July 2026

The CuT: Connecticut’s Quarterly Economic News

OUR MISSION

AdvanceCT, in close collaboration with the Connecticut Department of Economic and Community Development (DECD) and partners statewide, provides business support services to companies looking to locate and grow in Connecticut.

ECONOMIC DEVELOPMENT

Economic development seeks to improve the state's economic well-being and quality of life through job creation and business investment.

Connecticut's Key Industries

- Advanced Manufacturing
- Aerospace & Defense
- Life Sciences
- Technology
- Insurance
- Financial Services
- Cleantech

Connecticut Posts Strong Gains

Connecticut carried its momentum into Q2 2026, marked by national recognition, accelerating economic growth, and continued investment across key sectors. Momentum spans quantum technology, manufacturing, and venture capital, reinforcing the state's economic trajectory.

QuantumCT, led by UConn and Yale, **won an NSF Engines grant**, one of only 12 nationwide, and the only award for quantum technology, cementing New Haven's status as an international quantum hub.

Connecticut posted its **best CNBC business ranking in 20 years**, climbing five spots to 23rd nationally. The gains were driven by improvements in Business Friendliness, Infrastructure, and Economy and remaining strong in Education, Quality of Life, and Tech & Innovation. A new Pew Research study also found several CT metros offer stronger homebuyer affordability than neighboring states.

Connecticut's economic growth accelerated in Q1 2026, **with real GDP growing at a 1.8% annualized rate**, ranking 2nd in New England and 17th nationally. Manufacturing led all industries, expanding 8.5%, driven by aerospace, defense, and durable goods, while Connecticut's economy has grown 7.4% larger post-pandemic.

Manufacturing also led job growth this year, with gains outpacing losses across the labor market. Connecticut attracted $4.26 billion in venture capital across 836 deals since 2023, **ranking 9th nationally in deals per capita**.

New Rankings & Announcements

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QuantumCT Awarded NSF Engines Grant

- Only quantum hub of the 12 NSF Engines awarded this round, chosen from 15 national finalists[1]
- Led by UConn and Yale, this grant cements New Haven and Connecticut's status as an international quantum hub
- $15M over two years now, with potential to grow to $160M over the next decade[2]
- State has pledged $121 million to the QuantumCT Engine, comprising $60 million already invested and an additional $60 million upon receiving the NSF award[3].

Source: [1,3]UConn, 2026. [2,4,5]NSF.gov, 2026.

QuantumCT Grant by the numbers

$15M
Initial NSF award, over two years[4]

$160M
Potential award over the next decade[5]

1 of 12
NSF Engines nationwide focused on quantum

$121M
State funding pledged to QuantumCT engine[3]

CNBC

Connecticut Posts Best CNBC Business Ranking in 20 Years

Connecticut moved up ↑5 places

to 23rd, with **5 out of the 10 categories improving by 4 or more spots**

Increase driven by improvements in **Business Friendliness** with the methodology taking a broader view of each state's nurturing of emerging-industries, like Connecticut's **Quantum investment and new AI regulatory sandbox**

Note: CNBC re-weights its ranking methodology and adds new metrics with each release, so rankings reflect both real performance changes and methodology changes. ***Learn more about methodology weights in our Metrics that Mislead report*****.**

Most Improved Categories:

Business Friendliness	+14↑
Economy	+4↑
Infrastructure	+4↑
Cost of Doing Business	+4↑
Education	+1↑

