OFFICE of the STATE COMPTROLLER
CONNECTICUT ECONOMIC UPDATE

Sean Scanlon
State Comptroller
APRIL 2025 EDITION

In this month's edition

Outlook: The U.S. economy, and Connecticut's with it, are facing a likely slowdown in 2025 as policy uncertainty and cuts to federal spending weigh on growth. President Trump's current and anticipated tariffs represent the largest trade shock since WWII, sending the stock market and consumer confidence tumbling. The stock market saw its worst quarter since 2022, with all major stock indices down year-to-date as of April 1st. Tariffs are expected to increase inflation in the near term, as consumers pay potentially thousands more for vehicles, as well as higher prices for groceries and a wide variety of other goods. While sentiment turned sharply negative in March, it is an open question whether consumers will finally pull back on spending in a big way. High uncertainty has increased recession risks, though most forecasts still project growth for 2025 overall.

Parents stretched thin – paying for childcare. In this month's feature, we discuss how childcare costs rivaling rent and college tuition have grown.

Tariffs, Inflation, and record-high business uncertainty: The Federal Reserve voted to keep interest rates steady at their March meeting. The Consumer Price Index rose 2.8% for the 12 months ending in February, but tariffs are expected to push up consumer prices in the months ahead. The Trump administration's on-again off-again tariffs on key trading partners has economic policy uncertainty at its highest level since 1985 (outside the pandemic), hampering investments needed to drive economic growth.

Are wages keeping up? New England private sector workers are facing twin challenges of lower wage growth and higher local inflation, with an inflation-adjusted index of wages and salaries falling 0.6% in 2024 Q4 year-over-year. All other U.S. Census regions saw real wages and salaries rise.

CT labor market update: Connecticut lost 1,200 jobs in February, and the unemployment rate rose to 3.4%. Five years on from the start of the pandemic, more of the state's jobs are in healthcare and transportation.

Mortgage rates have fallen to 6.67% this month, which should help spring home sales. Connecticut home sales and listings are up modestly.

Federal government change: As the Trump administration undertakes mass layoffs, we look at the distribution of 18,600 federal workers in Connecticut, and other jobs that could be affected.

$9.4 million in federal funds intended for schools and food banks to support local farmers have been cancelled.

Falling consumer confidence and higher credit card and auto loan delinquencies suggest lower growth in consumer spending ahead.

KEY DATES THIS MONTH

4/4 – March U.S. jobs report
4/10 – March CPI inflation report
4/17 – March CT jobs report
4/30 – U.S. GDP 2025 Q1 1st Estimate & CT April Consensus Revenue Estimates

Did you know?

Looking back at 2024 Q4, Connecticut's economy was growing, albeit slower than the U.S. pace of a 2.4% annual rate. The Bureau of Economic Analysis reported that Connecticut's real gross domestic product (GDP), which is adjusted for inflation, grew at a 1.8% annual rate in the fourth quarter. The Finance, Insurance, Real Estate and Leasing industry led, accounting for 34% of that growth, while the Information and State & Local Government sectors contracted.

About OSC

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The mission of OSC is to provide accounting and financial services, to administer employee and retiree benefits, to develop accounting policy and exercise accounting oversight, and to prepare financial reports for state, federal and municipal governments and the public.

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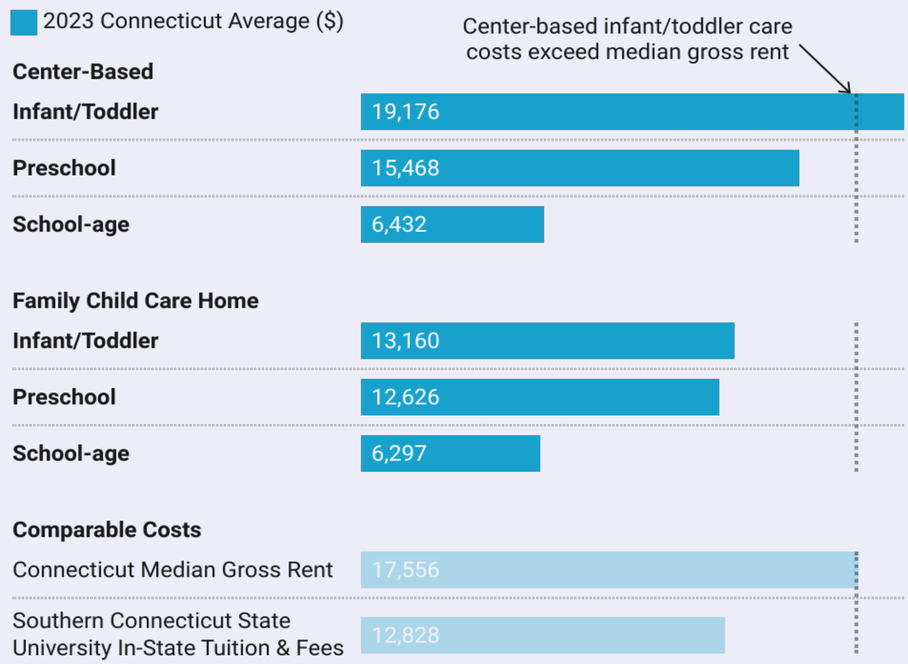
CHILD CARE COSTS IN THE SPOTLIGHT

Median Annual Price of Childcare



Data is collected at the county-level. The state-level average was constructed by weighting median county prices based on the child population in each county.

Source: Department of Labor, Women's Bureau, National Database of Childcare Prices; Census Bureau • Created with Datawrapper

What's your single largest monthly expense? If you have multiple young children, it's likely childcare. For working parents, it's like paying for college tuition when you haven't had any time to save.

Childcare costs are more than just a burden on families, they matter for the wider economy too. 33% of Connecticut business owners cited a lack of skilled job applicants as their main hindrance to growth in a 2024 CBIA/Marcum survey. Expanding the state's labor force by getting sidelined parents back to work would help the state see stronger economic growth and prosperity.

Connecticut consistently has some of the highest childcare costs in the nation, according to the Economic Policy Institute (EPI). Those costs include center-based daycare programs, family childcare homes for a smaller number of children, and before and after school care for school-age children. Care for infants and toddlers and center-based care is typically most expensive.

