

## Coincident Indicator Continues Its Advance, Though It is Moving Ahead More Cautiously



Connecticut's economy is continuing its recovery from the Covid-induced meltdown, albeit at a notably-reduced pace, according to the General Drift Indicator (GDI), a composite measure of current economic activity.

The GDI advanced 0.8% in 2021-Q1 following a 1.5% increase in 2020-Q4

and a 3.9% increase in 2020-Q3.

The GDI owes much of its progress to the Connecticut Manufacturing Production Index (CMPI) which surged 4.0% and now tops by 2.4% its index value in 2020-Q1.

Nonfarm jobs grew just 0.1% in the quarter and remain 6.9% below the pre-pandemic level of one year ago.

Real personal income (less transfer payments) also inched up by a projected 0.1% in the quarter, which would bring it to within 2.2% of its year-ago level.

Overall, Connecticut's economic activity as measured by the coincident index has fallen a net 3.4% over the past four quarters, after recovering nearly two-thirds of its recently-lost ground.

Two leading labor market indicators offer mixed messages about what the future may hold. On the one hand, initial unemployment claims are down 9.8% in 2021-Q2 following a 19.3% decrease in 2020-Q4 which can suggest continued improvement on the jobs front. On the other hand,

average weekly hours in manufacturing shrank by more than 30 minutes in 2021-Q1, following a 40-minute decrease in 2020-Q4. Shorter hours suggest that employers may not be in a rush to hire new workers.

## After a Pause, Job Growth Expected to Resume

Given economists expectations for U.S. economic growth, and the internal dynamics of Connecticut's economy, the state is poised to add 13,000 jobs in 2021-Q2.

Nonfarm job growth had slowed to a crawl in 2021-Q1 as state employers added barely 1,000 positions to their payrolls. That followed the recovery of 26,700 jobs in 2020-Q4

and of 103,800 jobs in 2020-Q3. Connecticut lost 248,400 jobs in 2020-Q2 as the Covid pandemic forced the shutdown of huge swaths of Connecticut's economy. To date, the state has recovered just over half of its lost jobs.

But the pace of recovery should quicken over the next four quarters, as the state approaches herd immunity, Covid

restrictions are lifted, and stimulus dollars fuel household spending.

The forecast anticipates the gain of about 14,000 jobs over each of the next four quarters. At that pace, Connecticut would mark the return of 75% of its lost job by 2022-Q1.

