


September 8, 2011
Rocky Hill, CT



HIGHLIGHTS OF THE CONNECTICUT ECONOMY



Progress toward Recovery


- There are mixed signals regarding the economy's recovery at both the state and national levels.
 - Uncertainty regarding the unfolding of the European debt crisis and progress toward addressing the national debt have further muddied the waters.
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Good News!

- We are no longer in a recession.
- Both state GSP and national GDP growth rates have turned positive. (3.1% and 2.6% for 2010).
- Positive impacts of durable goods manufacturing and finance/insurance industries.
- We are beginning to add jobs, albeit slowly.
 - +8,700 July 2010 through July 2011.



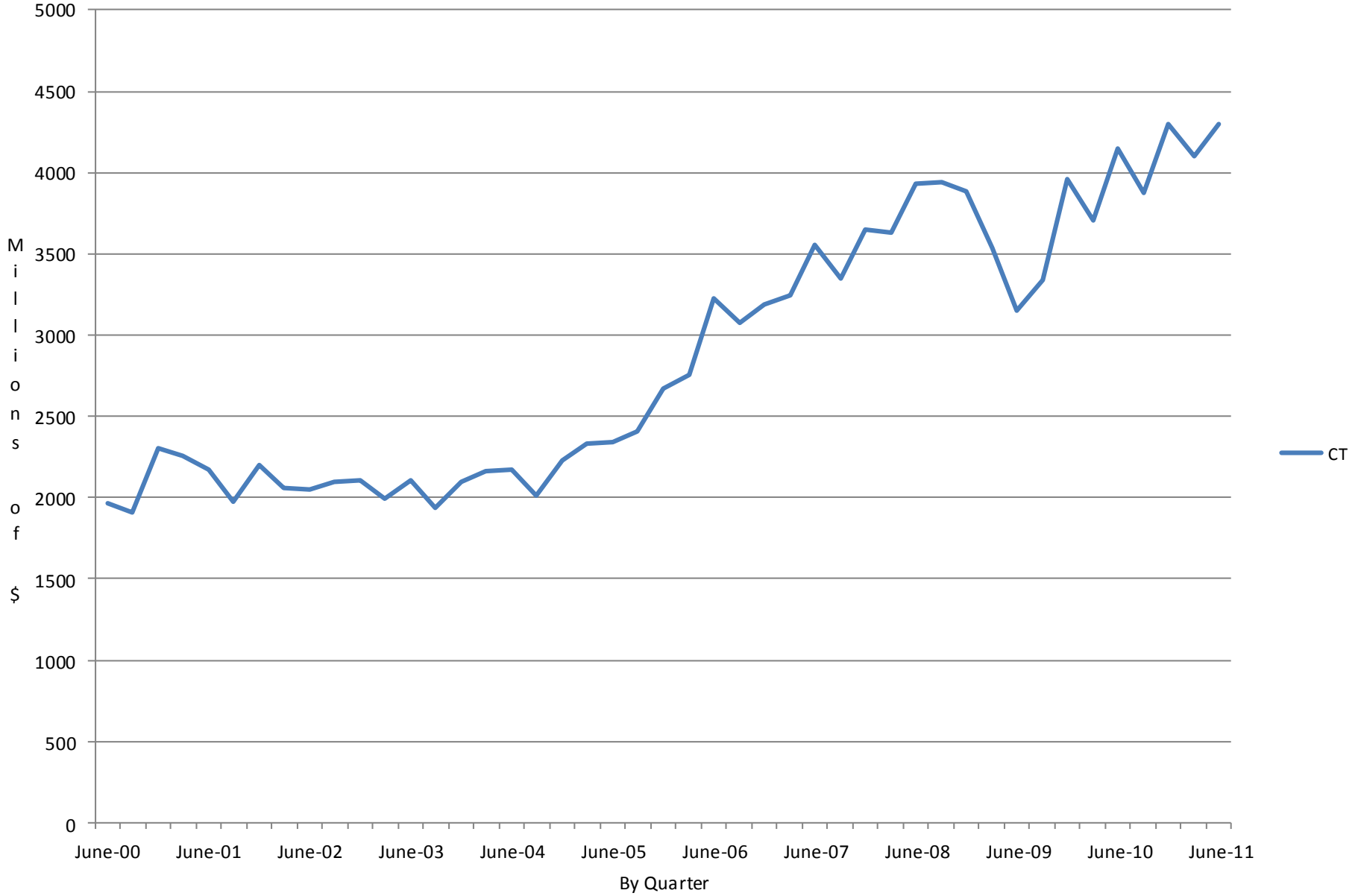
Good news!