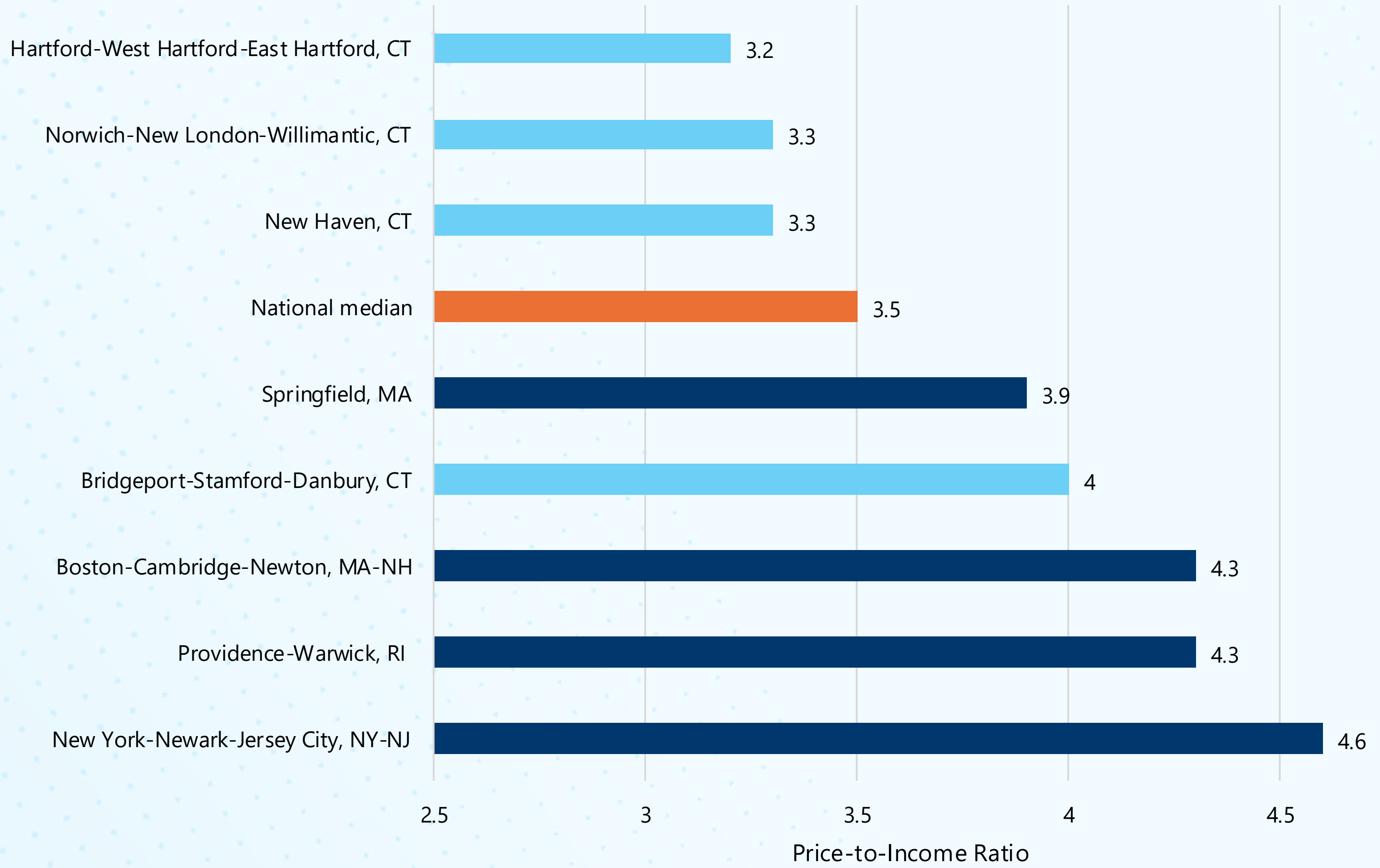
NOTABLE SUB-CATEGORIES

#4 Education	**#5** Quality of Life	**#21** Business Friendliness

Source: CNBC, 2026

Connecticut Offers Better Affordability for Young Homebuyers in Metro Areas than Neighboring States

Median Home Price-to-Income Ratio for Household Heads Under 40



- In a newly released study, Pew Research compared U.S. metros' median income for household heads under 40 to median home price to generate a Price-to-Income ratio
- Within the 160 MSAs analyzed, **Hartford metro ranked #41, New London metro #52, New Haven metro #53, and Stamford metro #96** for affordability
- Hartford, New London, and New Haven metros **ranked lower than the national median** for Price-to-Income ratio, positioning CT to retain and attract young talent

