

<https://www1.ctdol.state.ct.us/lmi/digest/pdfs/cedmay20.pdf>

CT ECONOMIC DIGEST

The *Connecticut Economic Digest* is a joint publication of the Connecticut Department of Labor and the Department of Economic and Community Development. Its purpose is to regularly provide users with a comprehensive source for the most current, up-to-date data available on the workforce and economy of the state, within perspectives of the region and nation. *A brief monthly summary will constitute the major monthly topic of this newsletter.*

Connecticut Projected to Add Fewer Jobs through 2021

The whole world has changed in the few short weeks since this magazine completed short term projections in February 2020. At this time, the U.S. unemployment rate was lower than it had been at any time since the late 1960's and Connecticut jobs were growing. Since then, the Covid-19 health related shut-down of non-essential businesses caused a drastic shift in the employment outlook. Many leading analysts have declared that there is a 100% chance that the U.S. economy has entered a recession.

Connecticut's economy has also been affected by the health crisis and the shutdowns and has seen a large increase in unemployment claims and will clearly suffer a recession along with the nation. What we don't know (what no one knows) is how long it will last. This issue of CT Economic Digest represents a "best case" scenario – that while severe, the recession will be short and the national and Connecticut economics will bounce back early next year so that by next summer we'll be back on track. The risks to this outlook are, unfortunately, all on the downside.

Connecticut's Department of Labor's Office of Research projected a .4% overall employment increase from 2019Q2 to 2021Q2, with Health Care, Transportation & Warehousing and Social Assistance adding the most jobs. Declining industries dampened overall growth, including sizable declines in Retail Trade, Finance and Insurance, Administrative & Support, Manufacturing, Government, Utilities, Information and Construction. The largest industries projected to decrease through 2021Q2 are Retail Trade and Finance & Insurance.

In late March, Goldman Sachs published a widely referenced GDP and unemployment forecast for the US economy. It projects that the unemployment rate will increase from 3.5% to 9.0% over coming quarters. It estimates that the decline in overall GDP will

likely concentrated in Labor-intensive industries and is likely too disproportionately affect low-wage occupations prone to temporary layoffs. These expected declines correspond with recent Congressional Budget Office (CBO) projections that USGDP will decline 7% during 2020Q2 and that the US unemployment rate to exceed 10%.

A prolonged national recession will severely harm Connecticut. On the other hand, a quick rebound could get Connecticut back on track by the middle of next year. When the recovery comes, we expect long term Connecticut trends of growth in Health Care, Transportation Equipment Manufacturing, and Transportation and Warehousing to continue.

As the global pandemic unfolds and its impact evolves, economic projections will be revised as new policy is adopted to help mitigate the global contraction..