- Companies have stronger earnings and balance sheets.
 - Households have begun to pay down debt.
 - U.S. banks are no longer in crisis; higher levels of capital and earnings.
 - We are gaining jobs in some sectors:
 - Manufacturing
 - Professional and business services
 - Education and health services
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Good news (cont.)


- CT continues to have the highest per capita income in the U.S.
 - \$56,000 for 2010; \$15,000 higher than the national average.
- Exports continue to be a bright spot
 - 14.7% increase from 2009-2010.
 - Merchandise exports reached \$4.1B on an annualized basis for Q1 2011; 11% increase over the prior year.

CT Merchandise Exports NSA






Good news (cont.)

- Connecticut has high levels of 3 key resources for entrepreneurial and business success:
 - Human capital: high educational level and a broad array of large and small firms to gain experience.
 - Social capital: densely populated region; access to key networks and expertise.
 - Financial capital: high level of per capita income; presence of a large number of financial firms and providers of capital.
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The Not So Good News

- Our demographics are against us.
 - CT has a higher percentage of older residents than the U.S. overall.
 - Our percentage of residents in the 18-44 year old age range is shrinking.
 - CT is not perceived as being an attractive state for younger individuals to live and work.
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Population by Age: 2010

	U.S.	Northeast	Connecticut
18-44	36.5%	35.9%	34.5%
65+	13%	14.1%	14.2%
Median age	37.2	39.2	40