Source: Pew Research, 2026

Economic Growth

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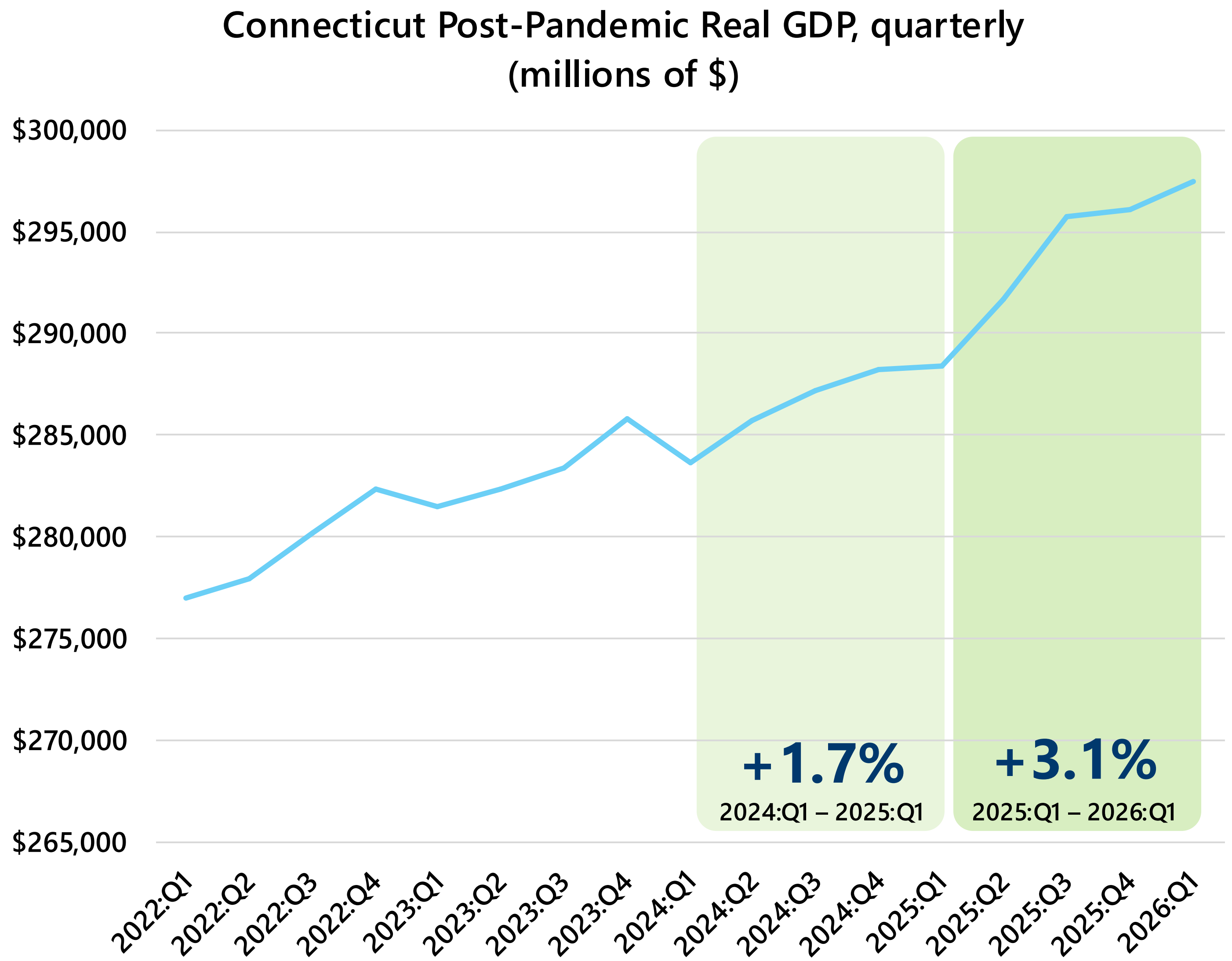
Accelerated GDP Growth: Continuing Increased Momentum

