



OFFICE of the STATE COMPTROLLER

CONNECTICUT ECONOMIC UPDATE

Sean Scanlon
State Comptroller
DECEMBER 2025

In this month's edition

Outlook: Connecticut's economy expanded slightly faster than the nation's in the first half of 2025, and real gross state product (GSP) is projected to increase 2.1% overall in 2025 according to Moody's Analytics.¹ Many economic indicators have been delayed or cancelled due to the 43-day federal shutdown. The Connecticut unemployment rate was 3.8% as of August (the last report). U.S. unemployment rose from 4.3% in August to 4.4% in September, and payroll employers nationally added 119,000 jobs (preliminary). While September U.S. job growth strongly beat economists' low expectations, labor market trends point to a fragile situation with recent data lacking.

Affluent consumers benefiting from rising asset prices have powered consumer spending this year. Anything that causes that group to meaningfully pull back on spending (e.g., a stock market selloff) could jeopardize economic stability. The [Consumer Sentiment Index](#) was near record lows (at 51.0) in November as the holiday shopping season got into full swing. Inflation remains elevated at 3.0%, per the September Consumer Price Index (CPI). October's CPI report was cancelled.

Overall, Connecticut job growth is expected to slow in the coming year due to less international immigration (which has historically boosted the labor force) and demographics (with only the 65+ age cohort projected to expand in the next 5 years according to Moody's). Small businesses and other borrowers could eventually see some relief from lower interest rates if the Federal Reserve votes to reduce the federal funds rate at their December 9-10th meeting. As of Nov. 30th, the market puts the odds at 87.4% for a quarter point cut (for a target range of 3.5-3.75%), per [CME Fedwatch](#).

Everyone's talking about artificial intelligence (AI). It's a complicated topic with many unknowns. This month we discuss some ways AI could shape Connecticut's economy in the years ahead. We cover the evidence on which groups are starting to see employment impacts (young people in highly exposed jobs) and why it could take more time for wider labor market and economic growth impacts. There's a growing consensus that the AI boom in equities could be a bubble—though no one knows when it will end. We cover some lessons from past technology-fueled bubbles to keep in mind. Finally, we look at some potential implications for policy.

Are AI data centers driving up Connecticut electricity rates? Although AI-driven electricity demand is rising nationwide, New England's electric grid has yet to see hyperscale data centers on it competing for power. The region's power needs are rising for other reasons—like electrification of transportation and home heating, though new demand from data centers could be an issue a few years out.

New claims for unemployment benefits have remained low in October and early November. In October, Connecticut saw approximately 85,000 job postings according to the Conference Board Help Wanted Online series, suggesting firms are still looking for qualified candidates.

CT home sales rose 5.7% year-over-year in October according to Redfin. In November, the Connecticut General Assembly passed a major housing bill.

KEY DATES THIS MONTH

12/09 – 12/10 Federal Reserve FOMC Rate Setting Meeting
12/11 – September CT jobs report*
12/16 – November U.S. jobs report*
12/18 – November CPI inflation report*
12/23 – U.S. 2025 Q3 GDP 1st estimate*

*Rescheduled due to government shutdown

Did you know?

Due to a new Connecticut law, [Public Act 25-93](#), when the State's "rainy day fund" is at full capacity, any remaining operating surplus from the State's General Fund will eventually be transferred to a newly established [Early Childhood Education Endowment](#). The endowment will support new childcare and preschool slots, as well as higher pay for staff, to make care for infants to preschoolers more accessible and affordable for Connecticut families.

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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¹ As cited by the Office of Fiscal Analysis, [Fiscal Accountability Report FY 26-FY 30](#)



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WE'RE IN AN ARTIFICIAL INTELLIGENCE BOOM: WHAT COULD THAT MEAN FOR CONNECTICUT'S ECONOMY?

Connecticut companies are well-positioned to reap economic gains from artificial intelligence (AI), with much of the state's employment concentrated in sectors that could leverage recent AI innovations to increase productivity. At the same time, that high-AI exposure could result in less hiring or even layoffs for Connecticut workers during this technological transition.

This month we dive into the economic questions surrounding AI by looking at some of the **evidence so far** and considering how the state's key industries and demographics might influence AI's impact on the state. We also look at **lessons from history**—both from technology-induced financial bubbles and the roll out of prior “general purpose technologies”—to provide some potential insights on the highly uncertain future of AI in the economy. *Check out the appendix for a quick summary of what we mean by AI.*

A word of caution

While AI raises exciting possibilities, both for new products, services and scientific discoveries, as well as for making business processes more efficient, these systems raise serious ethical, legal, and practical questions about the data they are trained on, the biases they may reinforce, and the harm they could cause.

These policy questions—around privacy, fairness, accountability, and safety—are crucial and will need sustained attention in the years ahead. This spotlight focuses on some economic implications, but the broader societal risks and regulatory needs warrant further discussion.

How could AI impact employment?

Researchers have been looking at the question of which jobs are most exposed to AI for several years. They typically find that knowledge industry, white collar jobs are more likely to have tasks that could be replaced or enhanced by AI systems in the near term. For example, generative AI (Gen AI), like ChatGPT and Copilot, can already write legal briefs, compose press releases, compile a snazzy slide deck and answer customer service questions—all tasks of occupations that are more “exposed” to AI.²

In a Brookings Institution article called [“Machines of the mind: The case for an AI-powered productivity boom”](#), three prominent economists put it this way:

“The current wave of cognitive automation marks a change from most earlier waves of automation, which focused on physical jobs or routine cognitive tasks. Now, creative and unstructured cognitive jobs are also being impacted. Instead of the lowest paid workers bearing the brunt of the disruption, now many of the highest-paying occupations will be affected. These workers may find the disruption to be quite unexpected. If their skills are general, they may find it easier to adjust to displacement than blue-collar workers. However, if they have acquired a significant

Why is the AI Boom Happening Now?

Some of the algorithms powering AI models were invented decades ago. The boom is happening now thanks to the convergence of several factors:

- Massive gains in computing power
- Wide availability of digital data for model training via the internet
- Technological progress in algorithms and architectures.

We now have the infrastructure—specialized chips and cloud computing—to train very large neural networks with billions or trillions of parameters, and we have sufficient digital data to feed them.

This has enabled generalized systems with impressive capabilities. Major tech companies are investing billions of dollars to build more computing power and continuously improve their models. Widespread real-world use is providing useful feedback.

² One analysis estimates that current Gen AI systems will significantly affect at least half of the tasks of 19% of workers in the US economy, while 80% of jobs will have 10% or more of their tasks affected (Elondou et al., 2024)



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amount of human capital that becomes obsolete, they may experience much larger income losses than blue-collar workers who were displaced by previous rounds of automation.”