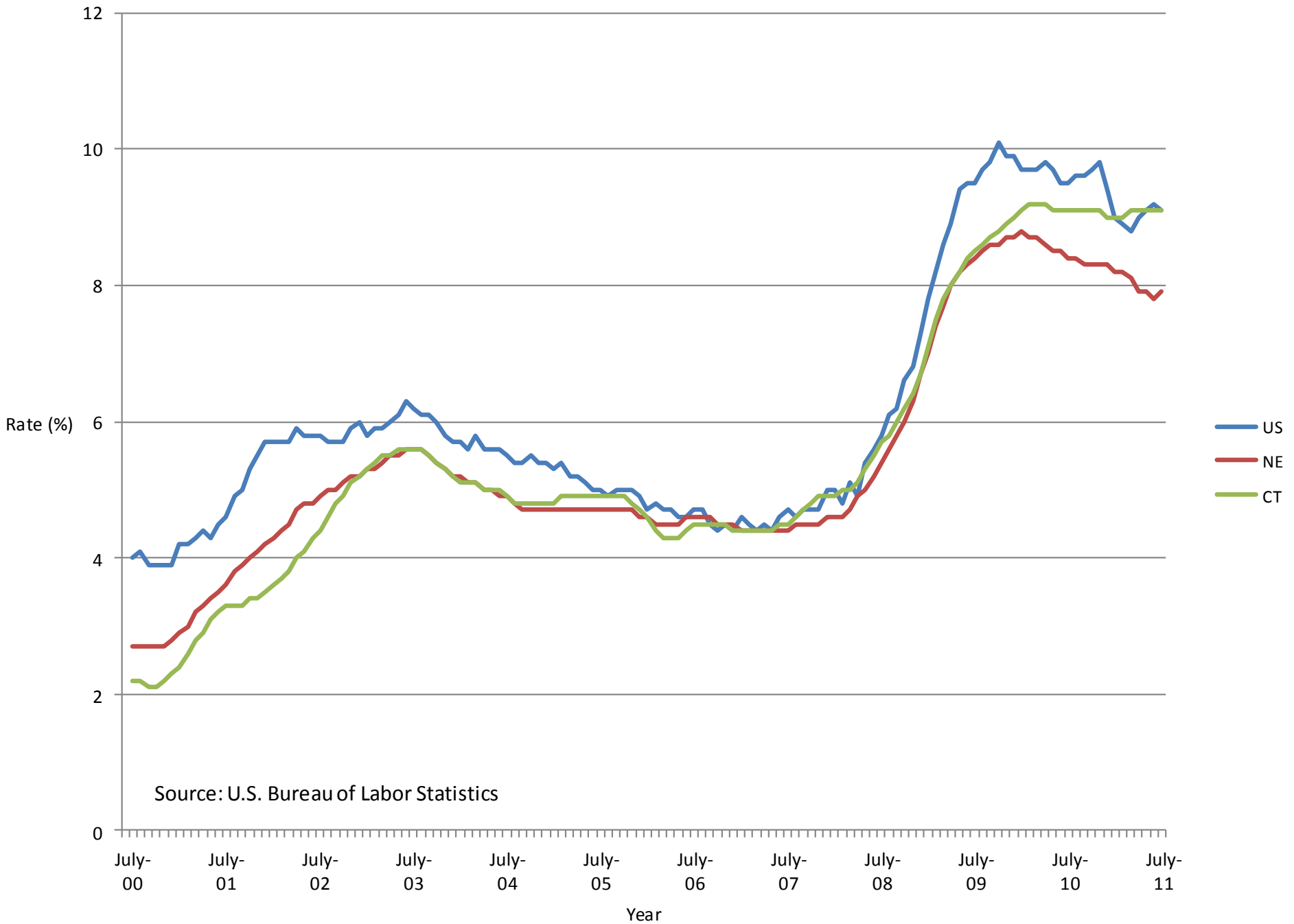
Source: U.S. Census Bureau