Connecticut real GDP **grew at a 1.8% annualized rate** in Q1 2026, ranking **2nd in New England** and **17th nationally**

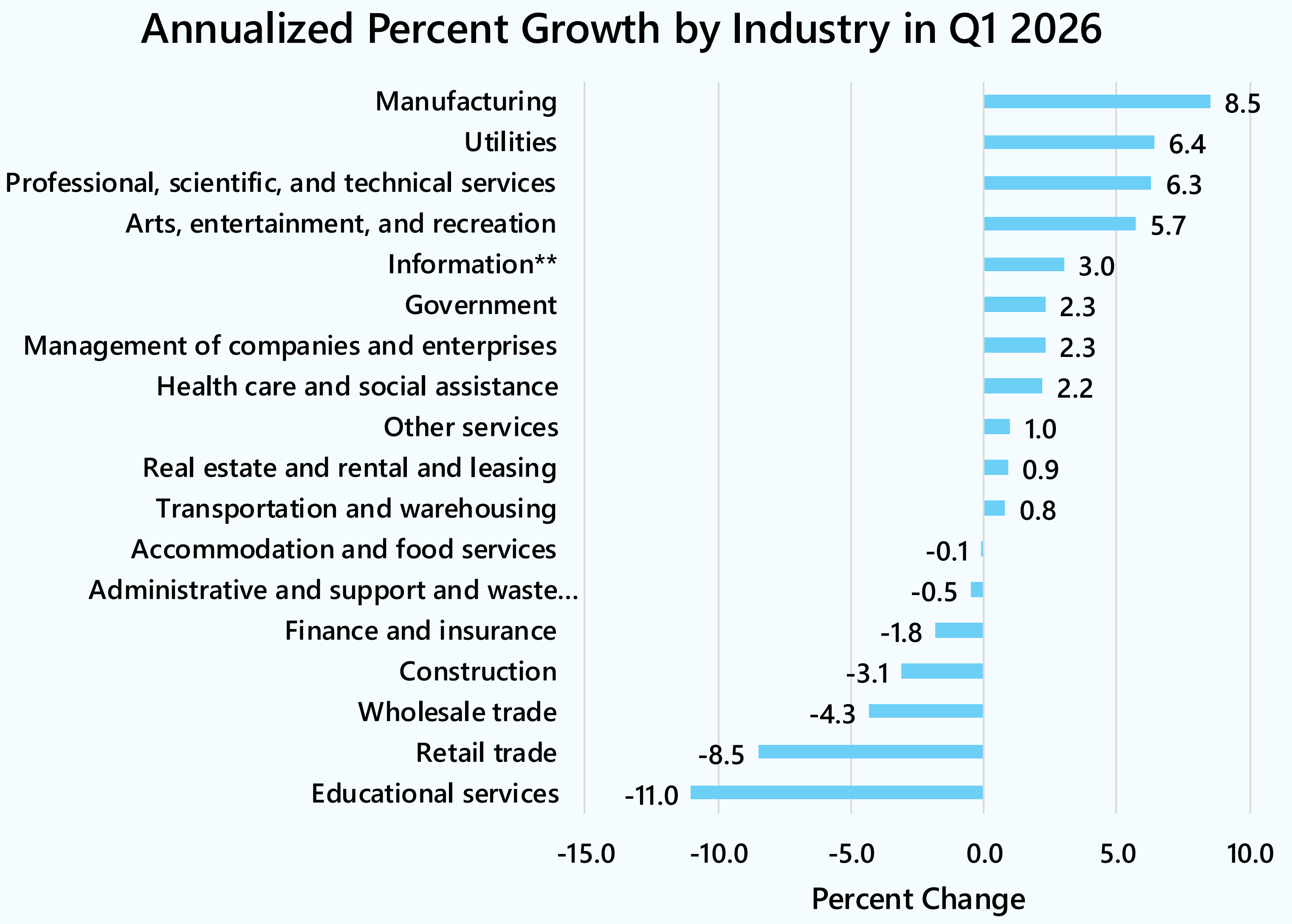
Growth improved by more than a percentage point from the prior quarter, or almost $1B, **continuing the state's stronger post-2022 trend**