Given Connecticut’s concentrations in finance and insurance, healthcare, professional services (such as law, accounting, and consulting), higher education, life sciences, and defense manufacturing, it is plausible that the state is more exposed to AI than average. This was in fact the finding of two Treasury Department economists, Schendstok and Wertz, in their [2024 working paper](#). Their model ranked **Connecticut 9th among states in terms of the share of a state’s employment that is highly exposed to AI by their measure.**³

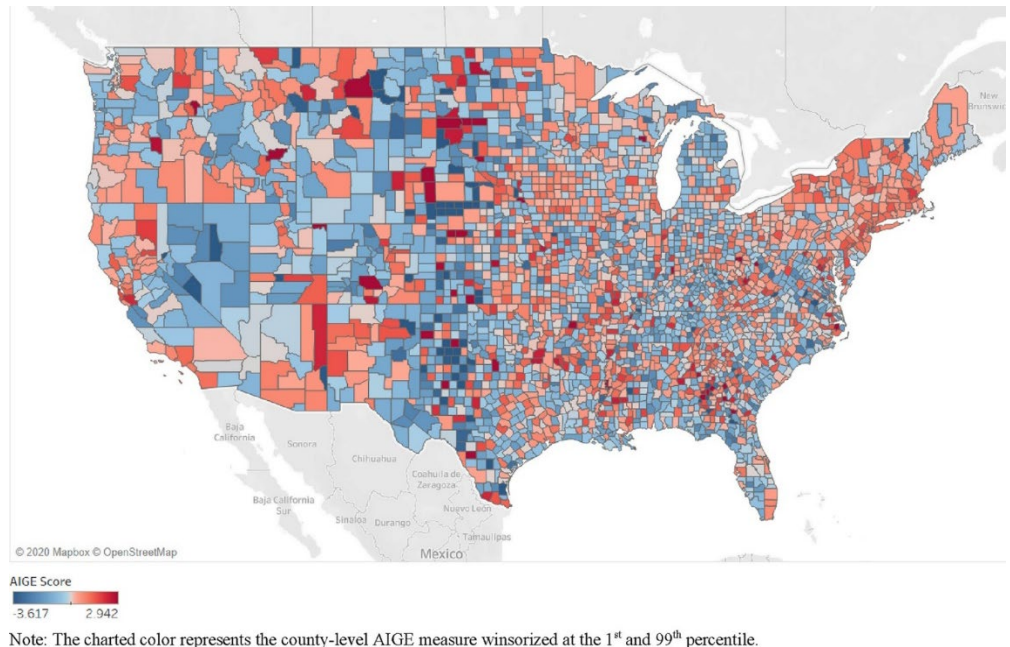
Another paper created an AI occupational exposure measure (AIGE) mapped by county as shown in the U.S. graph. Those authors also found Connecticut, and much of the Northeast, to be highly exposed to potential AI employment impacts.

But exposure alone doesn’t guarantee job loss. A crucial question is **whether AI will augment or replace human workers**. Will it make them more productive—or make them unnecessary?

- If AI augments workers, employers may be willing to pay higher wages over time as workers generate more value.
- If AI replaces workers, jobs may disappear or only be done for lower wages.⁴

Regardless, new start-ups integrating AI will result in new jobs being created, even as some existing companies fail

AIGE, a measure of geographic AI exposure, for the Continental United States



Source: [Felten, Raj, and Seamans \(2021\) Occupational, industry, and geographic exposure to artificial intelligence: A novel dataset and its potential uses](#)

to remain competitive and close. Those forces will also drive employment changes in the years ahead.

Many businesses are looking to cut costs in this year of high economic uncertainty.

That could lead firms to adopt more labor-replacing AI (like customer service chatbots) rather than tools that primarily augment existing staff to support future growth. The result could be increased business productivity but not worker welfare.

Next, we look at a few illustrative examples.

Will we have fewer lawyers?

The legal profession is likely to change. If lawyers can complete more cases because cost-effective tools can do some of their time-consuming work for them, all else equal, that should increase firm profits. Whether or not that

³ District of Columbia, Maryland, Utah, Colorado, New Jersey, Arizona, Massachusetts, and Virginia all ranked higher. Connecticut ranked just above New York and California.

⁴ As economist David Autor has written about, it matters which tasks are automated. If a highly skilled worker has their lower skilled tasks automated, their job will be made up of only highly-skilled tasks—which should increase their wages given there is continued demand for those high expertise tasks. However, if someone’s higher-skill tasks are automated (such as Gen AI in the case of someone whose job centered on writing basic computer code), that person will likely see their wages fall.



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reduces overall employment for lawyers or other legal staff depends a lot on whether there is also growing demand for legal work. If the demand for legal work stays the same, having more productive lawyers would suggest you need fewer of them, as well as fewer support staff like paralegals.

Experts often list the legal industry as one likely to see major disruptions in the years ahead, but much remains uncertain. The field requires analyzing and producing text in ways that Gen AI models excel at; however, the fact that “hallucinations” have already shown up in real court documents suggests a need for human involvement and oversight remains. In practice, AI is likely to affect the mix of tasks that lawyers and staff perform, which could pressure certain wages and employment levels over time.

The hopeful example of radiologists

Radiologists, who read medical imaging like MRIs and x-rays, provide another useful example. In 2016, Geoffrey Hinton, who has been called the “Godfather of AI” [suggested](#) that medical schools should stop training radiologists because AI would outperform them within five years. Essentially, radiology is highly exposed to AI.

And it’s true that AI has been a game changer in radiology. As of 2024, radiology tools account for 78% of all FDA-approved AI-enabled medical devices and have been widely deployed because of their pattern recognition strengths. Yet strong [demand](#) for radiologists has continued.



“The amount of computation, or compute, used to train state-of-the-art machine learning models increased ten billionfold from 2010 to 2022 and is doubling every six months. For the largest models, the amount of compute used for training is doubling approximately every seven months.... Costs for training the largest models are doubling roughly every 10 months. Training current frontier models costs on the order of tens of millions of dollars just for the final training run.” -Paul Scharre in March 2024, [Center for a New American Security](#)

What if it’s a bubble?

The AI boom shares some similarities with past bubbles that followed the introduction of important new technology, with stock valuations rising rapidly based on future earnings projections not justified by current demand.

Investment in GPUs and data centers has spiked, but not all that capital spending may end up paying off quickly enough. New innovations, like smaller models or new approaches to training, could reduce the immediate need for data centers and specialized chips, leaving stranded assets and disappointing investors. But the current frenzy could also continue for a while.

The past provides some useful comparisons. Railroads were indeed a game-changer, but companies swept up in the enthusiasm during Britain’s railroad mania in the 1840’s invested in remote and duplicative railroad lines that ultimately went bust. In the U.S. dotcom bubble in the late 1990’s to early 2000’s, excitement about the internet led to overinvestment in fiber optic cables and other telecoms infrastructure that couldn’t be justified by actual demand. Major players went bankrupt, though the cheap broadband that resulted helped enable the modern internet.

One lesson to take away from past innovation-fueled bubbles is that many companies will invest but not all of them will win. People and funds that have bet on the losing firms will see their portfolios shrink, potentially quickly, as that outcome becomes clear. Contagion can send the wider economy into a downturn, hurting everyday people who lose their savings and jobs.

If the AI boom is a bubble, these examples point to one silver lining. Long-term, our economy may benefit from this burst of AI infrastructure spending if it enables eventual AI implementation at a lower cost that fosters innovation.



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Several factors help explain this. AI tools generally perform worse in real hospital settings than in benchmark tests. Radiologists also do much more than read images during a full day's work. Additionally, regulators are reluctant to allow, and insurers are reluctant to cover, fully automated readings without any human oversight.

This example illustrates how employment shifts may occur much more slowly than the technology alone might imply, especially in highly regulated sectors. Workers may see their roles change rather than disappear.

Is AI already replacing workers?

Economists at Yale looking for labor market effects of Gen AI have so far not found evidence of major labor market disruptions among existing workers; however, there is evidence from researchers at Stanford that it could be reducing employment for early career workers in AI-exposed occupations.

Economists at the [Yale Budget Lab](#) summarized an analysis in fall 2025 by saying "Overall, our metrics indicate that the broader labor market has not experienced a discernible disruption since ChatGPT's release 33 months ago, undercutting fears that AI automation is currently eroding the demand for cognitive labor across the economy." They explain that this is not surprising given how long it has taken for work to be reorganized around past innovations like the personal computer and the internet. However, just because we haven't seen major disruptions yet, does not mean we will not see it in the future.