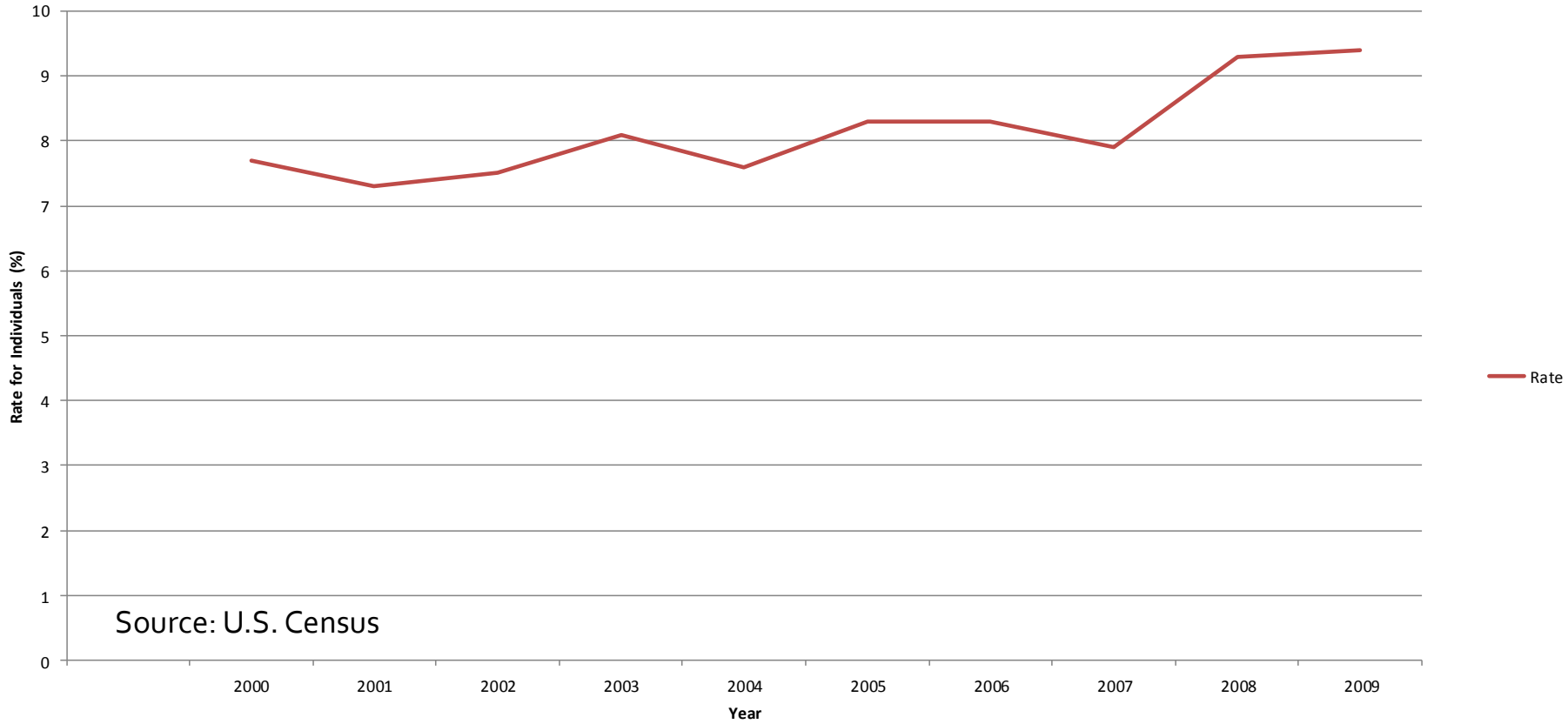
Not So Good...

