

July 16, 2013

## Students Examine Connecticut's Economic Slowdown

Lucjan T. Orlowski, Dr., *Sacred Heart University*

## Students Examine Connecticut's Economic Slowdown

News Story: July 16, 2013

Guided by Professor Lucjan Orłowski, a group of Sacred Heart University students recently prepared and released a comprehensive analysis and outlook for the Connecticut economy. Their findings show that Connecticut has been severely impacted by the recent financial crisis, perhaps more so than other states.

“Students in my economic and financial forecasting class employed a wide range of modern econometric techniques to formulate reliable forecasts for the Connecticut economy. Their analysis has adequately captured the ongoing structural changes in the state’s economy, specifically the declining role of the public and the financial services sectors and the weaker housing market,” says Orłowski.

The goal of the project was to hone the students’ skills acquired in the class by comparing various economic indicators and trends in Connecticut to the rest of the United States. Their instructions were to evaluate the real Connecticut economy, labor market developments, public sector, housing market and financial sector to determine the direction Connecticut fiscal policy should take in the future. The six groups of students were each allotted a particular part of the economy to investigate through statistical and literary research.

“I found the Connecticut economic outlook assignment to be both challenging and intellectually rewarding. The project as a whole was very interesting as it provided an opportunity to apply forecasting techniques developed during in-class exercises to a real-world situation,” says James D’Elia ’13.

The findings indicate that the real economy of Connecticut is improving, although at a slower rate than the overall nation. The group predicts an annual 1.8 percent state growth by 2015 as the worst-case scenario with the best-case scenario a growth of 3.2 percent. They also conclude that inflation in the state, as well as the nation, has been subdued thus far. Additionally, banks and small businesses are likely to feel profitability tighten, as inflation-adjusted lending interest rates will be minuscule. Other results forecast the future unemployment rate, housing markets and the effects on banks at the local, state and national levels.

“The analysis suggests that it will take some time to adjust the state’s economy to the post-financial crisis environment. It also shows that the leading banks in our state are generally well-managed and sound, and they seem to be prepared for the inevitable retraction of the Federal Reserve from its current ultra-easy monetary policy in the near future,” Orłowski says. “I have been very pleased with the skillful use of the advanced mathematical techniques and also with the overall engagement of my students in this final class project.”

As many of Orłowski’s students are graduating and entering the work force in the tri-state area, he believes that understanding these issues and taking steps to better the state economy is a top priority. He notes that the highly service-driven economy of Connecticut has faced harsh repercussions from the financial crisis; however, he is hopeful that an inescapable restructuring of the State economy will help cushion future downturns.

To fully protect itself from such an occurrence, the class concludes that Connecticut needs to work toward creating more of a manufacturing sector like it once had. By focusing on the diversification of the labor market and making the state a more business-friendly environment, their hope is that Connecticut's economy will return to a prosperous state.