On the other hand, researchers in Stanford's Digital Economy Lab are seeing evidence of a noticeable impact for one group of workers that seem most vulnerable. A [2025 working paper](#)

Recent Evidence Points to Reduced Employment for Younger Workers in High AI-Exposure Jobs

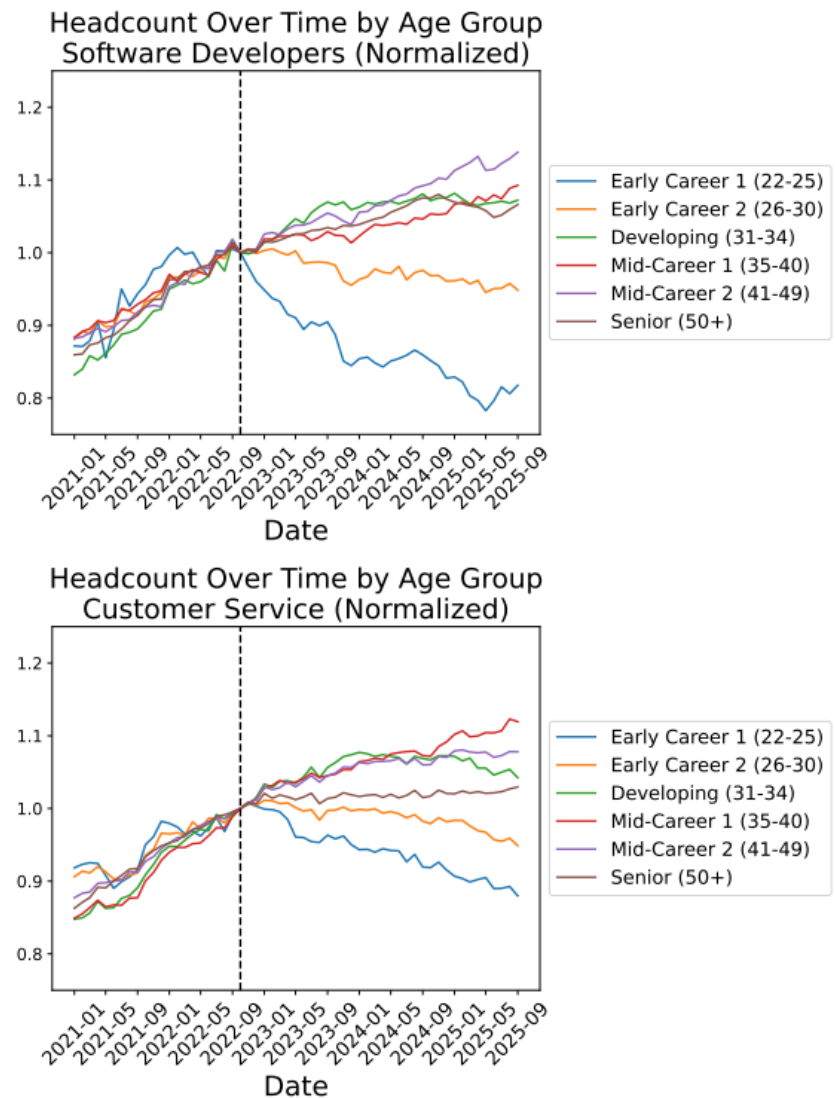


Figure 1: Employment changes for software developers and customer service agents by age, normalized to 1 in October 2022.

Source: [Brynjolfsson, Chandar, Chen \(2025\), "Canaries in the Coal Mine? Six Facts about the Recent Employment Effects of Artificial Intelligence" working paper](#)

by Brynjolfsson, Chandar and Chen, used ADP payroll processing data through September 2025 to show that **employment headcount has declined following the introduction of ChatGPT in 2022 for early career software developers and customer-service specialists (highly exposed fields)**, with the impact increasing over time. Early career workers in less-exposed fields such as stock clerks and health aids, as well as more experienced workers, did not see those employment declines over the same period,



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suggesting Gen AI could be driving the change. Their paper also found that “employment declines are concentrated in occupations where AI is more likely to automate, rather than augment, human labor.”

These findings illustrate what many young people already know—it’s a difficult economy for college grads looking for work. In recent years the unemployment rate for recent college graduates (aged 22-27) has been above the overall unemployment rate—a reversal from the trend since 1990, as shown by the [Federal Reserve Bank of New York](#). AI is not the whole story, but the Stamford analysis suggests AI is part of it in certain fields.

Today, Gen AI tools can gather and summarize data as deftly as an intern or entry-level worker at an accessible cost. If companies reduce hiring of those typically younger workers as a result, it raises important questions about **who will**

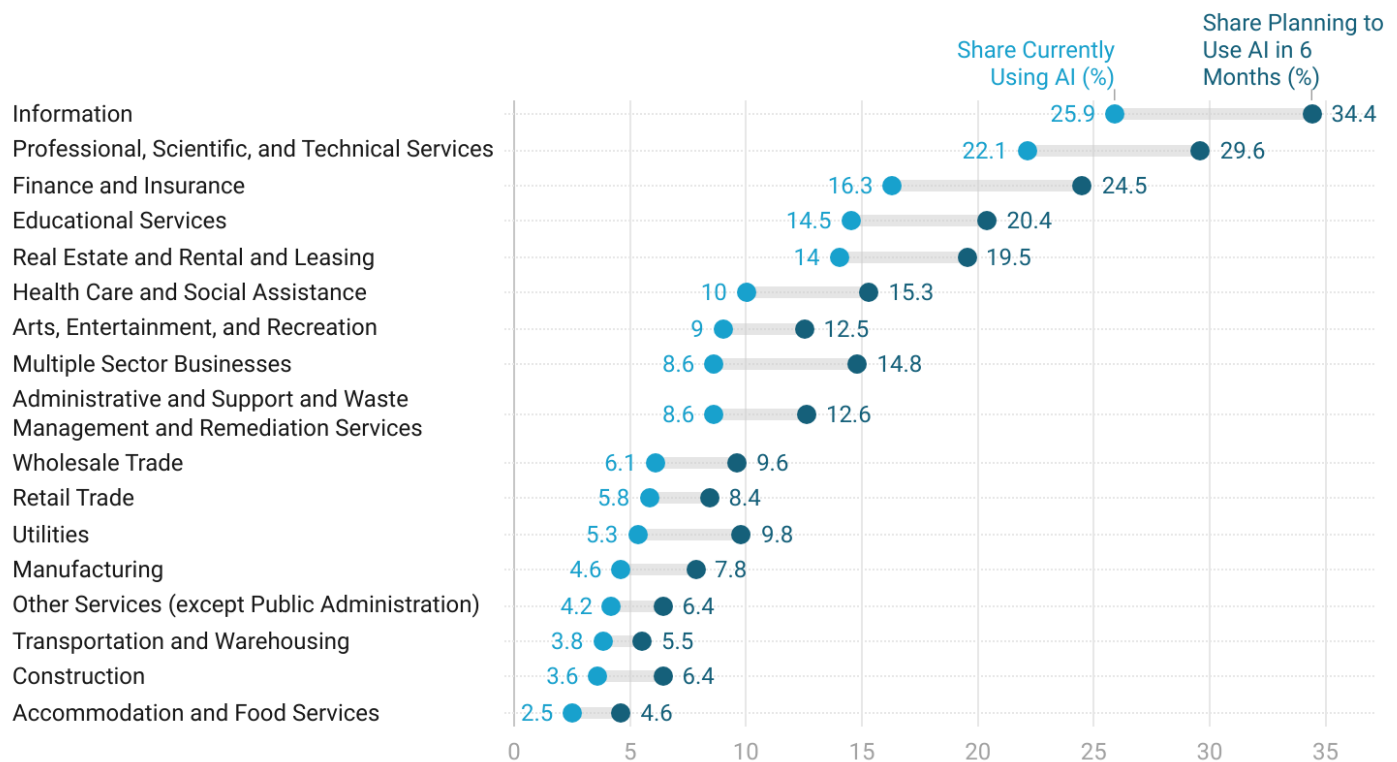
become the experienced managers and leaders of the future, and what opportunities young people will have to earn a living if AI leads to more generalized hiring shifts in the years to come.

