



News From:

COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO PROJECTS \$199.8-MILLION DEFICIT FOR FISCAL YEAR 2012

Comptroller Kevin Lembo today announced that he is projecting Fiscal Year 2012 will end with a \$199.8-million deficit, on a budgetary basis, based on the latest information available on April tax receipts and refunds.

In a letter to Gov. Dannel P. Malloy, Lembo noted that his office and the Office of Policy and Management are in agreement on the most recent deficit projections, which have grown significantly over last month.

General Fund revenue for Fiscal Year 2012 is expected to fall \$243 million short of original budget projections and total state spending is expected to exceed appropriated levels by \$37.4 million.

If a contribution is made against the Generally Accepted Accounting Principles (GAAP) deficit the projected deficit would be \$274.8 million.

"This deficit number confirms that Connecticut did not experience the short-term growth anticipated -- but there are some positive economic indicators pointing forward," Lembo said.

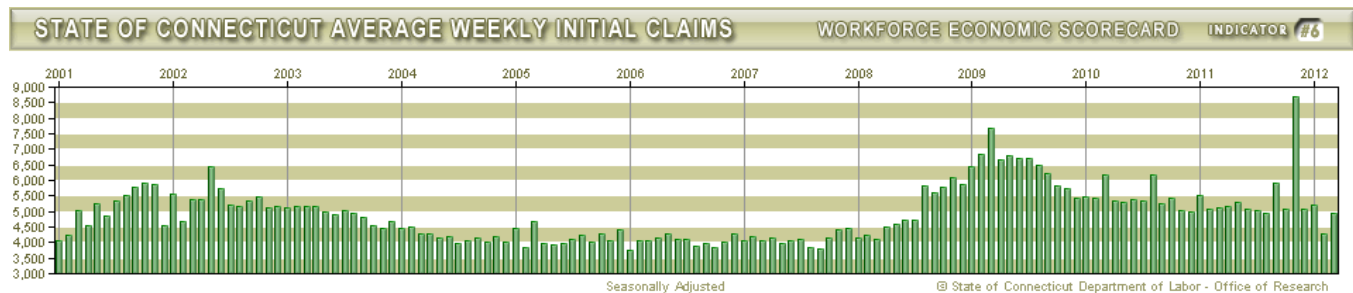
Recent economic indicators from the Department of Labor and other sources demonstrate that Connecticut's unemployment rate continues to decline, with the professional and business services sector leading in monthly job gains, followed by the financial activities supersector, the government supersector and the information supersector.

Lembo also cited state and federal labor statistics that show personal income is slowly growing in Connecticut, as are new home sales in the Northeast.

The stock market has also been on an upward trend after an early winter slump, Lembo said. More detailed economic trends, from the state and federal Departments of Labor and other sources are:

Employment

- Connecticut's unemployment rate declined one-tenth of one percent in March to 7.7 percent. National unemployment rate was 8.2 percent.
- March weekly unemployment claims in Connecticut remained below the 5,000 level for the second straight month.



- Over the twelve month period ending in March Connecticut has added 10,500 jobs.
- Recession recovery: Connecticut has now recovered 37,500, or 31.9 percent, of the 117,500 total nonfarm jobs lost in the March 2008 to February 2010 recession (-6.9 percent of total nonfarm payrolls lost). Two years and one month into the recovery, total private sector job recovery from the Connecticut employment recessionary period has been doing better than overall nonfarm growth. The private sector has regained 46,600 (42.3 percent) of the 110,200 private jobs lost in the recessionary downturn. The job decline in the private sector in March 2012 was -3,100 (-0.2 percent) but still maintains a solid 15,300 position growth (1.1 percent) over the year.



Gains:

- The job-gaining supersectors were led by professional and business services (600, 0.3 percent). Administrative and waste management services grew by approximately 1,900 (2.4 percent).