Connecticut's economy is now **7.4% larger than Q1 2022** in real terms, showing strength post-pandemic

Connecticut grew 1.7% between 2024:Q1 and 2025:Q1, and **3.1% between 2025:Q1 and 2026:Q1**, a clear acceleration



Source: U.S. Bureau of Economic Analysis, Q1 2026



Led by Durable Goods, Manufacturing Drove Connecticut's Q1 Growth

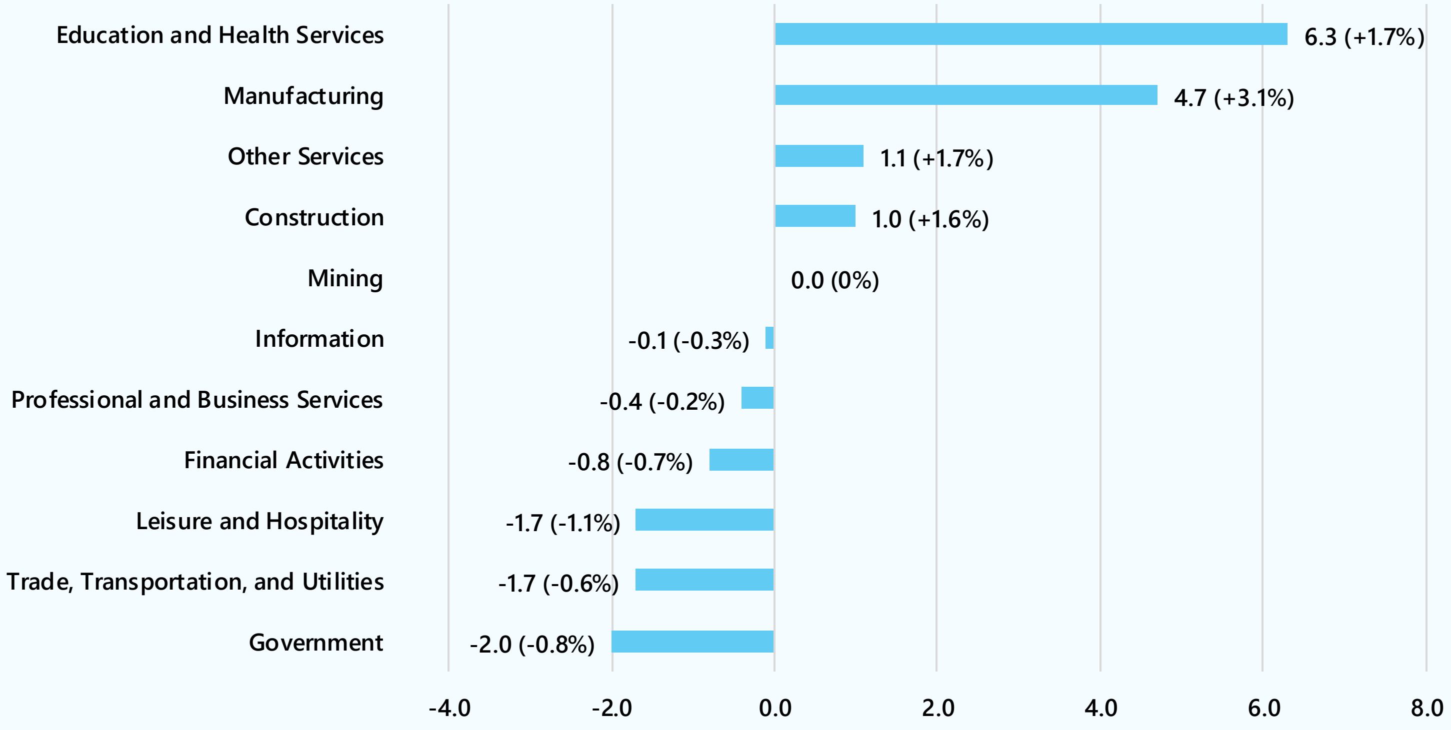
- **Manufacturing**, a key sector, was Connecticut's fastest-growing industry in Q1, expanding at **an 8.5% annualized rate**
  - Growth was led by **Durable Goods Manufacturing**, which grew 11.5%. This includes **Aerospace & Defense** and its supply chain.
- Manufacturing is followed by Utilities, then Professional, Scientific, and Technical Services, with **6.4% and 6.3% growth**, respectively
- Finance and Insurance contracted slightly in Q1, but has still **grown 4.3% since the start of 2025**

