



News From:

COMPTROLLER KEVIN LEMBO

FOR IMMEDIATE RELEASE

THURSDAY, DECEMBER 1, 2011

**Contact: Tara Downes
860-702-3308
Tara.Downes@po.state.ct.us**

COMPTROLLER LEMBO SAYS STATE ON UNCERTAIN PATH TO \$79.1 MILLION SURPLUS

Comptroller Kevin Lembo today announced that the state is currently on track to end Fiscal Year 2012 with a \$79.1 million surplus, but with a great deal of uncertainties due to a volatile stock market and lack of a federal budget.

In a letter to Gov. Dannel P. Malloy, Lembo said that he agrees with the Office of Policy and Management's (OPM) projection of \$79.1 million.

"Revenues are on target so far – but the volatile stock market remains a great concern with its influence on the state income tax and possible budget swings," Lembo said. "And while labor savings promise great long-term benefits, we must continue to monitor the immediate impact on health and pension savings.

"With so many economic unknowns, any projections over the OPM target are unrealistic at this point."

Lembo said the projected surplus is largely accounted for, as the original budget plan for Fiscal Year 2012 contained \$75 million to offset an anticipated increase associated with the transition to a GAAP (Generally Accepted Accounting Principles) accounting basis. The remaining balance is reserved to pay down debt associated with 2009 Economic Recovery Notes.

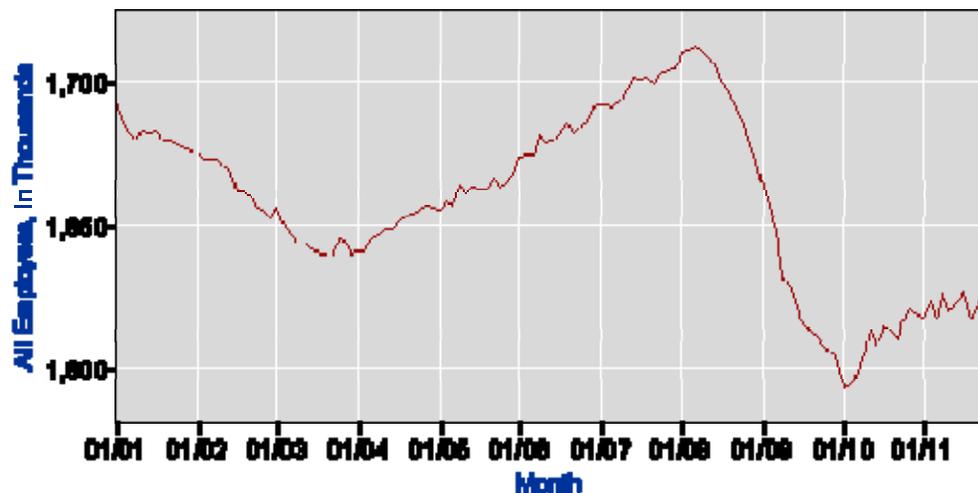
"The economy continues to show slow and erratic growth – further clouding the state's financial outlook," Lembo said.

Recent economic indicators from the Department of Labor and other sources include:

Employment

- Connecticut is adding an average of 1,600 jobs per month, slowly declining the unemployment rate, which now stands at 8.7 percent.
- Neighboring New York is at 7.9 percent unemployment; Massachusetts and Maine are 7.3 percent; and Rhode Island is 10.4 percent.
- National unemployment remains at 9 percent.
- In Connecticut, the education and health sectors had the strongest year-to-date job gains (8,500 jobs or 2.8 percent growth over a year).
- The professional and business services sector had the greatest monthly gain this month with an increase by 3,000 or 1.6 percent (3,800 or 2 percent for the year).
- The construction sector had the second largest employment gain this month, adding 1,500 jobs or 3.1 percent. This monthly gain exactly offset a 1,500 revised decline in September, and may have also been augmented by continuing Storm Irene remediation and unseasonably warm weather.