Which Connecticut industries could see the most changes in the short term?

Connecticut is home to many AI-related startups, for whom new technology forms a core part of their value-proposition, though it remains expensive. One such financial services firm said their AI expense (from Google), was their largest single operating cost. Economic forces or policy efforts to reduce the costs of AI services could help such startups flourish. If successful, these firms could account for a growing share of Connecticut employment and gross domestic product (GDP) in the years to come, though limited now.

U.S. AI adoption by industry for "producing goods or services"

Summer 2025 proportion of employers using and planning to use AI



Values reflect average proportions of employers across 4 survey periods referencing July and August 2025. Questions include "In the last two weeks, did this business use Artificial Intelligence (AI) in producing goods or services? (Examples of AI: machine learning, natural language processing, virtual agents, voice recognition, etc.)" and "During the next six months, do you think this business will be using Artificial Intelligence (AI) in producing goods or services?"

Source: U.S. Census Bureau • Created with Datawrapper



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For example, Connecticut has a growing life sciences and biomedical engineering sector that could use Gen AI to boost innovation, since AI can help predict which combinations will be most successful. Insurance, which depends on correctly predicting risk, can also harness AI to more accurately price insurance products. Banks and other Wall Street-related financial firms have been some of the first to capitalize on these new capabilities, and Connecticut could see more GDP growth from these sectors as a result.

Broader AI adoption by existing businesses is still in an early phase. Many employees use AI for tasks like drafting emails or brainstorming, but integrating AI into core production processes is a more significant step.

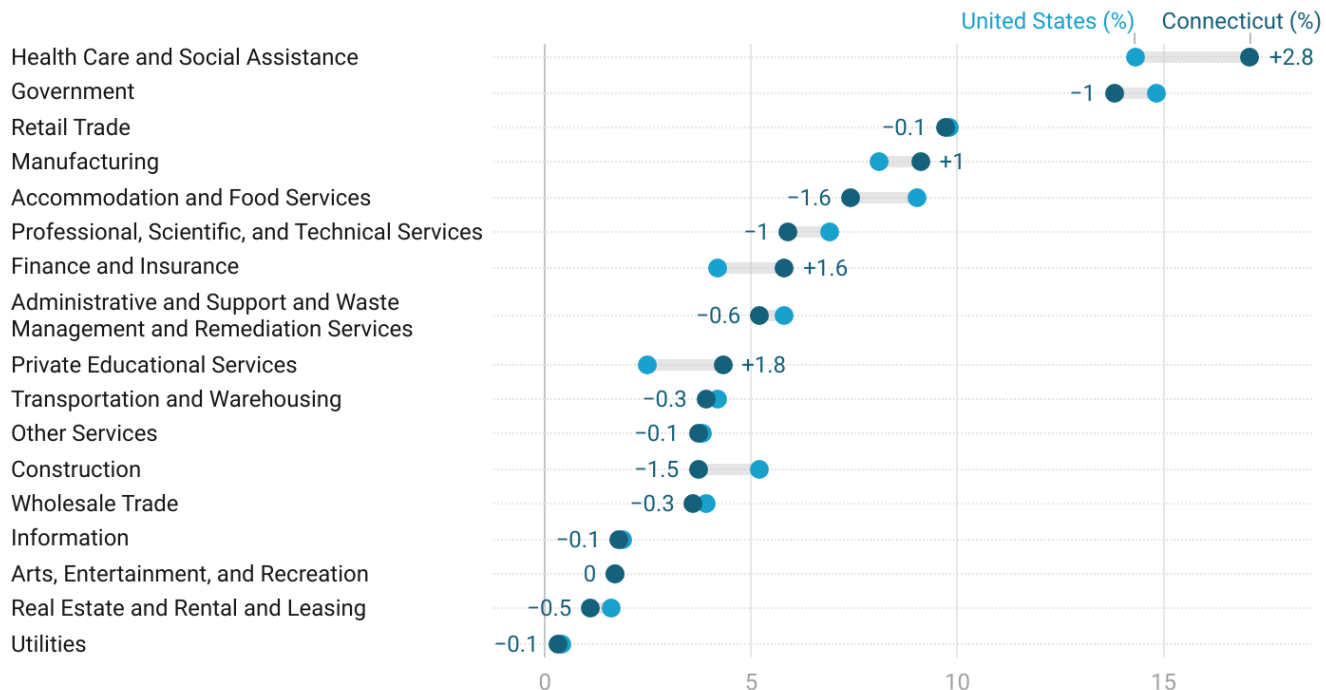
A relatively new federal data source, the Business Trends and Outlook Survey (BTOS), polls a rotating sample of about

200,000 U.S. businesses every two weeks about their operations, including AI use.⁵ **Nationally, about 9.4% of businesses reported using AI to produce goods or services in late summer 2025.** That share rises to 13.6% for businesses planning to use AI in the next six months.

State-level BTOS data covers only single-industry firms operating solely within one state. In Connecticut, about 8.6% of such businesses reported using AI to produce goods or services in the prior two weeks over this period. By this measure, Connecticut ranks roughly 28th among states in AI adoption. About 11.7% of Connecticut-only single-industry firms expect to be using AI within six months. Colorado, by comparison, reports 12.5% of firms using AI and 18.4% planning to adopt it. Larger, multi-state firms are more likely to report AI use.

Connecticut's share of employment by industry compared to the U.S. overall

Average 2024 Industry Employment as a Share of Total Employment, Connecticut vs. United States



Horizontal axis shows proportion of employment in that industry for U.S. and CT. Labels indicate difference in CT share compared to the U.S. overall. Certain categories not listed based on industries excluded from the previous graph.

Source: Current Employment Statistics, Bureau of Labor Statistics, OSC Calculations • Created with Datawrapper

⁵ Statistics cited are the proportion of “yes” responses averaged by OSC over four survey periods, to smooth volatility arising from rotating samples.



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The graph on pg. 6 shows current AI use and planned use by U.S. industry based on national BTOS data. AI deployment varies widely by industry:

- About 25% of firms in the **Information** sector (e.g., publishing, broadcasting, telecommunications) already use AI.
- Fewer than 3% of firms in **Accommodation and Food Services** (e.g., hotels and restaurants) do so.

The sector with the second-highest current AI use is **Professional, Scientific, and Technical Services**, which includes many white-collar professions deemed high-exposure: legal services, accounting, architectural and design services, consulting, research, and translation services. Within six months, more than 30% of firms in both the Information sector and Professional, Scientific, and Technical Services expect to be using AI in production.

Other high-use sectors include **Finance and Insurance** (16.3% currently use) as well as **Private Educational Services** (14.5% currently use). Looking at the next graph, you can see that Connecticut has a higher share of employment in those two sectors than the national average: an extra 1.6 percentage points of state payroll employment in Finance and Insurance and 1.8 points in private educational services (including private schools and higher education). **This concentration may increase both the upside and downside risks from AI for the state.**

Healthcare is already seeing meaningful AI deployment, and it is Connecticut's largest employment sector. AI is being used to optimize staff schedules, predict discharge dates for hospital patients, perform virtual nursing, and recommend appropriate medical billing codes. In the future, AI could be used to deliver personalized medicine. People are increasingly turning to chatbots for medical diagnosis and therapy, for better or worse.