Childcare Is Really Expensive

The financial burden on families is staggering, often exceeding the U.S. Department of Health and Human Services' affordability benchmark of 7% of household income. By that standard, only 12.1% of Connecticut families can afford center-based infant care, according to EPI. Families with more than one child below school age are particularly impacted. A typical family with an infant and a four-year-old would need to spend nearly 30% of their income on childcare, according to EPI.

The typical cost of care in the state varies depending on which source you use but estimates generally put the average for center-based infant care between $18,400 and $20,200 per year. That's over $1,530 per month for one child. Even for preschoolers, childcare costs remain high at over $15,300 per year, or nearly $1,300 per month. These expenses rival the cost for rent and even in-state college tuition, highlighting the immense financial strain these costs put on families. Median school-age care costs $560 per month, and working parents must often compete for limited affordable summer camp spots.

Not surprisingly, costs vary widely based on region. Fairfield County has the highest prices, with costs for infant and toddler care about 47% higher than the lower cost regions of Windham, Tolland, and New London, according to the National Database of Childcare Prices.

Childcare costs have risen more than overall inflation since 2012. Prices overall grew 36.0% from January 2012 to January 2024, based on the U.S. Consumer Price Index (CPI), while U.S. prices for

CHILDCARE, CONTINUED

daycare and preschool grew 51.6% over the same period. Looking at Connecticut prices specifically, center-based infant and toddler care prices grew 49% from 2012 to 2024, while costs for those ages at licensed family childcare homes rose 71%. School-age center-based care prices rose even more, skyrocketing 145%. These percentages are based on data from the [Connecticut Child Care Market Rate Report] commissioned by the Office of Early Childhood (OEC).

Since the average weekly wage in Connecticut grew only 32.5% from 2012 to 2024, childcare costs are now taking up an even bigger share of families' budgets.

Why is Childcare so Expensive?

Childcare is one of the largest expenses in a family's budget due to its unique operational demands. Early childhood care requires long hours to accommodate working parents. Programs must maintain low student-to-teacher ratios to ensure quality. For infants, that ratio is one caretaker for every four children.

Moreover, despite the high costs for parents, childcare workers in Connecticut earn relatively low wages. The average salary for a childcare worker is around $30,400 per year based on OEC data, making it difficult to retain qualified educators in the industry. The low ratios required for infant and toddler care can make offering those slots unprofitable, driving a shortage in the state. Research has found that childcare providers operate on very slim margins, keeping prices low because parents would struggle to pay more.

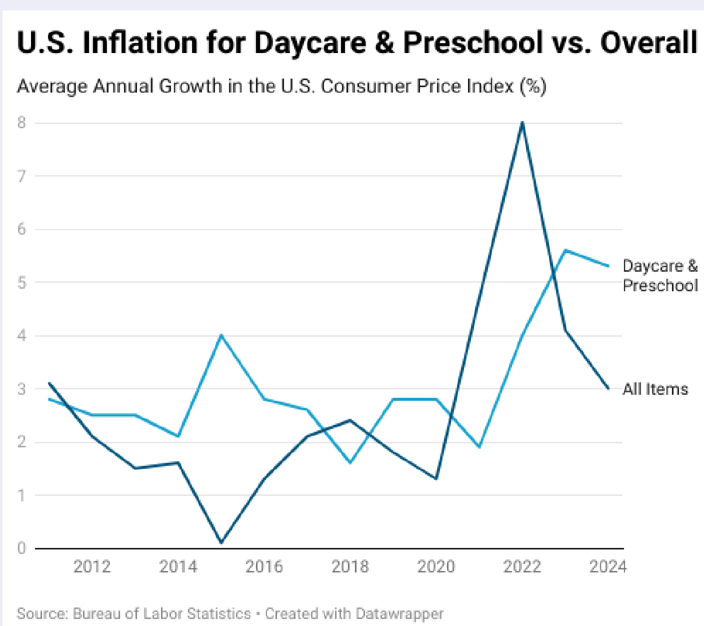
Growing labor costs have been the biggest driver of price increases recently. Aside from minimum wage increases, a shortage of lower-skill workers in competing industries has made it harder than ever to retain staff. This leads many centers to operate below licensed capacity due to a lack of staff. Providers have also faced rising insurance costs, rent, and other operational costs.

Why Child Care Matters

Childcare access is a critical investment that impacts the broader economy. It serves as workforce infrastructure, enabling parents to remain in the labor force and boosting productivity. Connecticut employers cite the lack of affordable childcare as a major barrier to worker recruitment and retention.

Research by the Bipartisan Policy Center estimated a 30% gap between supply and the potential need for care in the state as of 2019. Infant care is especially hard to find, with parents in many areas facing long waitlists, which can delay parents' return to work. Families with kids under age 6 account for 17% of families statewide as of 2023. Connecticut has approximately 180,700 children under age 5 (5% of the state's population). About 75% of those children have all available parents in the workforce, making childcare essential.

However, not every family has care available close to home, regardless of cost. An estimated 44% of Connecticut residents lived in a "childcare desert" as of 2018, defined as any census tract with more than 50 children under age 5 that contains either no childcare providers or more than three times as many children as licensed slots. The map on page 4 shows areas of the state in dark orange that have relatively lower



capacity to serve the population of young children in that area. Childcare deserts exist in both high- and low-income parts of the state.

Childcare shortages likely contribute to a gender pay gap in workforce participation for parents with young children. Addressing these issues could help fill Connecticut's 92,000 job openings and enhance economic mobility and quality of life for families.

Beyond workforce implications, quality early childhood education supports cognitive development, socialization, and long-term academic success for children. Increased investment in childcare not only strengthens families but can also lead to long-term savings in government social service programs.

What are Policymakers Doing?

When the COVID-19 pandemic struck, Connecticut leveraged $346 million in federal relief funding to keep childcare programs open, limiting the state's loss of childcare capacity to less than the average loss nationwide. The State also recently adjusted the staff-to-child ratio for toddlers, from 1-to-4 to 1-to-5, which should lower future costs for that age group.

