



CERC, 805 Brook Street, Building 4, Rocky Hill, CT 06067-3405

NEWSRELEASE

Contact: Sperry Mylott, (cell) 203-996-6752, smylott@cerc.com
Kristi Sullivan, (cell) 860-836-9621, ksullivan@cerc.com
(main office) 860-571-7136

Connecticut's Economy Faces Serious Growth Challenges *Report: Key growth indicators show state losing ground*

HARTFORD, Conn. (October 19, 2005) – Connecticut's position as a national economic leader in areas such as scientific research, financial resources, and highly skilled workers is in danger of being overtaken by other states, according to a "benchmarking" study released today by the Connecticut Economic Resource Center Inc. (CERC).

CERC released its report, "Benchmarking Connecticut's Economy: A Comparative Analysis of Innovation and Technology," at a State Capitol news conference along with top business executives from Webster Bank, Connecticut Light & Power, and Connecticut Innovations Inc., whose firms helped sponsor the study. The executives were joined at the news conference by the Connecticut Business and Industry Association.

"The message is strong, dramatic and compelling. This study makes it clear that our destiny is to take the initiative to work toward economic prosperity or backslide into economic irrelevance. The first step is a basic change of perspective to make growth our top priority," said Webster Bank Chairman and CEO James C. Smith.

Jeff Blodgett, CERC's vice president of research, said the report is unique because it looks at Connecticut from a national perspective, as opposed to those that research only a subset of competing or neighboring states. It identifies which states are leading the country and provides a baseline so that officials can track progress going forward.

Cheryl Gris , utility group president of Northeast Utilities, parent company of CL&P, said Connecticut has grown too comfortable in recent years with its success as a national economic leader. "This report shows that our state's economic prosperity will not be sustainable without an infusion of new ideas and a sense of urgency around encouraging business expansion and job growth," she said. "NU looks forward to working with others on developing a plan to tackle these issues."

Connecticut Innovations President Chandler Howard said technology and innovation are cornerstones of a thriving economy. "We must better integrate technology and innovation into our state's economic development policies to remain competitive."

The findings show that while the state performs well in certain areas, it must address its challenges to remain competitive. It also looks at what the trends might mean for Connecticut over the next 10 years and raises a number of questions that must be tackled by policy makers. For example:

- Why have there been no net job growth and no net business growth in Connecticut over the past 15 years?
- Why is Connecticut's technology employment declining more quickly relative to other areas?
- Are there reasonable steps that can be taken to stem the outflow of the state's population, especially among young people and families?

"CERC's intent is not only to track and share this information, but to urge private and public stakeholders to understand and address the significant challenges we face," said Marty Hunt, CERC's president and CEO.

Blodgett said the report, based in part on 30 years of jobs and population data, shows the effects of structural forces that are reshaping much of the Northeast.

CERC staff worked for the past year with an advisory panel comprised of dozens of policy and opinion leaders from across the state in preparing the study. The release of the report sets the stage for a briefing and discussion with state lawmakers, local officials and economic development practitioners, scheduled for October 27 at Northeast Utilities' corporate headquarters in Berlin.

Following are summary excerpts from the report:

TECHNOLOGY

Current Performance: The state ranks second among all states on its composite technology concentration score. The state's performance in each of these indicators was uniformly strong. The data show that Connecticut has a strong technology foundation to build on, and the state's households are more likely than those in other states to be connected to the World Wide Web.

Growth Trend: Connecticut ranks 36th among the states based on its composite growth score. Some indicators posted very strong growth while others were noticeably weak. As with other indicators of growth throughout this report, older industrial states in the Northeast tend to grow more slowly than other regions of the country. While strong growth is important, productivity is key to economic competitiveness. Infrastructure elements such as high-speed lines and households with computers suggest the state is well positioned to support future growth, though weakness in technology job growth is evident.

FINANCIAL RESOURCES

Current Performance: Connecticut's concentration score is high, ranking it 13th among the 50 states. Venture capital and research awards are substantial in the state, helping its score.

Growth Trend: Initial public offerings are relatively small and have declined. In fact, none of the state's financial resources are keeping pace with the nation. All of Connecticut's growth metrics are in the bottom quintile, giving the state an overall financial growth rank of 45th.

ENTREPRENEURIAL AND BUSINESS VITALITY:

Current Performance: Industry research and development (R&D) expenditures and growth are significant, and small businesses account for more jobs in the state than the national average. The state's share of gazelle companies and high patent level also contribute to ranking Connecticut high (ninth) in business vitality concentration.

Growth Trend: The state lags in its concentration and growth of university R&D and trails the nation in growth in small business employment and entrepreneurs. Patent growth is also weaker, a result of starting with a higher base rather than an indication of a problem. The state ranks 42nd in the growth component of this category.

HUMAN CAPITAL:

Current Performance: Connecticut ranks fifth among all states relative to the academic success of its students and residents. The state's college completion rate is one of the highest in the nation, and Connecticut has a high concentration of science and engineering graduate students, with growth that is quite strong. The share of workers with a Ph.D. in science or engineering is also a very strong indicator in the state.

Growth Trend: Connecticut ranks 35th for overall growth in this category. Other states are outpacing Connecticut in terms of college completion rates. The state also has weak growth in the relative number of science and engineering degrees awarded. Connecticut is also beginning to lose ground in math and reading scores relative to other states.

GLOBAL LINKS:

Current Performance: Connecticut has a high rank (seventh) in the global concentration category. Of particular interest is Connecticut's high enrollment of foreign students. Also, employment in foreign-owned firms (foreign affiliate employment) is the highest in the nation and continues to increase at a fast pace.

Growth Trend: Connecticut ranks 29th of 50 states in growth. Its growth in total exports also lags the nation.

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For the full report visit www.cerc.com/benchmarks. For questions and interview opportunities, contact Sperry Mylott at CERC at 860-571-6203 or 203-996-6752, or e-mail smylott@cerc.com.