*Source: U.S. Bureau of Economic Analysis, Q1 2026. *Excluded mining industry as it fluctuates often and makes up so little of total GDP; **Information sector's 2026 real GDP estimate was suppressed by BEA for confidentiality. Growth rate shown is estimated as the residual of Connecticut's total GDP growth after summing all other published industry contributions. Understanding that Agriculture was also suppressed and contributed a very small portion of the GDP change, Information may be slightly over or understated.*

Labor Force

Connecticut Employment Growth by Sector

May 2025 to May 2026, preliminary and seasonally adjusted. Total employment change (K) and year-over-year change (%).



Manufacturing Leads Connecticut's Job Growth

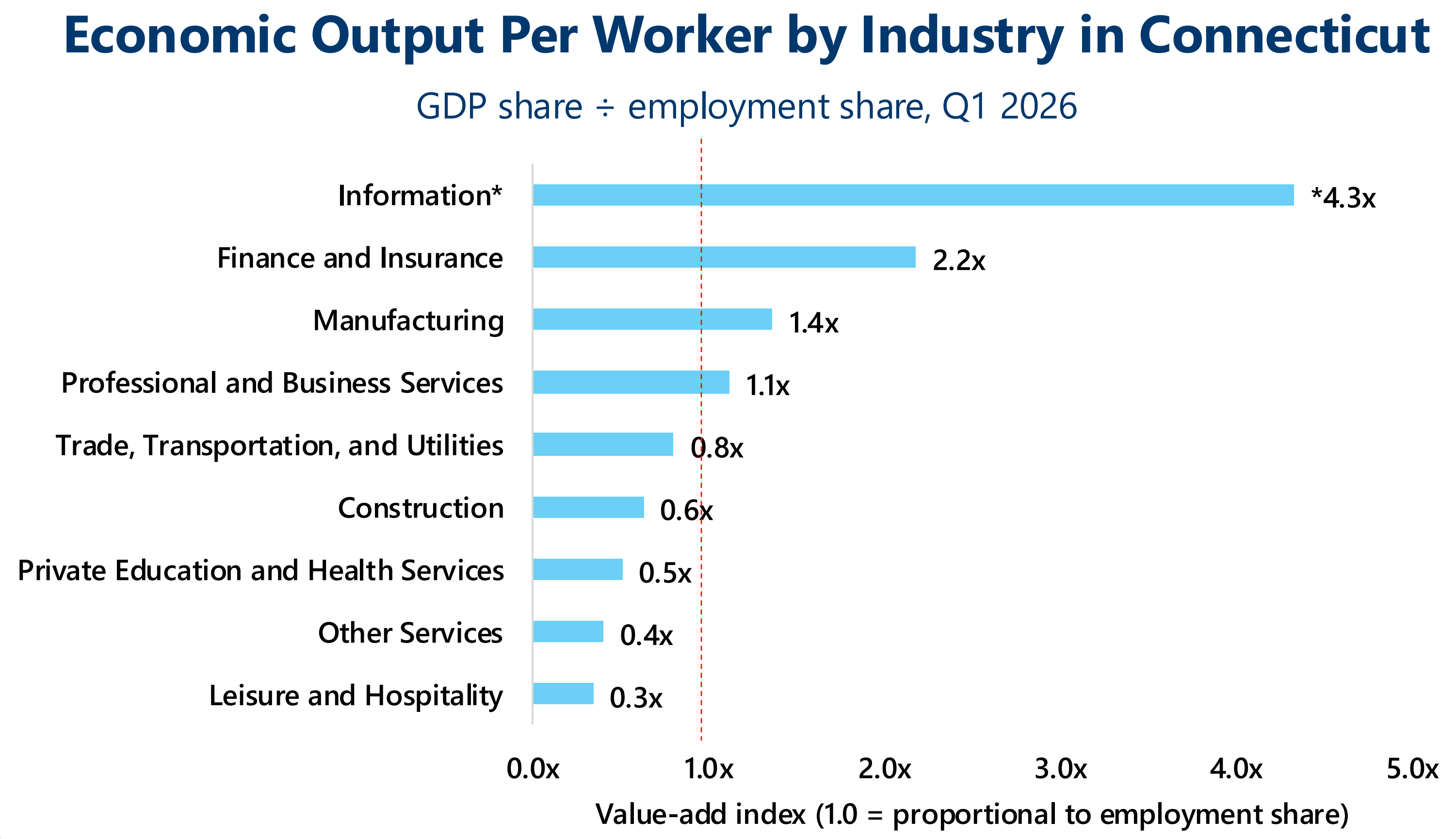
Job gains and losses are split across sectors, with four industries growing, six declining, and one unchanged. Manufacturing stands out with the fastest employment growth (+3.1%), adding 4,700 jobs, second only to Education and Health Services in total jobs gained.