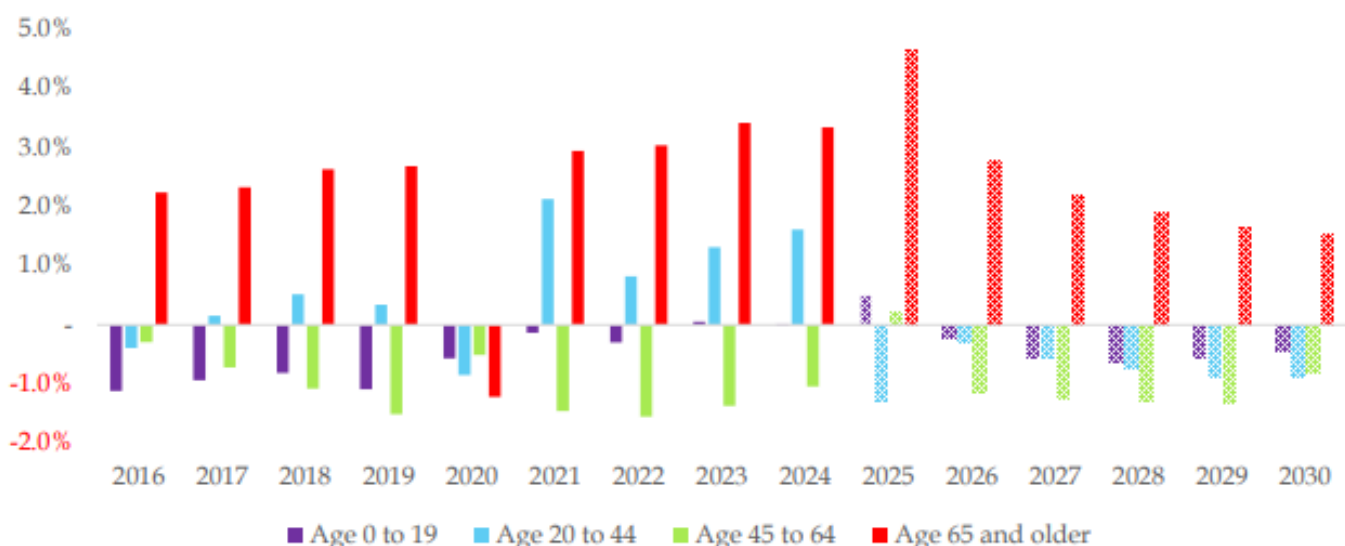
Higher education is another important industry in Connecticut and much of the Northeast. As discussed in the August 2025 issue of the Economic Update, Gen AI could be an existential threat to the education industry—one that demands change. Now that students can use LLMs to write their papers, many university departments are rethinking the way they assess student learning.

Additionally, the skills students need to succeed in the economy in the years ahead are shifting. Students, like most workers, will need to be adaptable, critical thinkers capable of using new AI tools to make themselves better workers. The returns to a college degree could turn out to be much higher or much lower in the future—another uncertainty in this age of AI.

Could AI help address Connecticut's demographic challenges?

The potential for AI to help manage Connecticut workforce shortages in the years to come is one possible bright spot.

Connecticut Projected Annual Population Growth by Age Cohort



Source: [Connecticut Office of Fiscal Analysis](#), using U.S. Census Bureau, Moody's Analytics Forecast, and OFA calculations



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Aside from the pandemic, recent population growth in Connecticut has relied on steady international immigration. Connecticut's population is also aging. In the past, population growth among working-age cohorts has helped states grow and prosper.

Given recent changes to federal immigration policies and Connecticut's demographic trends, the state could see population and labor force declines in the coming years. If AI can be used to fill some of the workforce gaps, it could be a good thing from the consumer standpoint (putting downward pressure on prices) and for business owners (allowing expansion without as much hiring). The impact on workers though is less clear.

One way AI is being used for good is the adoption of AI tools that listen to doctor-patient interactions and automatically update medical charts and notes (for later physician review). This can let physicians focus more on patients and reduce "pajama time"—the after-hours administrative work that often harms quality of life and contributes to burnout.

If these tools reduce burnout and make medicine more attractive as a profession, they could be one small step towards addressing healthcare workforce shortages in a sector expected to keep growing as Connecticut's population ages. AI also offers promise to "level up" the knowledge of health workers with fewer years of schooling to potentially take on higher roles.

In advanced manufacturing, AI-integrated automation has already become a path to growth for Connecticut companies that can't hire enough of the workers they need. Their cutting-edge factories still require local workers with various skill sets and provide good pay for a range of education levels. The State is working to attract and train the next wave of manufacturing workers who will be leveraging this advanced technology in their jobs.

Implications for growth and inequality

Technological change and automation have been reshaping work for centuries, and AI is just the latest chapter in that story. One major reason financial markets are excited about AI is the expectation that it will increase productivity and therefore raise economic growth—perhaps significantly. History provides some useful context.

Economists have suggested that **AI advances could qualify as a "General Purpose Technology" (GPT)**: a transformative innovation that spreads across many industries, improves over time, and enables additional innovation. Past GPTs include the steam engine, electricity, computers, and the internet. In the medium term, these innovations displaced workers but also spurred new jobs and industries that were not previously possible.

The internet, for example, eventually led to new kinds of digital economy jobs and the online shopping industry. In Connecticut, the rise of e-commerce has shifted

AI Robotics & AGI

Sky-high stock market valuations partially reflect the expectation of widespread robotic AI and future "artificial general intelligence" (AGI). Robotics requires overcoming more barriers, like manufacturing, logistics, safety and regulatory compliance. AGI—the concept of a machine that can think, learn and reason as well as a human expert, across all domains—is still theoretical. The extent and speed of AI hardware adoption, as well as the development of AGI, are more sources of uncertainty about how AI may impact the world.

Driverless vehicles are one form of robotic AI. Self-driving taxis are already operating in several U.S. cities. Taxi, ride share, and truck drivers are vulnerable to displacement if autonomous vehicles become cheaper and more reliable, while consumers and some businesses could benefit from lower transportation costs.



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employment away from brick-and-mortar retail toward warehousing and delivery work over the past decade.

Following major disruptions from GPTs, the economy typically adjusts in the medium term—some jobs go away but other new jobs are created. The tricky part is easing the costs and pain for displaced workers during that transition as well as ensuring that new prosperity is broadly shared.

Past GPTs eventually led to big increases in worker productivity that increased economic output, essentially “increasing the size of the pie.” But past GPTs also provide some cautionary tales:

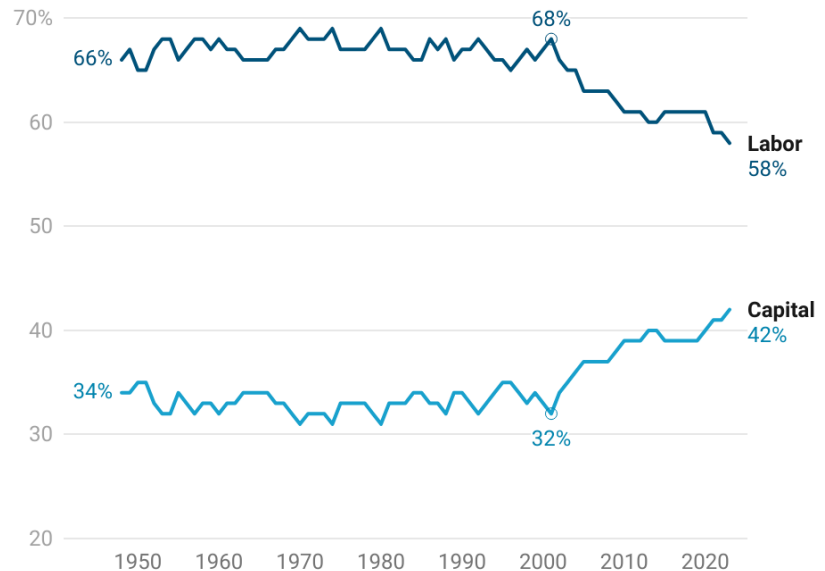
- **Past productivity booms took place decades after the new technology was first introduced.** While startups and big tech companies can use AI most efficiently right away, existing businesses are not set up for that. It takes time, staff training and significant investment to reorganize work processes around new technologies. This suggests that higher economic growth from the AI transformation could take years to materialize.
- **Increasing inequality is a serious risk.** Economic gains do not automatically spread evenly. The “pie” may get larger, but those returns could all go to the owners of capital (in this case, companies and investors), while workers are harmed.