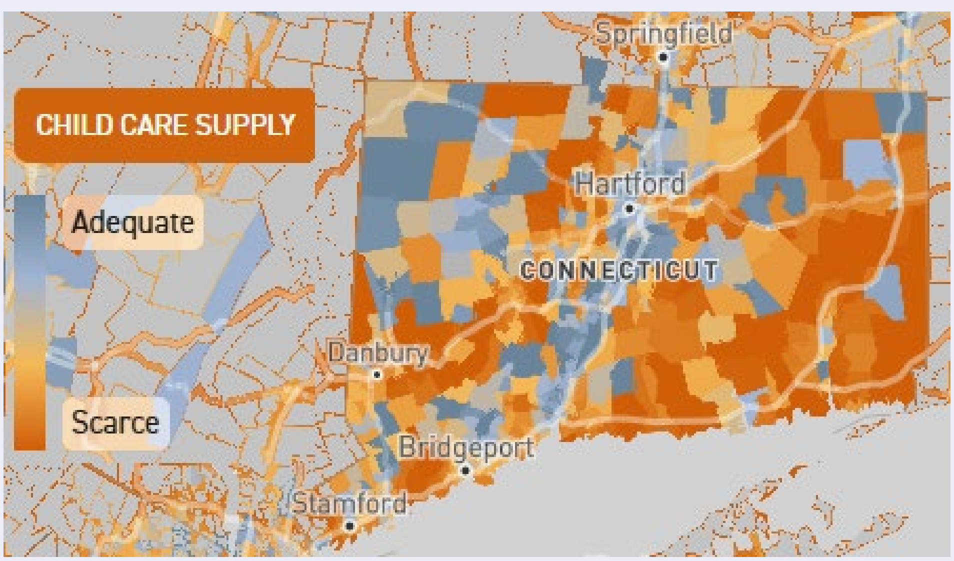
Government funded subsidies (like Care 4 Kids) and publicly funded slots make childcare more affordable for the low-income families that receive them. However, those programs typically serve only a portion of those eligible because the needs exceed available funding. Approximately 62,400 children were supported through federal, state and local childcare programs in FY 2024, roughly 30% of kids under age 5.

Given the needs, investing in the childcare sector has been a top priority for Governor Ned Lamont. The state has added more than 11,000 subsidized childcare spaces over the past 5 years and invested in the industry by increasing reimbursement rates for publicly funded care and creating workforce development initiatives such as a Registered Apprenticeship program for childcare.

In February, the Governor unveiled a plan to eventually make preschool free for all families earning up to $100,000 per year and limiting the cost to $20 per day for families earning up to $150,000. The bill, which is being considered by the legislature this session, would use $300 million of this year's General Fund surplus to seed an endowment. Up to 10% of the endowment's funds could then be spent per year to create new preschool spaces and increase assistance to families over time.

As Connecticut continues to navigate the challenges of childcare affordability and accessibility, policymakers and businesses alike are working towards sustainable solutions that support both working families and the childcare workforce. The long-term economic and social benefits of these investments will be substantial, ensuring a stronger foundation for the state's future.

Childcare Deserts: Areas Where Care Is Scarce



Source: Center for American Progress, 2020

INFLATION, TARIFFS AND RECORD HIGH UNCERTAINTY

Business uncertainty has reached its highest point since 1985 (outside the pandemic), according to the U.S. Economic Policy Uncertainty Index. President Trump's erratic trade policies have businesses questioning whether new tariffs will drive inflation, delay Federal Reserve interest rate cuts, drive up costs, and diminish growth and demand for their products and services. This uncertainty itself is likely dampening investment.

Trump's campaign promise of broad tariffs has materialized in a chaotic fashion. Initially announced tariffs of 10%-25% on Canada, Mexico, and China faced a chaotic implementation. The North American tariffs were delayed a month, briefly fully implemented, and then some goods were exempted for the time being. Chinese tariffs took effect and then doubled to 20%. Steel and aluminum imports from all countries face 25% tariffs, and 25% tariffs announced for all cars and auto parts will impact the auto industry around the world. Countries have retaliated by putting their own tariffs on U.S. exports. Additionally, sweeping reciprocal tariffs, which aim to match tariffs U.S. companies face abroad, are expected to be announced on April 2. Aside from reducing U.S. exports, economists anticipate these import taxes will raise consumer prices and squeeze business margins.

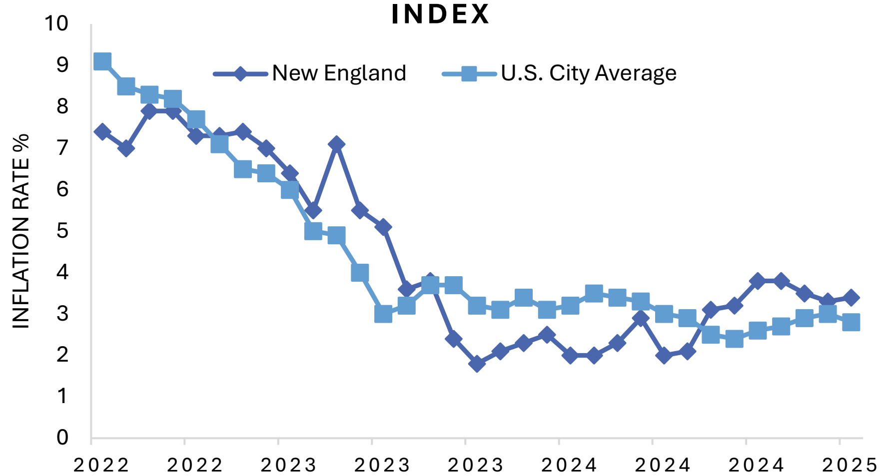
These price pressures come at a particularly poor time for inflation management. The Federal Reserve has been waiting for inflation (currently at 2.5-2.8% on an annual basis depending on the index) to approach its 2% target before continuing to reduce rates. After aggressive hikes in 2022, the central bank reduced rates by one full percentage point between September and December 2024.