Meanwhile, declines remain relatively modest across losing sectors, with no industry shedding more than 2,000 jobs. The concentration of strong gains in a few sectors, particularly manufacturing, continues to support net job growth across Connecticut.

Source: U.S. Bureau of Labor Statistics, "Employees on nonfarm payrolls by state and selected industry sector, seasonally adjusted", 2026.

Information and Finance Drive Economic Value

Information (GDP derived), Finance/Insurance, and Manufacturing generate more economic output than their employment share alone would predict, at over 4x, 2.2x, and 1.4x respectively, which serve as evidence that Connecticut's growth is concentrated in high-value industries, not just high-headcount ones.



*Source: U.S. Bureau of Economic Analysis, "SQGDP9 Real GDP by state," Q1 2026. U.S. Bureau of Labor Statistics, "State and Area Employment, Hours, Earnings," Jan–Mar 2026 average. Excludes Agriculture (BEA-suppressed data) and Real Estate (imputed rent distorts the ratio). Government is excluded, as BEA measures its output by cost of inputs rather than market price. *Information sector's Q1 2026 real GDP was suppressed by BEA for confidentiality. Its GDP is estimated as the residual of Connecticut's total GDP after summing all other published industry levels. Since Agriculture was also suppressed and contributes a very small share of GDP, Information's estimate may be slightly over- or understated.*

Innovation

AdvanceCT Connecticut

Attracting Venture Capital Across Key Sectors

$4.26B

of VC Invested in Connecticut-based companies **across 836 deals**, 2023-2026 YTD