- The state's unemployment rate remains elevated at 9.1% making it the second highest for the New England states.
 - Unemployment rates for young workers and teens are alarmingly high.
 - There is a growing gap between the haves and the have nots exacerbated by differences in educational levels, job skills, and employment.
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Unemployment Rates



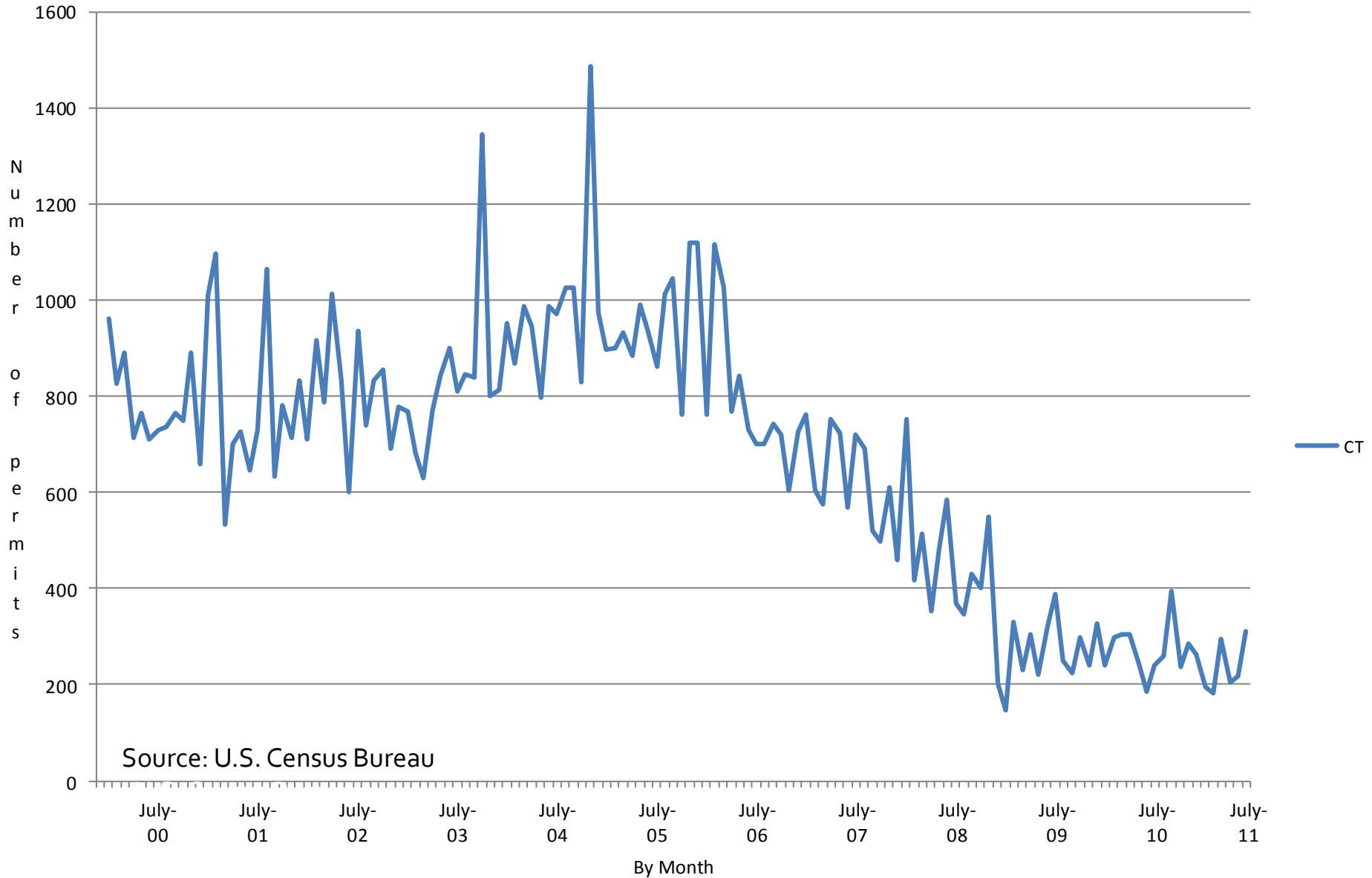
Connecticut Poverty Levels



Not so good...

