3	6	0.1	16,989	19.3
Total	6,217	100	90,399	100	6,504	100	87,942	100

Source: CT DOL (excludes government)

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Six driver industries lost employment between 2005 and 2009.

Industry	2005 LQ	2009 LQ	2005 Avg Annual Employment	2009 Avg Annual Employment
Amusement, gambling, and recreation	14.2	12.5	22,777	20,609
Transportation Equipment Manufacturing	4.3	4.8	8,807	7,602
Museums, historical sites, zoos, parks	4.4	3.8	615	569
Chemical Manufacturing	3.7	3.5	3,759	3,324
Water Transportation	3.3	3.5	230	261
Transit & passenger transportation	2.2	2.5	998	1,230
Utilities	2.3	2.1	1,479	1,379
Nursing and residential care facilities	1.3	1.2	4,243	4,318
Paper Manufacturing	1.1	1.2	637	573
Total for these industries			43,902	40,271
Total for New London County			129,292	126,091

Source: CT DOL

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Industries with Growing Employment Concentrations

- Machinery manufacturing
- Merchant wholesalers
- Electronic markets, agents and brokers
- Health and personal care stores
- Clothing stores
- Sporting goods, hobby, book and music stores
- Warehousing and storage
- Motion picture and sound recording
- Securities, commodity contracts and investments
- Hospitals
- Performing arts and spectator sports
- Food services and drinking places

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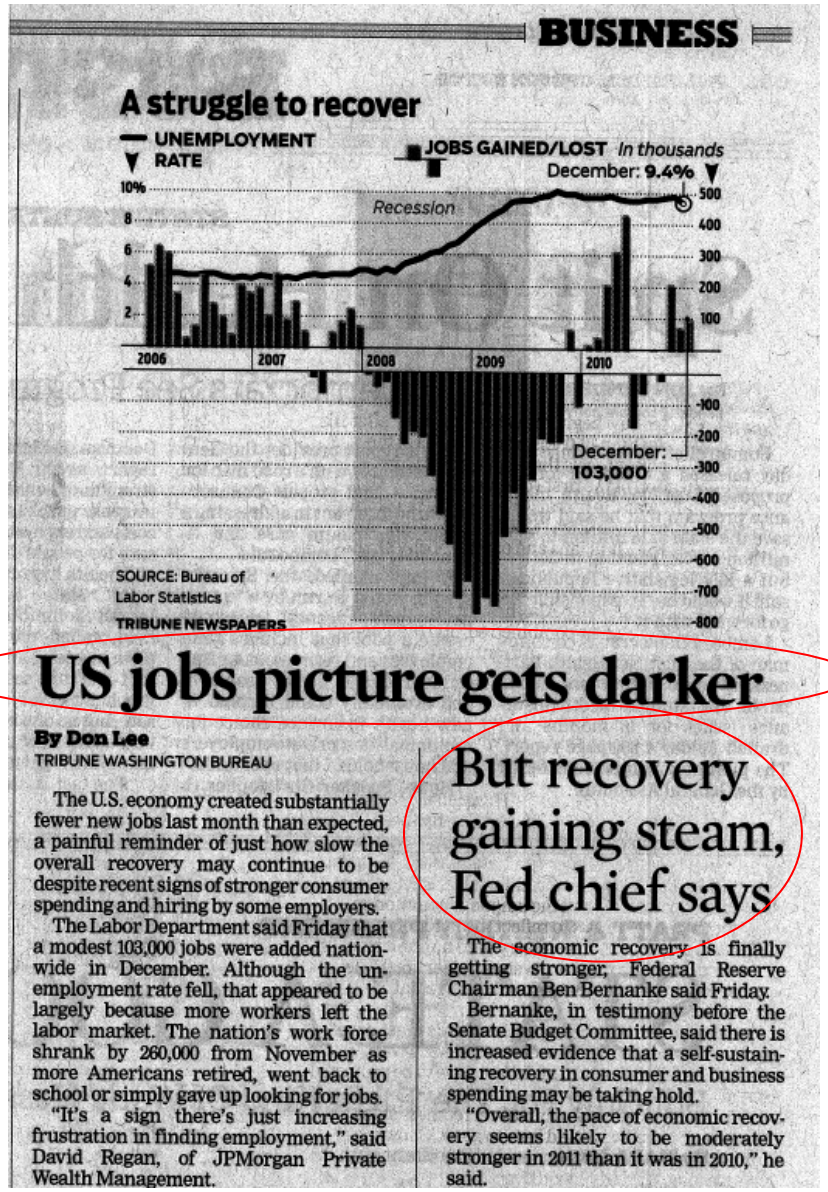
Economic Issues to Watch



BUSINESS

A struggle to recover

UNEMPLOYMENT RATE

JOBS GAINED/LOST *In thousands*

December: 9.4%

Recession

December: 103,000

SOURCE: Bureau of Labor Statistics

TRIBUNE NEWSPAPERS

US jobs picture gets darker

By Don Lee
TRIBUNE WASHINGTON BUREAU

The U.S. economy created substantially fewer new jobs last month than expected, a painful reminder of just how slow the overall recovery may continue to be despite recent signs of stronger consumer spending and hiring by some employers.

The Labor Department said Friday that a modest 103,000 jobs were added nationwide in December. Although the unemployment rate fell, that appeared to be largely because more workers left the labor market. The nation's work force shrank by 260,000 from November as more Americans retired, went back to school or simply gave up looking for jobs.

"It's a sign there's just increasing frustration in finding employment," said David Regan, of JPMorgan Private Wealth Management.

But recovery gaining steam, Fed chief says

The economic recovery is finally getting stronger, Federal Reserve Chairman Ben Bernanke said Friday.

Bernanke, in testimony before the Senate Budget Committee, said there is increased evidence that a self-sustaining recovery in consumer and business spending may be taking hold.

"Overall, the pace of economic recovery seems likely to be moderately stronger in 2011 than it was in 2010," he said.

- Housing
- Jobs Created
- Initial Unemployment Claims
- Commodity Prices
- Consumer Confidence

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Thank You

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