The Fed chose not to reduce rates further at their January and March meetings, saying that the labor market appears healthy enough for policymakers to wait for greater clarity before further cutting their key interest rate. While the Fed indicated that two further quarter-point rate cuts are still anticipated in 2025, Fed Chair Jerome Powell acknowledged that policy makers' forecasts now reflect higher inflation at the end of this year (2.7% vs. 2.5%) and lower economic growth (1.7% vs. 2.1%) than projected in December. Tariffs and other policy changes of the Trump Administration have increased uncertainty.

While national inflation according to the Consumer Price Index (CPI) slightly decreased to 2.8% in February, New England's rose sharply from 4.0% to 4.5%. Prices are rising faster here for housing, medical care, clothes, and education and communication. As discussed on page 6, higher local inflation is making it harder for wage growth to keep pace with prices here.

The strong labor market has been driving consumer spending and economic growth since the pandemic, but that is not guaranteed to continue. Policy uncertainty is likely leading some businesses to delay hiring and investment, reducing economic growth. People and businesses uncertain about the future are likely to spend less, causing a ripple effect on many other businesses. Uncertainty has already taken a toll on the stock market.

NEW ENGLAND VS. U.S. INFLATION
ANNUAL % CHANGE IN CONSUMER PRICE INDEX



INFLATION IS HIGHER IN NEW ENGLAND: ARE WAGES KEEPING UP?

New England's labor market remains solid, but high regional inflation is eroding real wage gains, according to analysis by the Federal Reserve Bank of Boston. Our analysis of Connecticut-specific average weekly wage data suggests that private sector workers here came out ahead in the last year of available data, however we can't say how much of that is due to people moving into better paying jobs (or lower-earning workers leaving employment).

The Federal Reserve Bank of Boston analysis looked at the Employment Cost Index (ECI), which measures the change in the cost of wages and salaries, *free from the influence of employment shifts among occupations and industries.* Of the nine Census divisions, New England wages and salaries grew the slowest at the end of 2024 (just 2.9% year-over-year in 2024 Q4, and 2.5% in 2024 Q3).

Connecticut private-sector wage growth has been outpacing inflation by one measure

Average weekly wage is from the Quarterly Census of Employment and Wages, total private sector industries. The top graph reflects Connecticut average weekly wages adjusted for inflation by the New England Consumer Price Index.

Source: Bureau of Labor Statistics, OSC calculations • Created with Datawrapper

While compensation costs for private-sector workers in the region have risen according to this measure, these nominal increases have failed to translate into real wage and salary gains when adjusted for inflation for the last three quarters of 2024. New England was the only region to experience negative inflation-adjusted wage and salary growth according to the real ECI in 2024 Q4, with the measure at -0.6% year-over-year. By that measure, inflation outpaced wages.

The fact that New England also has higher inflation compounds the issue of already lower wage and salary growth. New England consumer prices—driven by housing, energy, and service-sector costs—grew faster than U.S. prices in 2024 and were up 3.4% on an annual basis in 2024 Q3 (vs. 2.7% for the U.S.).

Contrasting with that analysis, average hourly and weekly wage growth reported for Connecticut private sector workers has been painting a more positive picture. That likely means shifts in the mix of jobs are pushing average wages up.

The Quarterly Census of Employment and Wages (QCEW) tabulates nearly all employees in the state and their actual wages. If we adjust the QCEW data's average weekly wage for inflation using the New England CPI, the data indicates that Connecticut real weekly wage growth averaged 1.4% year-over year in 2024 Q3, 0.3% in Q2 and 2.2% in Q1. **While not high, the positive figures indicate that on average, wages were growing faster than regional inflation in most of 2024.** But job-stayers likely saw lower growth.

Real wage growth means workers can buy more with their earnings, increasing their standard of living and supporting economic growth. Recent preliminary data indicates that Connecticut average weekly wages rose 5.1% for the 12 months ending January 2025, beating out inflation at 4.0%.

CONNECTICUT LABOR MARKET UPDATE

While heightened uncertainty has the economy now on edge, most economic data looks back to tell you where you've been. In Connecticut, that data indicates a solid labor market at the start of 2025, perhaps reflecting initial business optimism that President Trump's policies like tax cuts and deregulation would support continued strong economic growth.

The unemployment rate remains low at 3.4% in February, and lower than the national rate of 4.1%, though it ticked up the past two months. The state added just 300 net jobs in January and February combined and is up 12,900 jobs (0.8%) year-over-year. Normal annual revisions show the Connecticut unemployment rate has been between 3.0% and 3.4% continuously for the last two years—reflecting a tight labor market that can make hiring difficult for businesses. Both the size of the labor force and private sector non-farm employment hit new highs in January.

Data from the Connecticut JOLTS report show increased churn in January, which suggests a healthy, dynamic market, as job openings (92,000), hiring (67,000), and quits (36,000) all jumped compared to recent months. Future months will show if January's optimism continued despite tariff uncertainty, federal layoffs, and the cancellation of federal government contracts and grants. So far, initial unemployment claims remain low. *See the appendix for more labor market data.*

Change in Connecticut Payroll Jobs Since 2020

	Change Since 2020	January 2025 Employment
Education & Health Services	20,900	371,900
Trade, Transportation & Utilities	6,300	300,100
Construction & Mining	3,500	62,800
Professional & Business Services	2,300	222,700
Information	−900	30,500
Other Services	−1,700	64,200
Leisure & Hospitality	−2,500	156,300
Government	−2,800	234,600
Financial Activities	−3,400	119,300
Manufacturing	−5,800	155,200

Figures reflect change from January 2020

Source: Bureau of Labor Statistics • Created with Datawrapper

Five years on from the start of COVID-19, what's changed?

In March and April of 2020, the pandemic drastically changed the economy, with 266,000 private sector payroll jobs lost.

Total Connecticut employment has more than recovered since then, with January 2025 data 15,900 positions (0.8%) higher than in January 2020. But the industry distribution has changed, as shown in the graph below.

Four major industry sectors have grown, with Education and Health Services accounting for 63% of net job gains. The Transportation and Warehousing subsector gained 13,100 jobs. Construction jobs are up 6%, and there are an extra 5,300 Professional, Scientific, and Technical Services jobs.