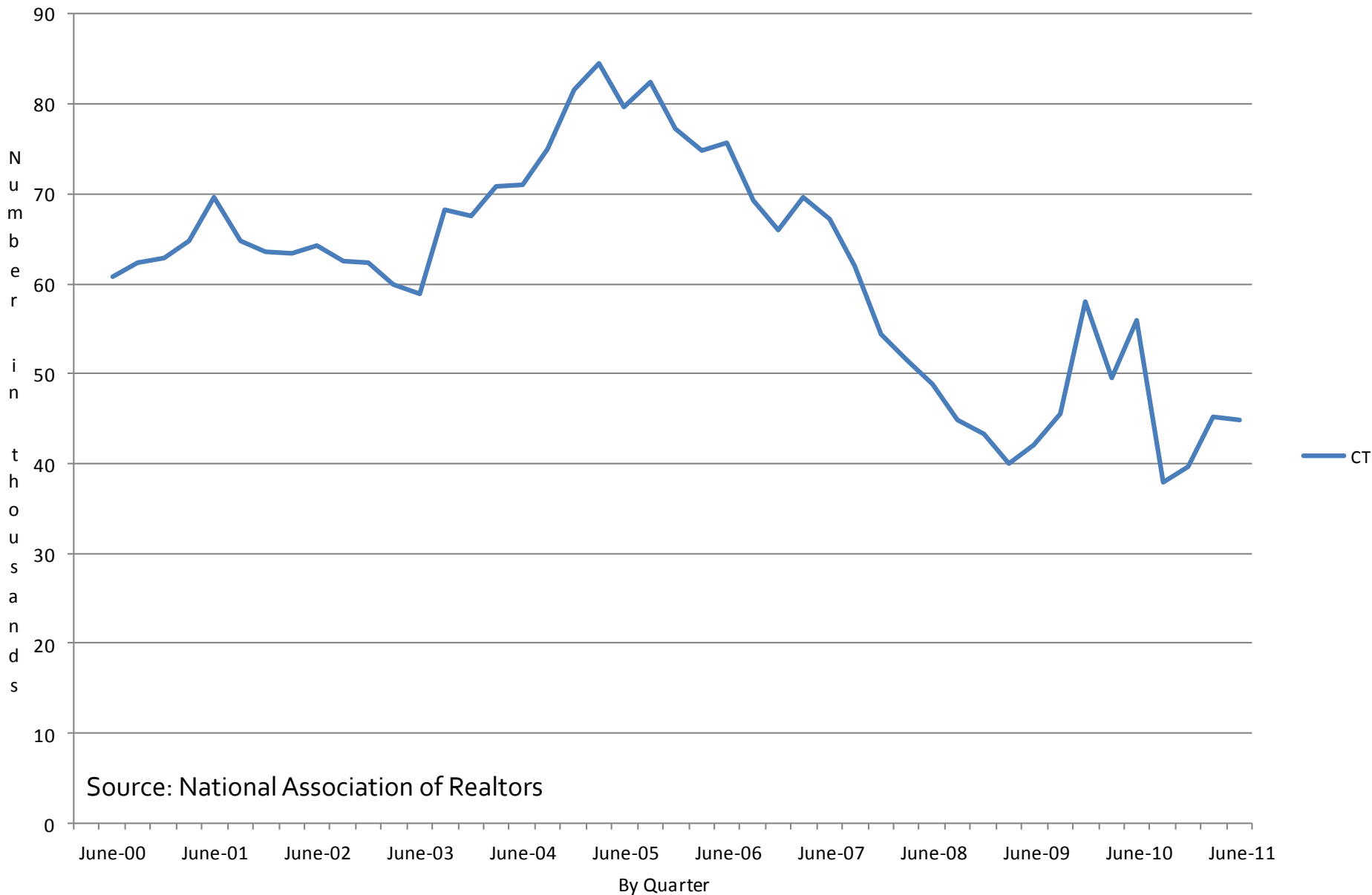
- The housing market remains weak.
 - New housing permits down 29% from June 2010-June 2011.
 - Existing home sales down by 32% from Q4 2009 through Q4 2010.
 - Statewide, home prices are still declining; down 2.3% from Q1 2010 through Q1 2011.