This was the case in the early Industrial Revolution. Dubbed the “Engels’ pause,” workers’ real wages stayed roughly flat for sixty years even as industrialists and capitalists grew wealthy. Working conditions were often harsh, and inequality rose.

There are many factors that will ultimately determine how AI impacts income and wealth inequality in the United States.

Democratized access to tacit and specialized knowledge through AI could allow less experienced workers to skill up and perform higher-paying jobs. Blue-collar jobs that require physical labor are less likely to be negatively impacted in the short run, while some higher earning white collar workers could lose work or see wages fall. There could also become a new socioeconomic distinction between workers with in-demand AI skills and those without.

Labor's Declining Share of Income in the United States, 1948 to 2023



Labor Share and Capital Share for the Private Business Sector from the table: Annual total factor productivity and related measures for major industries.

Source: Bureau of Labor Statistics • Created with Datawrapper

Over the longer term, inequality is likely to depend on who wins the gains from AI—workers in the form of higher wages and salaries (or shorter work weeks) or the owners of capital (people who own companies and investments that see big payoffs from AI). If the latter, inequality could get a lot worse, since not everyone owns capital.

AFTER BEING FAIRLY CONSTANT FOR DECADES, THE SHARE OF NATIONAL INCOME FROM LABOR (I.E., WAGES, SALARIES, AND WORK-RELATED BENEFITS LIKE PENSIONS) HAS BEEN DECLINING IN THE PAST 20 YEARS OR SO. THE FLIP SIDE IS THAT MORE OF THE NATIONAL INCOME IS TAKING THE FORM OF CAPITAL INCOME: INTEREST, DIVIDENDS, AND REALIZED INVESTMENT RETURNS (E.G., CAPITAL GAINS).

That means individuals who just collect a paycheck have missed out on much of the income growth in recent years. While this phenomenon is not the result of AI, it is possible that AI could exaggerate this trend in the future if more AI gains go to capital, worsening gaps between those with investments and those without.



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Final Thoughts

Artificial intelligence is likely to lead to major structural changes in Connecticut's economy in the years ahead; however, claims AI is responsible for recently announced layoffs across the economy are likely overblown. Faced with economic upheaval this year, firms are cutting costs and Wall Street is rewarding any references to AI.

Yet, AI will reshape our world in the years ahead.

RISKS AND EVENTS WE'RE WATCHING

Many Connecticut residents' ACA marketplace health insurance premiums are set to spike in 2026, doubling or more in some cases, as enhanced federal subsidies are set to expire. It's now open enrollment. Unless Congress acts, some of the 158,000 enrollees on Access Health CT are expected to drop coverage, while others will have less disposable income to spend elsewhere in Connecticut's economy.

The Connecticut General Assembly passed a \$500 million contingency fund during a November Special Session, for the State to respond to any federal cuts to food assistance, low-income home energy assistance (LIHEAP), healthcare, school meals, childcare and housing assistance.

The Governor [announced](#) in November that **Connecticut is adding up to 1,000 new spaces in January 2026 for childcare and early childhood education** through Early Start CT, as well as increasing State payment rates to providers to help fund higher wages for staff. These

Policy makers must support those disadvantaged in the process, as well as prepare workers for what lies ahead.

Across the country, state legislatures are grappling with the policy questions raised by AI. There have been attempts in past years to comprehensively regulate it in Connecticut and likely will be again in 2026. The State has begun making investments to reskill the workforce, and our office will continue to monitor and press for that in the years ahead. ⁶

investments from the new Connecticut Early Childhood Education Endowment should start helping more families find affordable childcare, increasing labor force participation and reducing financial strain.

Consumer Sentiment is particularly low

The University of Michigan's Consumer Sentiment Index fell from 53.6 in October to 51.0 in November, a drop that's within the margin of error. However, the change in the index this year has been significant, with the reading of 51.0 the lowest it's been since June 2022 when inflation peaked at 9%. The index is down over 20 points (-29.0%) year-over-year.

According to Surveys of Consumers Director, [Joanne Hsu](#), "Consumers remain frustrated about the persistence of high prices and weakening incomes. This month, current personal finances and buying conditions for durables both plunged more than 10%, whereas expectations for the future improved modestly."

INDEX OF CONSUMER SENTIMENT



Source: University of Michigan, Index of Consumer Sentiment, [Tables and CSVs - Surveys of Consumers](#)

⁶ Following the recommendation of the Connecticut AI Working Group, Connecticut has established the [Connecticut AI Academy](#), a joint program through Charter Oak State College and Google "designed to bridge the AI

skills gap and empower Connecticut residents with the tools needed to thrive in the modern workplace." The [State budget](#) also provided funding to the Connecticut AI Alliance for high performance computing.



OFFICE of the STATE COMPTROLLER

CONNECTICUT ECONOMIC UPDATE

Sean Scanlon
State Comptroller
DECEMBER 2025

AI AND CONNECTICUT ELECTRICITY PRICES

The growing demand for artificial intelligence (AI) requires more physical hardware—large clusters of specialized chips in data centers—which in turn consume large amounts of electricity and water. As technology companies rush to spend hundreds of billions of dollars on AI infrastructure in the U.S. over the next few years, electricity is becoming the limiting factor. People in other parts of the country where large data centers are concentrated are starting to see the impact in their electric bills. Are new data centers increasing the already-high electric rates in Connecticut too?

So far, the answer appears to be no, at least not directly, since no AI-scale data centers have been connected to the New England electric grid. But electricity demand is growing for other reasons.

Connecticut shares its grid with the other New England states. Due to the regional nature of electricity grids, increasing power demand in Massachusetts, for example, can affect prices in Connecticut (though electricity prices are extremely complex). However, according to New England's non-profit grid operator, ISO-New England, no large AI data center projects have yet requested a connection to our grid. If they do, it will likely take at least two years to come online.

A 300-megawatt data center has been [discussed](#) in Connecticut, to be co-located at the Millstone Nuclear Power

Facts about data centers & electricity

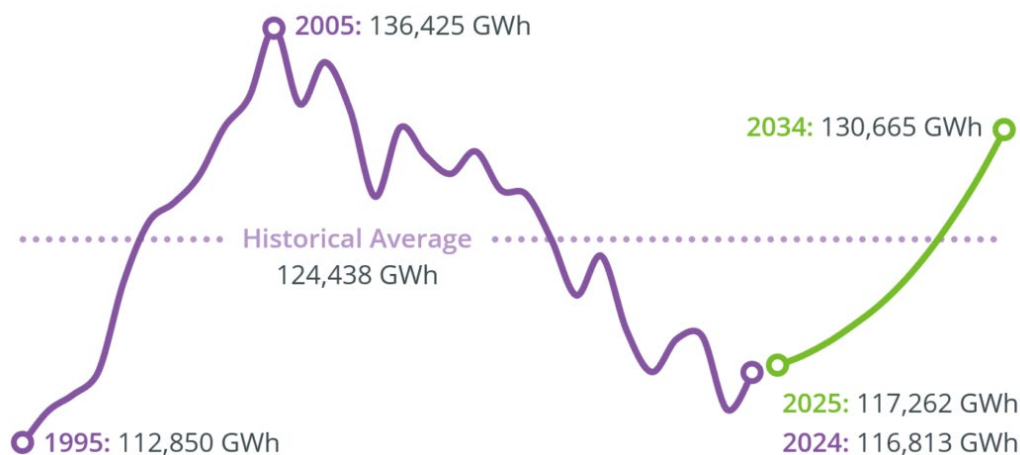
- ❖ A typical AI-focused data center consumes as much electricity as 100,000 households. The largest data centers under construction today will consume 20 times as much.
- ❖ Nearly half of all data center capacity in the United States is in five regional clusters, the largest of which is in Virginia known as Data Center Alley. Virginia's data centers consume about 5,050 megawatts, enough to power 2 million homes.
- ❖ Data centers in the U.S. account for nearly half of electricity demand growth between now and 2030. By then, the U.S. is set to consume more electricity for data centers than for the production of aluminum, steel, cement, chemicals and all other energy-intensive goods combined.