On the other hand, the six remaining major sectors have fewer jobs today. Manufacturing employment is 3.6% lower, despite strong hiring in certain subsectors over the past few years. There are 3,400 (2.8%) fewer jobs in Financial Activities. Similarly, the Government, Other Services (e.g., repair services, churches), and Information (e.g., publishing) sectors are down.

Leisure and Hospitality was one of the hardest hit sectors, losing 91,500 jobs from January to April 2020. The sector still has not recovered all lost jobs, with fewer Accommodation, Amusement & Recreation, and Full-Service Restaurant employees than before.

FARMERS, FOODBANKS, & SCHOOLS TO BE IMPACTED BY LOSS OF FEDERAL FUNDING FOR LOCAL FOOD

Two pandemic-era federal programs supporting Connecticut's local food economy—the Local Food Purchase Assistance Program (LFPA) and the Local Food for Schools Incentive Program (LFSIP)—are coming to an abrupt end, leaving small farmers, food banks, and schools wondering how to fill the gap. These programs, funded through the U.S. Department of Agriculture under the Biden Administration, were set to provide another $1 billion of crucial financial support nationwide over the next few years before being eliminated by the Trump Administration last month. The grants have allowed schools and organizations serving the hungry to provide fresh, locally grown food purchased from nearby farmers.

For Connecticut, the impact is significant: **$3.7 million in LFPA funding** and **$5.7 million in LFSIP funding** have been cancelled, eliminating nearly **$9.4 million in support for local food infrastructure.** The CT Department of Agriculture said that the LFPA cancellation applies to funding agreed to start in October 2025, so the program will end then, instead of continuing into 2027. Prior school meal funding ends this month.

For **small farmers**, the loss of these programs means a reduction in demand for their products. Many farms across Connecticut, already operating on thin margins, rely on these bulk purchases to stabilize income and plan for future planting. Without this guaranteed market, they must pivot to find new buyers. At the end of 2024, 131 producers, including 30 self-identified socially disadvantaged producers, sold into the LFPA program.

Food banks, which have seen a surge in demand due to rising food insecurity, will now have fewer fresh, locally sourced options for clients. This could lead to greater reliance on non-perishable goods and a decline in the nutritional quality of food available across the 516 participating distribution centers to those in need.

For **schools**, the loss of the LFS program threatens efforts to provide students with healthier, locally sourced meals. Connecticut has been making strides in integrating farm-to-school initiatives, improving both nutrition and agricultural education. With the funding cut, districts with tighter budgets may have to reverse some of that progress. Connecticut has a similar state-funded initiative (CT Grown for CT Kids) funded at $1 million this year, though the Governor's budget recommended eliminating it for savings next year, before federal funds were cancelled.

While the state has taken steps to invest in local agriculture and food security, the end of these federal funds leaves a significant gap. Policymakers are considering at least one bill this session that would increase state funding for Connecticut Foodshare, with 15% of the funds designated for purchasing from local farmers. However, the state is limited in how much federal funding it can replace next year, given tight constraints on next year's budget.

The cancellation of the LFPA and LFSIP comes at a time when farmers are facing many other headwinds. Adverse weather events in 2023 and 2024 led to losses exceeding $72.3 million; other federal funding for farmers has been frozen with uncertain release timing; and tariffs (on farmers' equipment and supplies) and retaliatory tariffs on U.S. exports are expected to hurt farmers as well.

Connecticut's small farms, food-insecure residents, and school nutrition programs may face challenges in the months ahead.

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CONNECTICUT ECONOMIC UPDATE

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Connecticut Housing Market Trends
February 2025

+0.9%
Homes Sold YoY
Redfin

+2.2%
Active Listings YoY
Realtor.com

+0
Days on Market YoY
Realtor.com

$415,900
+11.1%
Median Sales Price, YoY
Redfin

$1,675
+5.5%
Statewide Median Rent, YoY
Apartment List

6.67%
Freddie Mac 30-Year Fixed Rate Mortgage Average for the week ending 3/20

CONNECTICUT HOUSING MARKET

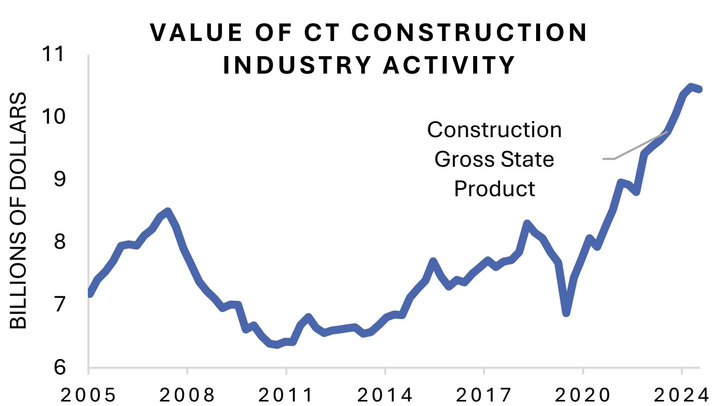
Those looking to purchase a home are seeing a silver lining of the increased recession concerns – slightly lower mortgage rates. The average 30-year fixed mortgage rate in mid-March was 6.67%, according to Freddie Mac, down from its recent high of 7.04% in January. That translates to a monthly mortgage payment on the median priced house that is 3.2% lower ($82 per month in savings), in March versus January. Mortgage interest rates tend to follow yields on 10-year Treasury bonds, which have fallen from 4.7% to 4.3% over that period on concerns over weaker U.S. growth under tariffs and higher uncertainty.