Total Housing Permits SA



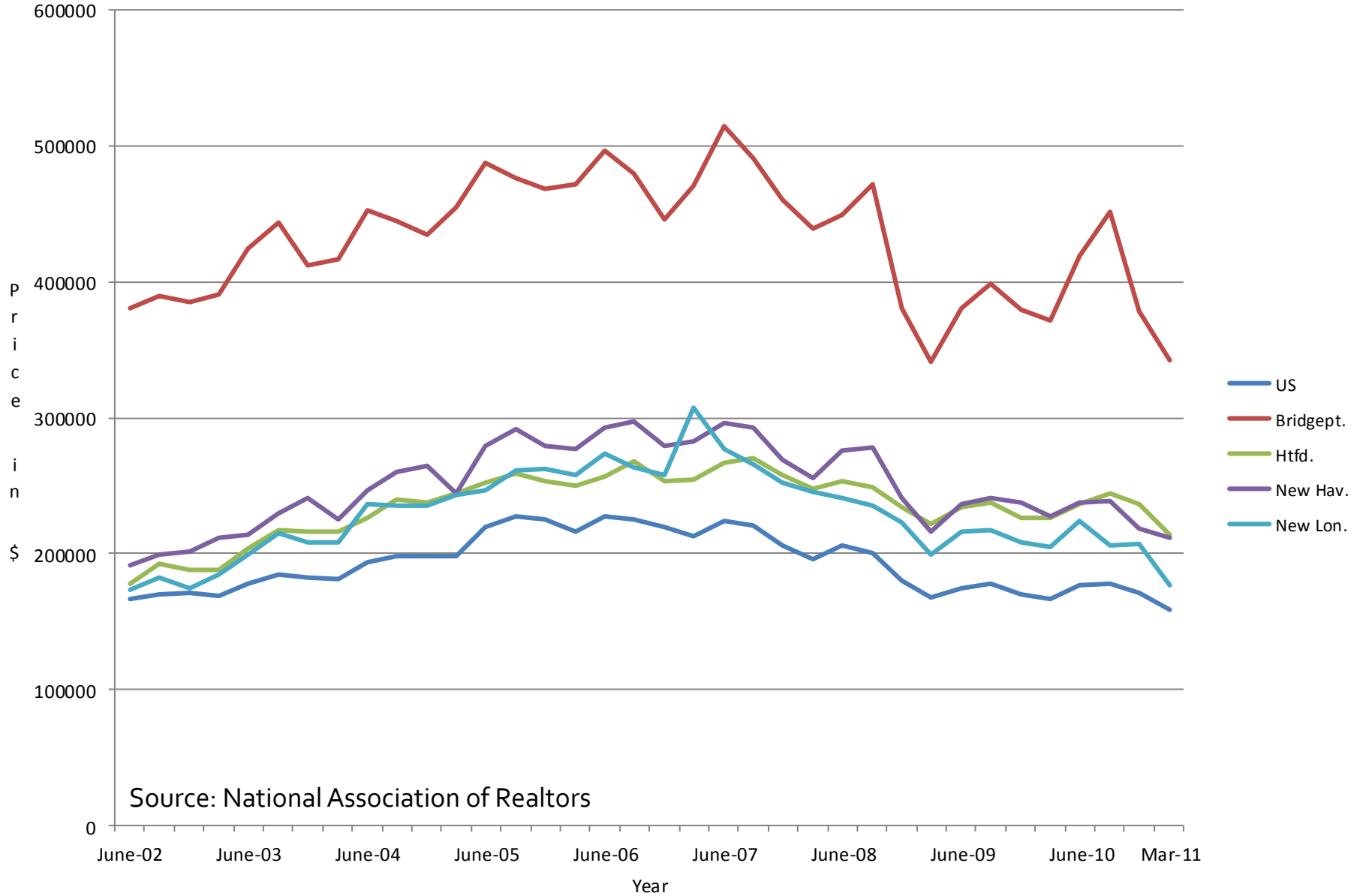
Existing Home Sales

SAR



Source: National Association of Realtors

Median Sales Price: Existing Single Family Homes NSA



Source: National Association of Realtors

Not so good...


- The Debt Bomb
- High levels of state and municipal debt and unfunded pension and health care liabilities are an ongoing concern.
 - A 2010 report by the Pew Center cited Connecticut as one of the states where there are “serious concerns” about funding levels for pensions.
 - Pension liabilities totaled \$41.3B as of 2008; 62% funded.
 - An additional \$26B in liabilities for health care and other benefits.

Not so good...

- The Climate for Business
 - CT continues to be perceived as having a climate that is unfriendly to businesses and particularly to new and smaller businesses.
 - This will make it more difficult to attract new firms and encourage entrepreneurship.
 - A 2010 report by the Tax Foundation ranks CT as 47th in its State Business Tax Index; this was before the most recent round of tax increases.



Summary

- Connecticut has many strengths, but continued weakness in the housing and labor markets are a drag on the economy.
 - Consumer and business confidence are deteriorating.
 - These factors combined with global and national economic issues point the way to slower growth for the balance of 2011 and into 2012.
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Economic Development Wish List:

- Develop a cohesive state economic development strategy that includes a role for new, small, and mid-sized firms.
- Align tax, regulatory, and spending policies with economic development needs and objectives.
- Tie workforce development initiatives to needed skill areas.
- Target key industries with growth potential.
- Provide incentives for entrepreneurship.
- Attitude adjustment.