-According to the International Energy Agency [Energy and AI Report](#), April 2025, and Richmond Federal Reserve Bank's 2025 [Econ Focus](#)

Station in Waterford. While much larger than Connecticut's existing data centers, that amount of power is small compared to the region's roughly 28,900 megawatts of generating capacity.

In New England, grid energy use had been on a downward trend since 2005 due largely to energy efficiency efforts, as well as growing use of rooftop solar. Now demand is forecast to increase sharply, from about 117,000 gigawatt-hours (GWh) of total net energy use in 2025 to 130,000 in nine years.

New England Historical and Forecast Net Energy Use



Source: [ISO New England](#), Net energy use refers to the total amount of grid electricity produced by generators in New England and imported from other regions during the year to satisfy all residential, commercial, and industrial customer demand, net of behind the meter solar power.

Much of that is from electric vehicles and electric heat, which are expected to see demand surge. For example, Connecticut's EV and other transportation-related electricity use is forecasted to surge from 51 GWh in 2025 to 2,044 GWh in 2034.

ISO-New England's 2025 [forecast](#) does not reflect any specific demand growth from data centers, but they are [actively exploring](#) if and how to include that next year.



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CONNECTICUT ECONOMIC UPDATE

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DECEMBER 2025

Connecticut Housing Market Trends October 2025

+7.5%

5,326

Active Listings YoY
Realtor.com

+8.4%

\$451,000

Median Sales Price YoY
Redfin

+5.7%

Home Sales YoY
Redfin

6.26%

Freddie Mac 30-Year Fixed Rate
Mortgage Average for the week
ending 11/20

+0 days

41

Median Days on Market YoY
Realtor.com

101.6%

Average Sale-to-List Price Ratio
Redfin

+1.2%

\$1,711

Statewide Median
New Lease Rent, YoY
Apartment List

CONNECTICUT HOUSING MARKET

Connecticut home sales grew 5.7% year-over-year and 8.4% month-over-month in October according to Redfin, likely as a result of falling mortgage rates in late summer/early fall leading to more contracts that recently closed. The average 30-year fixed rate mortgage rate was 6.26% for the week ending November 20th, according to Freddie Mac.



New State Housing Law Passed in November Special Session

The Connecticut General Assembly recently enacted [Public Act 25-1 of the November 2025 Special Session](#), *An Act Concerning Housing Growth*. The bill reflects months of negotiations after the Governor vetoed

a similar bill this past summer. Among other things, the law:

- Establishes a first-time homebuyer savings account program to help residents save up for their first home. It allows both residents and their employers to contribute and receive tax benefits.
- Requires towns to develop plans for increasing the number of deed-restricted affordable housing units or opt into regional plans made by local Councils of Government (COG). The “fair share” allocations in existing law are replaced with other State and COG-made recommendations.
- Creates new parking rules for towns conditioning the approval of proposed residential developments.
- Prohibits towns from installing or constructing “hostile architecture,” which is primarily intended to prevent a homeless person from sitting or lying down.
- Creates a new State grant program to support the construction of 2–4-unit homes, cottage clusters, and townhouses in towns with up to 50,000 residents. Current law authorizes \$100 million in State bonds for this purpose.
- Makes it a violation of the Connecticut Antitrust Act to use a revenue management device to set rental rates or occupancy levels. Penalties can be up to \$100,000 for individuals or \$1 million for businesses.
- Requires the State to establish a 4-year pilot program to finance housing construction projects that create construction industry employment opportunities.
- Requires towns with a population of at least 15,000 by 1/1/2028 to adopt an ordinance establishing or joining a fair rent commission. Current law requires it for towns with at least 25,000 in population.



OFFICE of the STATE COMPTROLLER

CONNECTICUT ECONOMIC UPDATE

Sean Scanlon
State Comptroller
DECEMBER 2025

CONNECTICUT LABOR MARKET

While the federal government reopened on November 13th, various economic reports from the Bureau of Labor Statistics have been delayed or cancelled. The 43-day federal shutdown impacted data collection and processing. However, states—including Connecticut's Department of Labor (DOL)—continued processing unemployment claims and benefits.

Initial applications for unemployment benefits—called “initial claims” have been mostly stable. Not all initial claims result in people receiving benefits. Connecticut saw an uptick in late August and early September when comparing those periods to the same weeks last year, suggesting more layoffs. Since then, the state has seen an increase in year-over-year “continuing claims.” Typically, continuing claims reflect the number of people receiving unemployment benefits in a given week.

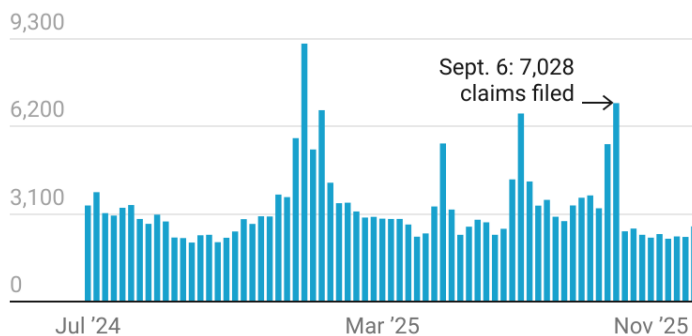
Connecticut has been averaging about 30,000 continuing claims per week since July (nothing like the 319,500 in May 2020). In recent years, higher July and August continuing claims have fallen in September and October, but that did not happen this year. That could suggest less fall hiring. Reassuringly, continuing claims remain within normal historical bounds for this time of year.

Connecticut initial claims in October through November 8th were low, about 2,300 per week. Federal workers are not counted in these totals, but their claims have also been in normal ranges (approx. 650 filed claims since January). Layoffs still appear to be limited.

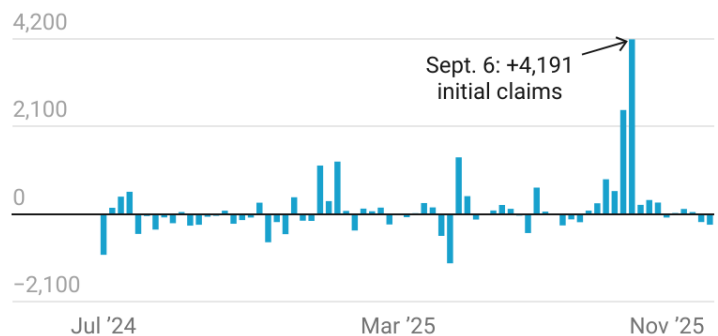
Connecticut had approximately **85,500 job postings in October**, up from 81,100 in September. Registered nurses continue to be the most in-demand occupation.