(From Department of Labor (DOL)):



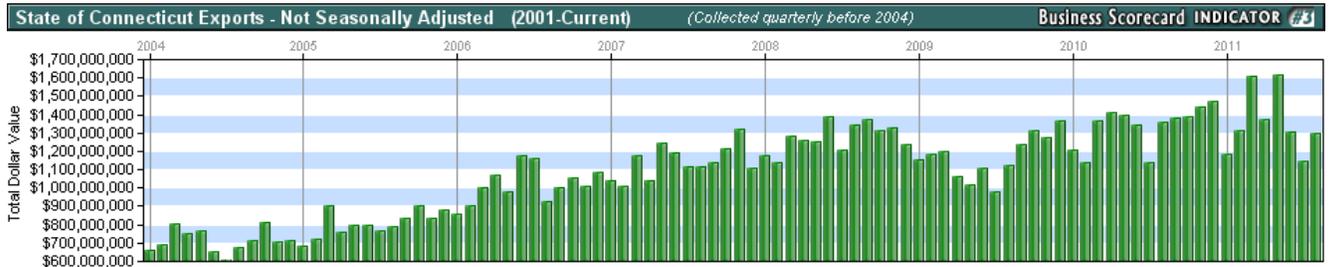
Wage and salary income

- For individuals with jobs, wage and salary income has performed well growing 4.4% from a year ago for the period ending in September.

Business Activity

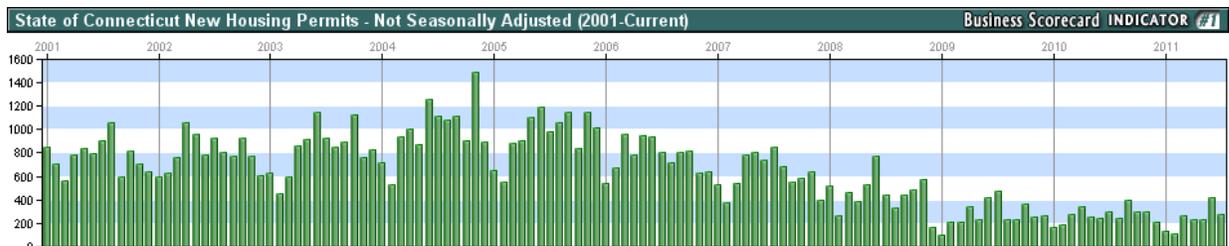
- Nationally, corporate profits in the third quarter rose an annualized 10.3 percent, following a 4.3 percent gain the quarter before. Profits were up 7.9% from the third quarter a year ago.

- Connecticut's export sector has played a significant role in growing the state's business base. The state's export sector has more than doubled since 2004.
- In addition to large firms like Pratt and Whitney that earns over 30 percent of its revenue from exports, smaller manufacturers selling goods like medical equipment and energy components are expanding their export share of revenue.



Housing

- Connecticut housing permits, which give an indication of economic activity in the construction sector, financial lending, and durable goods, were down almost 6 percent from July of last year, although there is some reported improvement in the summer of 2011.
- Permits are down 75 percent from the peak reached in 2004. This is consistent with the trend seen in existing home sales.



- As can be seen from the bar graph, the recession of 2008-2009 took a far greater toll on the housing market than the downturn in 2001. Home prices are on a significant downward slope for the first time since the early 1990s.

Consumer Spending and Debt

- Holiday spending got off to a good start. The National Retail Federation showed four day sales for the Thanksgiving period were up almost 17 percent from last year.

- Through the end of October advance retail sales figures were up 7.2 percent from last year. The rate has been consistently above 7 percent for the year but slowing over the past several months.
- Consumer required debt payments as a percentage of income have declined steadily during the recession as consumers have paid down outstanding balances; however, total debt outstanding (including mortgage debt) remains high at 119 percent of after tax income.
- Interest rates remain at historically low levels, and the Federal Reserve is intervening to push mortgage rates even lower.
- Inflation continues to raise concerns. After remaining below 2 percent for the second half of 2010, inflation is now running at a rate of over 3 percent.

The leading indices produced by CT DOL anticipate slow but continued growth in the state's economy.



END