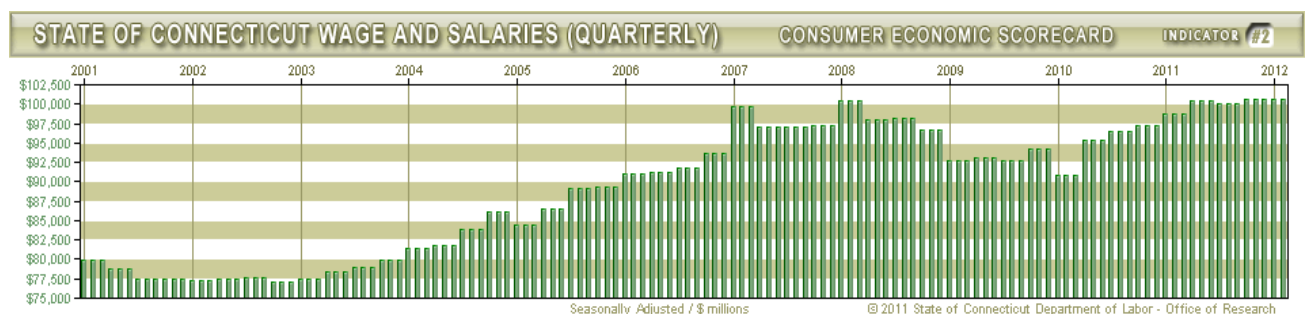
- The financial activities supersector increased 400 positions (0.3 percent) for the first gain in five months. Both finance and insurance (200, 0.2 percent) and real estate (200, 1.1 percent) contributed similar increases for the finance-related supersector.
- The government supersector also added 400 jobs (0.2 percent) over the month. Local government led public sector job growth in March (300, 0.2 percent), along with state government adding 100 (0.2 percent) while federal government was flat.
- The information supersector was higher by 200 (0.6 percent). All industry supersector job gains were less than a 1,000.

Losses:

- The four job-declining supersectors in March were led by trade, transportation, and utilities (-2,300, -0.8 percent).
- Construction and closely related mining was the next biggest declining supersector (-1,300, -2.4 percent). After two months of sizable gains, propelled by a record warm winter, the seasonal building segment gave back some job gains in March.
- The manufacturing supersector lost 600 positions (-0.4 percent). Durable goods production (-100, -0.1 percent) held up better than non-durable goods (-500, -1.3 percent).
- Leisure and hospitality supersector experienced a small decline of -100 (-0.1 percent). An increase of 300 (0.3 percent) in accommodation and food services (hotels and restaurants) was counteracted by an arts, entertainment, and recreation loss (-400, -1.7 percent).
- Both other services and education and health services supersectors were unchanged in March.

Wage and salary income

- Quarterly personal income in Connecticut is rising at a modest 2.2 percent rate.
- Wage and salary income in the state is advancing at a 1.8 percent rate.
- Connecticut's personal income growth ranked 15th in the nation when comparing 3rd to 4th quarter results.



Housing

- Housing permits reached their highest level since January 2008 in February of this year. Housing prices in the state had declined by just over 3 percent at the end of 2011.
- New home sales in the Northeast as reported by the Census Bureau were up 7.7 percent in March from last month and were up 12 percent for the twelve-month period ending in March.
- According to the National Association of Realtors, existing home sales in the Northeast declined 1.7 percent for the month, but were up 5.5 percent from March of last year (the National Association of Realtors discontinued their state data series on 2/9/12).
- Nationally, new home sales dropped 7.1 percent in March from the prior month.
- First time buyers represented 33 percent of the sales, down from the historical norm of 40 percent.
- In the U.S., existing home sales declined 2.6 percent in March but were up 5.2 percent from twelve months ago.

Business Activity and Consumer Spending

- Nationally, advance retail sales in March were 6.5 percent higher than one year ago.
- For the quarter ending in March sales were up 6.4 percent.
- The strongest three-month gains have been in building materials and gardening equipment (13.7 percent), home furnishings, clothing and gasoline stations(all over 10 percent). The only decline is in electronics (-0.6 percent).
- Interest rates remain at historically low levels with the prime rate at 3.25 percent and conventional mortgage rate of 3.9 percent.
- According to the Federal Reserve Board, U.S. consumer credit outstanding grew at a 4.2 percent rate in February, about half the growth of the prior month.
- Corporate profits ended 2011 advancing at a 7 percent rate. First quarter preliminary numbers will be released by the Bureau of Economic Analysis in May. Analysts are expecting 2012 growth to be close to the 2011 experience.
- As can be seen from the charts below for the Dow, S&P and NASDAQ (listed in that order) stocks have been on an upward trend after an early winter slump.



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