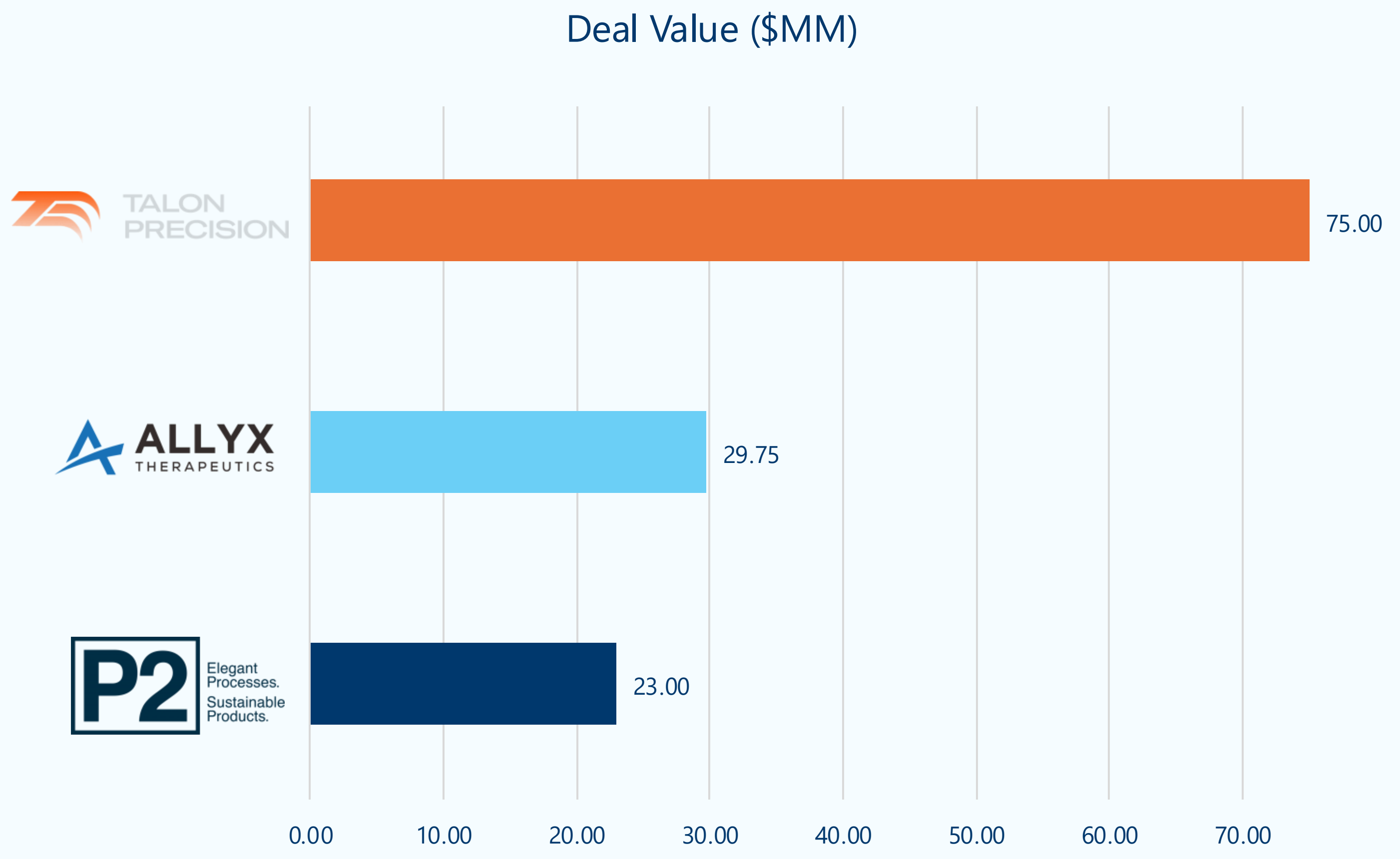
#9 state

for VC Deals per capita in 2025[2]

Technology	Life Sciences	Financial Services	Insurance
$1.63B Invested	$892M Invested	$254M Invested	$113M Invested
363 Deals	155 Deals	57 Deals	11 Deals

Source: [1]PitchBook, 2023-2026; accessed Jul 2026. [2]PitchBook-NVCA Venture Monitor, 2025; U.S. Census Bureau, PEP, 2025; AdvanceCT calculations.

Top Venture Capital Deals in Connecticut, Q2 2026



Manufacturing Leads a Strong Quarter for CT Venture Capital

Milford-based aerospace and advanced manufacturer Talon Precision's $75M deal anchored the quarter as the largest venture capital investment in Connecticut this quarter, followed by deals in the Life Sciences and CleanTech spaces. With this new investment, Talon plans significant growth via acquisitions and hopes to expand its workforce with a partnership with Connecticut State Community College at Housatonic.

Notably, P2 Science has a longstanding Joint Development Agreement with Danbury-based Bedoukian Research to commercialize renewable insect pheromones and an exclusive licensing agreement with Yale University.

Source: PitchBook, accessed Jul 2026.

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