Weekly Connecticut Unemployment Claims since July 2024

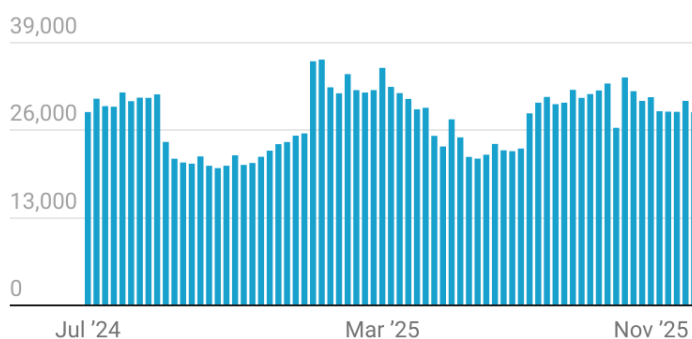
Initial Claims



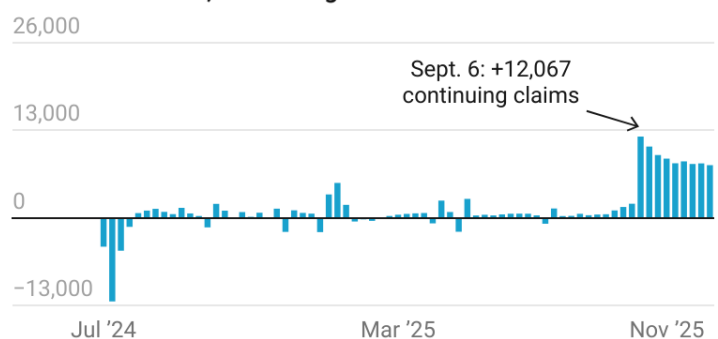
Initial Claims, YoY Change



Continued Claims



Continued Claims, YoY Change



Connecticut Initial Claims (new applications for Unemployment Benefits) through week ended 11/15/25 and Continued Claims (number of individuals being paid benefits in any particular week) through week ended 11/08/25; Note that processed claims data from the Connecticut Department of Labor do not show the same September uptick. Claims do not account for those not covered under the Unemployment system (e.g. federal workers, railroad workers or religious workers) or the unemployed self-employed.

Source: U.S. Employment and Training Administration, OSC calculations • Created with Datawrapper



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CONNECTICUT ECONOMIC UPDATE

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DECEMBER 2025

APPENDIX I

What do we mean by AI?

Artificial intelligence, often defined as a computer system capable of performing tasks that typically require human intelligence, is not a new idea. It has been around as an academic discipline since the 1950's. In many ways it is just a continuation of the longer trend towards automation of human tasks—in this arena it's "tasks of the mind."

Most modern AI applications use machine learning, an approach that allows computers to "learn" from data rather than being explicitly programmed for every scenario. Whereas traditional computer programming involved writing detailed code for every contingency, machine learning is an approach that to some extent "teaches itself". It can use unstructured data like text, images, and sensor outputs to find patterns.

Economist Betsy Stevenson has described the shift this way: what calculators and computers did for "computation," AI is doing for "prediction." If AI can make predictions more accurate and accessible, the implications for business applications could be far-reaching—enabling innovation and faster economic growth.

In late 2022, generative artificial intelligence (Gen AI) made a splash on the world stage with the public release of Open AI's chatbot, ChatGPT. It was the first technology to hit 100 million users just two months after launch. ChatGPT is a large language model (LLM), one type of Gen AI. LLMs use the model's prediction power to generate the next word, like T9 texting on steroids.

Cutting-edge LLMs are trained on enormous datasets using specialized, expensive chips. After training, they generate new text based on patterns learned from the data. But they have serious limitations. They can "hallucinate" and generate incorrect answers with confidence, and they reflect any biases or errors in their training data.

New innovations are being developed to address some of these weaknesses. Retrieval-augmented generation (RAG) allows a model to look up relevant information before responding. That can supply verified sources (with links) or specialized information not contained in the training data. RAG also allows organizations to use LLMs with private or sensitive information for highly specialized applications.

Agentic AI refers to systems that can take actions, not just generate text. They can reason, plan, and connect to other digital systems such as calendars or booking platforms. For example, an in-house chatbot powered by LLM+RAG might provide company-specific instructions to file an IT support ticket. An AI "agent," by contrast, could be designed to file the ticket itself.



OFFICE of the STATE COMPTROLLER

CONNECTICUT ECONOMIC UPDATE

Sean Scanlon
State Comptroller
DECEMBER 2025

APPENDIX II

*Not updated due to federal government shutdown

Connecticut Housing Market	Oct-25	Oct-24	% Change or Change
Home Sales (Redfin)	3,575	3,381	5.7%
Median Sales Price (Redfin)	\$451,000	\$416,000	8.4%
Active Listing Count (Realtor.com)	5,326	4,956	7.5%
New Listing Count (Realtor.com)	3,320	3,326	-0.2%
Freddie Mac U.S. 30-Year Fixed Rate Mortgage Average (%) (Week ending 11/20/25 and 11/21/24)	6.26	6.84	-0.58
Median Days on Market (from listing to close, Realtor.com)	41	41	0.0
Average Sale-to-List Price Ratio (Redfin)	101.6%	101.7%	-0.1%
Median Rent for New Leases (Apartment List)	\$1,711	\$1,690	1.2%
Single-family Housing Permits YTD-Aug (U.S. Census Bureau)*	1,416	1,442	-1.8%
2+ Unit Structures Housing Permits YTD-Aug (U.S. Census Bureau)*	3,201	2,173	47.3%

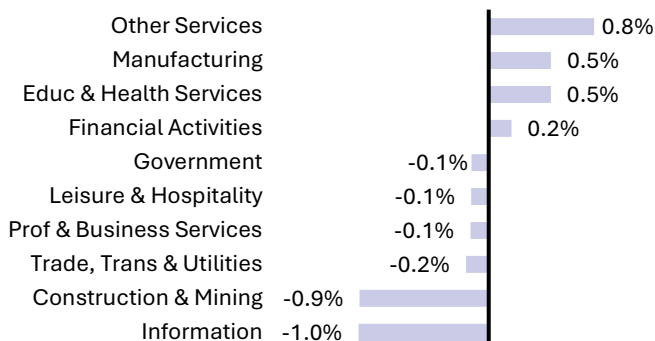
Some Data Retrieved from FRED, Federal Reserve Bank of St. Louis

Connecticut Labor Market	Aug-25	Jul-25	Aug-24
Unemployment Rate*	3.8%	3.8%	3.2%
Total Unemployed*	73,300	74,200	61,500
Total Nonfarm Employment*	1,720,200	1,719,300	1,707,500
Job Growth*	900	700	-1,100
Job Openings to Unemployed Ratio*	-	1.0	1.3
Quit Rate*	-	1.3	1.7
Average Monthly Initial Unemployment Claims (Oct./Sep. values)	2,297	3,617	2,269
Labor Force Participation Rate*	64.6%	64.7%	64.9%
Average Hourly Wage*	\$38.97	\$38.85	\$37.76

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

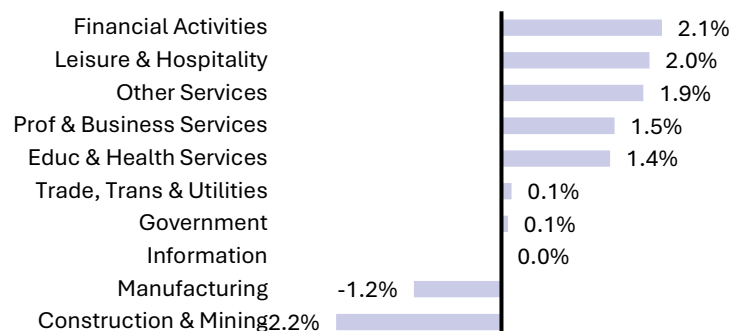
Connecticut Industry Sector Nonfarm Payroll Employment – August 2025*

Month-over-Month Percent Change



Source: CT Department of Labor

Year-over-Year Percent Change



Source: CT Department of Labor