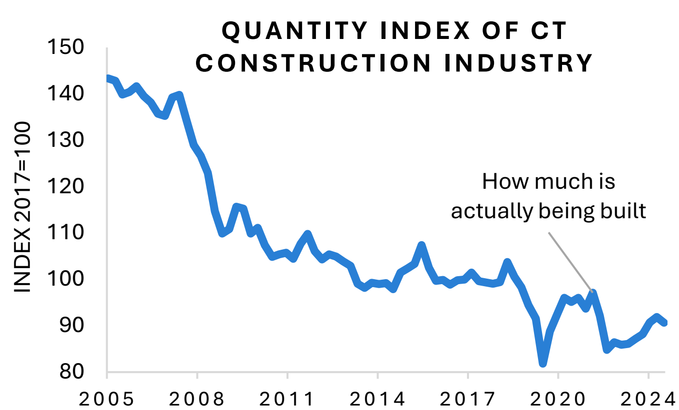
Connecticut home sales increased 0.9% in February on a year-over-year basis according to Redfin, marking five straight months of improvement over last year's very sluggish pace of sales. The median home price in February, $415,900, grew 11.1% year-over-year. Half of homes are selling above list price, which is down slighly from this time last year – meaning buyers have a little more power. The recent dip in rates is likely to boost sales in the busy spring homebuying season for those who can afford the high sticker prices. Buying a home remains unaffordable for many, as Connecticut prices have skyrocketed 63.7% since 2019 according to the Connecticut FHFA All-Transactions Index.

Some new supply of housing should be on its way, especially multifamily units, based on the pick up in building permits since the fall. From September through January 2025, the number of new multifamily unit permits has more than doubled compared to the prior year (2,145 vs. 907).

Looking at the Connecticut construction industry more broadly, real annual construction activity is below pre-pandemic levels (as of 2024 Q3), though it has been growing since mid-2022. The graphs below show the industry's output according to different measures. The first shows the value-added of the Construction industry each year to the state economy in current dollars ($10.4 billion) – it has grown 29.4% since 2021 Q1. The second graph is the chain-type quantity-index. It shows that if you remove the impact of inflation (which has driven up prices on the industry's output), the industry is actually producing 5.6% less than it was pre-pandemic (as of 2024 Q3).

The construction industry's production levels remain low, despite earnings recovery





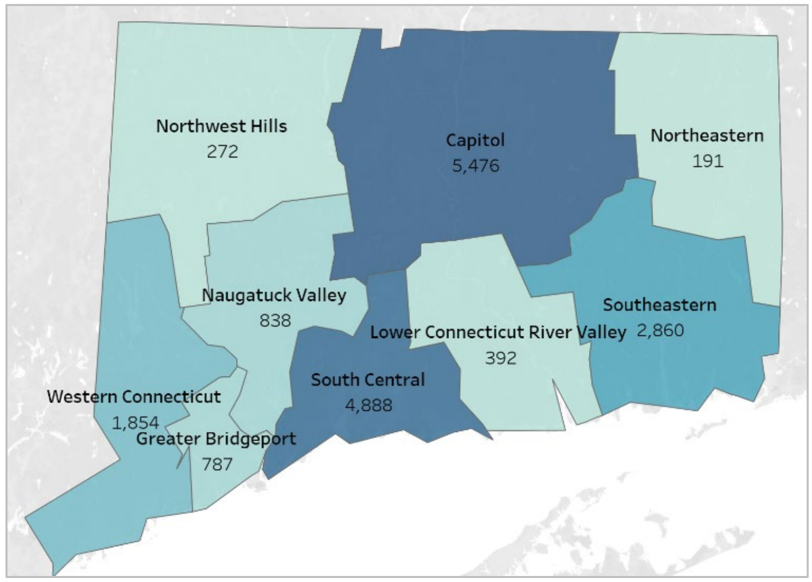
FEDERAL EMPLOYMENT IN CONNECTICUT

As the Trump administration undertakes mass layoffs in the federal government, what Connecticut jobs might be impacted? We look at the distribution of about 18,600 federal workers in Connecticut across regions and industries based on September 2024 data from the Bureau of Labor Statistics to see what jobs might be at risk. *The most recent data showed a net loss of 200 federal jobs In February, but that could be a normal fluctuation.*

Postal Service workers account for 42.1% of Connecticut federal employees, with ranks of 7,840 as of September. That employment is part of the Trade, Transportation, and Utilities sector, which has the most employees and geographically diverse locations (315 worksites).

Federal Employees by Planning Region

September 2024



Source: Bureau of Labor Statistics, QCEW.
Note: does not include the 1,071 employees with undefined location.

Public administration is the next largest segment, with 5,819 employees across 244 locations. This includes approximately 1,600 National Guard and other national security jobs, 1,200 positions in justice, federal law enforcement and federal prisons, 390 in public finance (i.e., IRS), 360 administering social programs like Social Security and Medicare, 360 administering veterans' affairs, and another 260 responsible for conservation, environmental and public health programs. There are also over 900 jobs involved in the regulation, licensing and inspection of commercial activities, with more than half of those related to transportation.

Connecticut Federal Employment by Industry

Quarterly Census of Employment and Wages, September 2024

Industry	September Employment	Locations	Full Year Wages ($ Mil)	Average Annual Pay
Trade, transportation, and utilities	8,027	315	554.4	73,580
Public administration	5,819	244	642.7	117,728
Education and health services	3,748	14	447.5	124,696
Manufacturing	405	2	50.9	124,020
Leisure and hospitality	304	6	8.7	32,344
Professional and business services	231	9	27.6	107,068
Financial activities	88	14	11.8	138,632
Other services	5	2	0.3	53,196
Information	2	1	0.2	106,080
Total, all industries	**18,629**	**607**	**1,744**	**98,800**

Source: Bureau of Labor Statistics • Created with Datawrapper

The next largest sector is Education and Health Services (3,748 jobs), with most of those jobs at the VA Hospital in West Haven. The South Central Connecticut Planning Region has a higher concentration of federal workers as a result. Another 300 or so jobs are in higher education, thanks to the U.S. Coast Guard academy in New London.

The 400 or so Manufacturing sector jobs are related to ship building and repairing, concentrated on the Southeastern coast. That region really punches above its weight in federal jobs. The Southeastern Connecticut Planning Region has 2,860 federal workers, about 1% of its total population. Most of that region's jobs are related to defense.

FEDERAL EMPLOYMENT, CONTINUED

While some of Connecticut's 18,600 or so federal employees are likely among those who have been laid off or taken buyouts as the Department of Government Efficiency (DOGE) works its way through the federal bureaucracy, as of March 31st there has not been a spike in Connecticut in initial unemployment claims from federal workers.

More federal agency job cuts continue to be announced.

Cuts to federal funding are also likely to reduce state and local government employment. As of March, approximately 2,900 state employees had at least a portion of their salary charged to federal funds. The state administers many federally funded programs (such as SNAP food assistance, highway construction, public health programs, and housing and community development grants). When state employees work on those programs, the state can use a designated share of the grants to support that worker's salary. Major cuts to such federal funding could lead to the elimination of federally supported state jobs.

Already the State's Department of Public Health has been notified about the end of more than $150 million in grants allocated to Connecticut from the Centers for Disease Control and Prevention, which were terminated suddenly. The state then issued stop work orders for its independent contractors and vendors on those projects. State job cuts are also likely.

Other job losses associated with federal funding cuts, such as among federal and state contractors, will be harder to track.

When the Trump Administration shut down the U.S. Agency for International Development in February, it terminated many programs being carried out by federal contractors. Contracted organizations may need to lay off their workers if they cannot find other funding.

Research from 2017 estimated there were 2.6 contractors and grant employees for every federal employee (not including the postal service or active-military personnel) (Paul Light, 2017, *The True Size of Government*). There will likely be former contractors looking for work in the coming months in addition to former government employees.

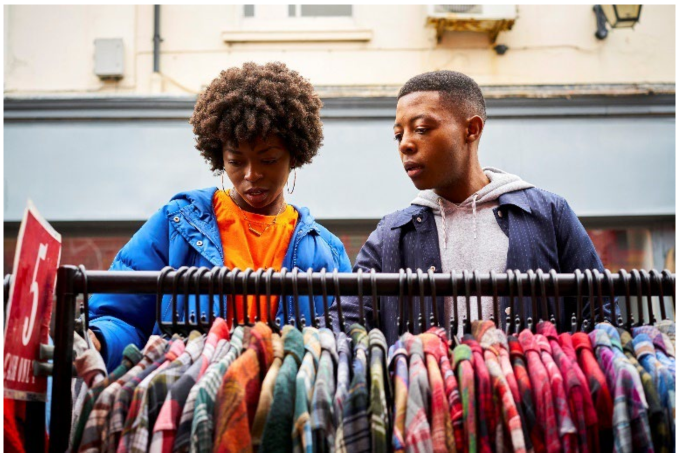
The claw back of up to $14 million in education (ESSER) funding for Connecticut, announced March 28th, will similarly impact state programs and local school district spending.

Universities and other institutions doing health and climate research are also facing the prospect of layoffs due to the cancellation of research grants and a significant reduction to the amount of overhead costs that can be supported by National Institutes of Health (NIH) funding. Yale received nearly $646 million in NIH funding last year and typically received indirect overhead funding at more than four times the newly allowable rate. UConn, including its medical school, received $97 million last year.

Cuts to NIH research funding are also expected to have a negative impact on the biomedical research industry, which Connecticut has been working to grow within the state.

AS CONFIDENCE FALLS AND HOUSEHOLD DEBT GROWS, WILL CONSUMER SPENDING FALTER?

Consumer spending accounts for about 70% of gross domestic product (GDP) in the U.S., which makes solid consumer spending necessary for a healthy economy.



A possible leading indicator of that spending, **consumer confidence fell for the fourth straight month in March** to 92.9 (1985=100), shaken by the mass layoffs of federal workers, expectations surrounding new tariffs, and recent declines in the stock market. Older and lower-income consumers saw the largest confidence drops in March, and consumers are increasingly concerned about their future financial situations.

As prices have risen, households have increased their borrowing. Household debt in the U.S. continued its steady rise in the fourth quarter of 2024, reaching $18.04 trillion, according to the Federal Reserve Bank of New York. Credit card and auto loan balances rose by $45 billion and $11 billion, respectively.

As interest rates on credit cards and auto loans remain high, there are signs consumers are falling behind. For credit cards, about 11.4% of the balance is seriously delinquent (90+ days past due), the highest level since 2012 based on data in the New York Fed's report. And while mortgage delinquency rates are comparable to before the pandemic, more auto loans are becoming delinquent than before.

The data underscores growing financial strain for some consumers, particularly those managing high-interest debt.

January saw retail and food services spending drop 1.2% for the month from December according to the Census Bureau, as consumers pulled back after a strong holiday shopping season. Spending especially fell on vehicles. Retail and food services sales increased a mild 0.2% in February, with spending at bars and restaurants dropping 1.5% from the prior month.

Eating out is generally considered to be a discretionary expense, so a drop in spending on that could be tied to declining consumer confidence.

Much of recent quarters' consumer spending has been fueled by higher income consumers, who experienced the wealth effects of rising home and stock market values. But stock market volatility and weaker spending by lower- and middle-income groups struggling to keep up with higher prices and borrowing costs could spell trouble.

Partly based on 2025's lower retail sales data, the Atlanta Federal Reserve Bank's GDPNow forecast model is projecting negative inflation-adjusted GDP growth for the U.S. economy for 2025 Q1. Two quarters of negative growth is one common definition of a recession.

While a recession is not currently being projected by the Federal Reserve, the likelihood of a recession this year has risen from a very-low likelihood in December to a low-to-moderate likelihood now. Much will depend on the Trump Administration's next steps, as the economy shows signs of slowing down amidst such high uncertainty.

APPENDIX

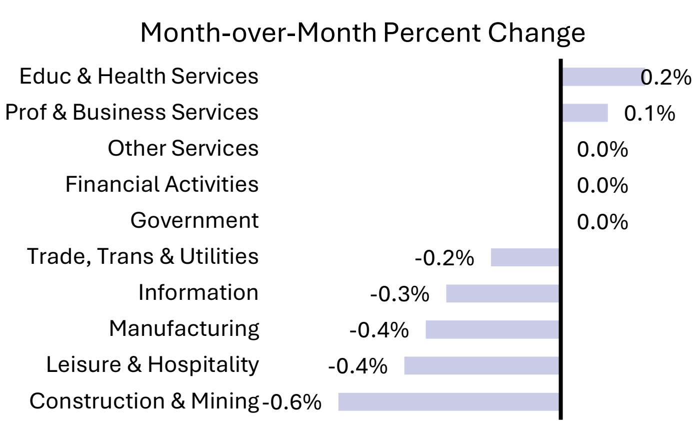
Connecticut Housing Market	Feb-25	Feb-24	% Change or Change
Home Sales (Redfin)	2,071	2,052	0.9%
Median Sales Price (Redfin)	415,900	374,200	11.1%
Active Listing Count (Realtor.com)	3,140	3,071	2.2%
New Listing Count (Realtor.com)	2,370	2,354	0.7%
Freddie Mac U.S. 30-Year Fixed Rate Mortgage Average (%) (Week ending 3/20/25 and 3/21/24)	6.67	6.87	-0.20
Median Days on Market (from listing to close, Realtor.com)	47	47	-
Average Sale-to-List Price Ratio (Redfin)	101.1%	101.7%	-0.6%
Median Rent for New Leases (Apartment List)	1,675	1,588	5.5%
Single-family Housing Permits YTD-January (U.S. Census Bureau)	129	150	-14.0%
2+ Unit Structures Housing Permits YTD- Jan. (U.S. Census Bureau)	161	103	56.3%

Some Data Retrieved from FRED, Federal Reserve Bank of St. Louis

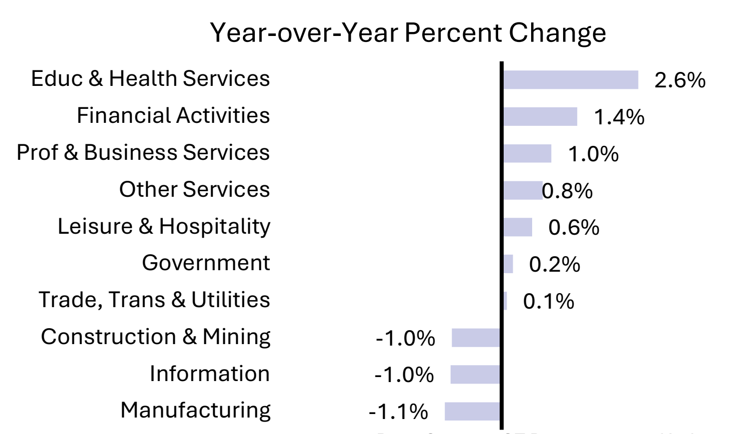
Connecticut Labor Market	Feb-25	Jan-25	Feb-24
Unemployment Rate	3.4%	3.3%	3.2%
Total Unemployed	66,400	63,900	62,500
Total Nonfarm Employment	1,716,400	1,717,600	1,703,500
Job Growth	-1,200	2,300	-500
Job Openings to Unemployed Ratio	-	1.4	1.5
Quit Rate	-	2.1	1.9
Average Monthly Initial Unemployment Claims	3,167	4,964	3,142
Labor Force Participation Rate	65.0%	65.0%	64.6%
Average Hourly Wage	$39.14	$38.95	$37.49

Data Source: Bureau of Labor Statistics & CT Department of Labor

Connecticut Industry Sector Nonfarm Payroll Employment – February Changes

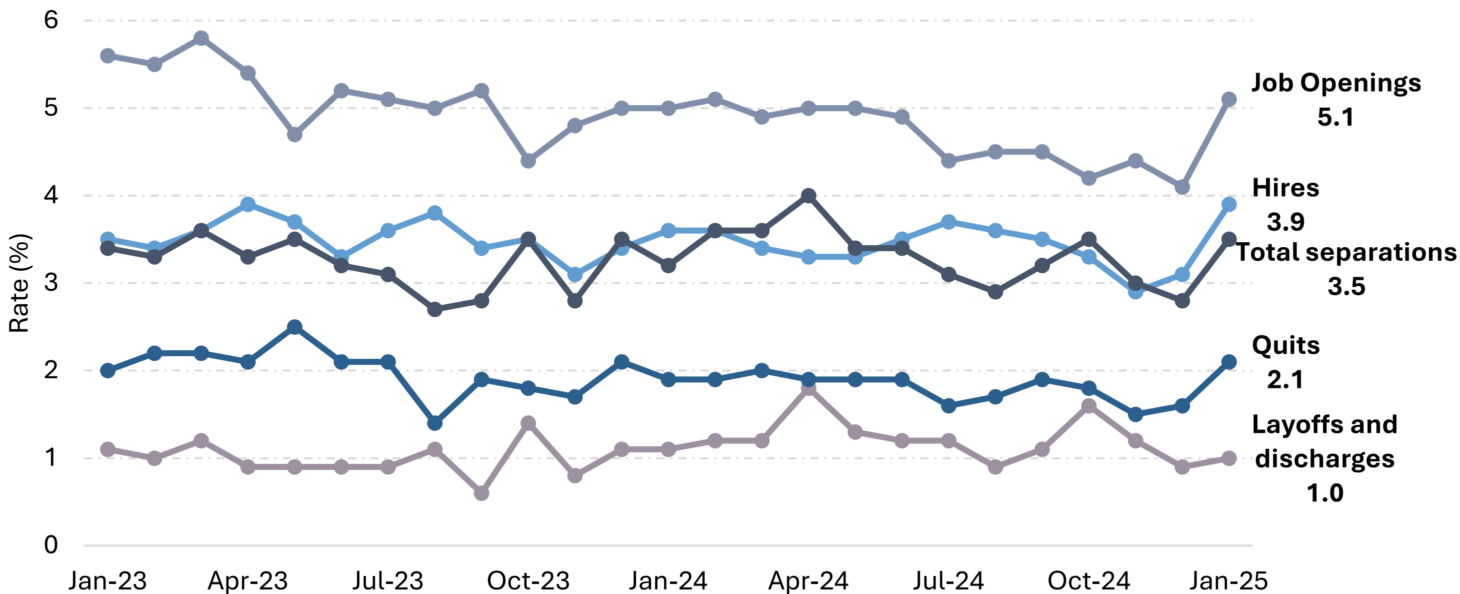


Data Source: CT Department of Labor



Data Source: CT Department of Labor

Connecticut Job Openings, Hires, & Separation Rates Through January 2025



Source: Bureau of Labor Statistics, JOLTS