



*News from:*  
**COMPTROLLER KEVIN LEMBO**

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## **COMPTROLLER LEMBO PROJECTS LITTLE CHANGE WITH \$131.3-MILLION DEFICIT FOR FISCAL YEAR 2013**

Comptroller Kevin Lembo today announced that his deficit projection for Fiscal Year 2013 is at \$131.3 million with minimal change since last month.

In a letter to Gov. Dannel P. Malloy, Lembo said that he continues to agree with the consensus revenue forecast, although the spending trend that he is using continues to rise above OPM's estimates by about \$75.6 million. Lembo said the primary variance with OPM is within the Medicaid appropriations where caseloads continue to exceed expectations.

These projections could change either way following April, when income tax collections are usually high.

"April is a significant month for income tax collections, and recent federal tax changes combined with favorable market performance could result in a shift of capital gains revenue from future years to the current budget year," Lembo said. "This would improve the present budget forecast, so my office will continue to modify these projections based on actual experience.

"The economy continues to recover at a slower pace than the original budget forecast," Lembo said.

Economic data from the state and federal Departments of Labor and other sources show:

### ***Employment***

- Nationally, the economy added 157,000 payroll jobs in January. This is slightly off of

the 201,000 job addition average for the last quarter of 2012.

- The unemployment rate was 7.9% in January up 0.1% from December.
- The state lost 1,800 payroll jobs in December (state employment data for January will be released on or about March 18).
- The Connecticut Labor Department noted that the Christmas retail trade employment gains from November seemed to be revised away in December as retail trade employment in December experienced a lackluster showing.
- Overall employment for 2012 turned negative with the loss of 100 payroll jobs. This follows a gain of 7,800 jobs in 2011.
- There is an expectation that benchmark revisions produced in March may show some improvement in the 2012 numbers. Even with new benchmarked numbers, the level of job growth in the state is expected to be well below normal recovery gains.



- Connecticut has recovered slightly less than one quarter of the 117,500 total nonfarm jobs lost in the March 2008 - February 2010 recessionary downturn. The private sector has regained almost 36.2 percent of its job loss.
- For 2012, the strongest employment sector has been educational & health services (up 10,800). The weakest sectors have been financial activities (down 2,400), professional & business services (down 4,200), government (down 2,900), and transportation & public utilities (down 2,200).
- Connecticut's unemployment rate in December was 8.6 percent; the national rate was 7.8 percent that month.
- Connecticut's labor force decline was 2.68 percent during 2012. The shrinking labor force explains recent improvement in the unemployment rate despite poor job growth.
- Three of nine states in our region posted a decline in the unemployment rate between 2011 and 2012. The states were Massachusetts (6.9 percent to 6.7 percent), Rhode Island (11 percent to 10.2 percent), and Vermont (5.2 percent to 5.1 percent).

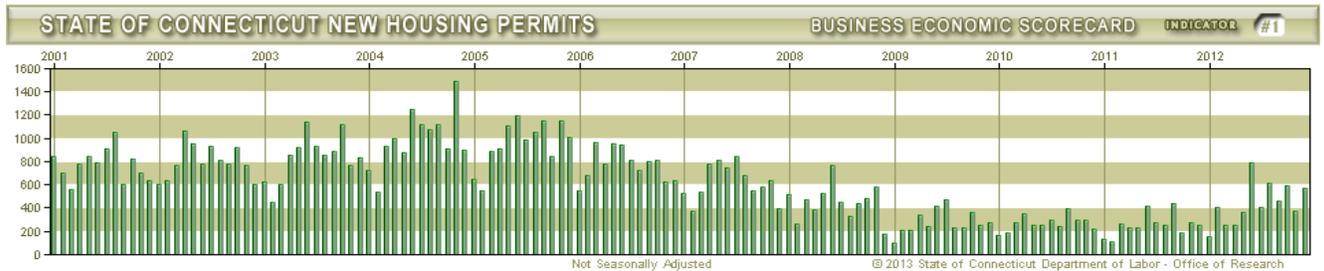
*Wage and **\$**Salary income*

- In the third quarter of 2012, on a seasonally adjusted quarterly basis, Bureau of Economic Analysis data shows Connecticut's quarterly personal income advancing at a rate of 0.3 percent from last quarter ranking the state 44<sup>th</sup> nationally in quarterly income growth. This is a deceleration from the first half of the year.
- Personal income in Connecticut grew by 2 percent from the third quarter of 2011. Nationally, in the third quarter, income growth slowed in 34 states, accelerated in 11 states and remained unchanged in the five remaining states (fourth quarter state personal income data will be available March 27).
- Average weekly earnings were up \$3.86 to \$968.54, an increase of 0.4 percent from a year ago. Hourly earnings followed a similar pattern. All labor market areas except Hartford and New Haven experienced wage increases from last year.
- The Consumer Price Index (CPI) for all urban consumers rose 1.7 percent in December.



## Housing

- Housing permits in Connecticut have posted strong gains through 2012 increasing by 75 percent from the same period last year. As can be seen from the Department of Labor's graph, construction is still well below peak levels.



- According to the Census Bureau, U.S. new home sales increased 8.8 percent from last December. Sales in the Northeast rose 20 percent over the year. Both nationally and in the Northeast new home activity slowed in December from the previous month.
- Results for the larger existing home sales market were as follows, according to the National Association of Realtors. Nationally, January sales were up 0.4 percent from the previous month, and were up 9.1 percent from January of last year. Home prices were up a solid 12.3 percent from one year ago. Existing home sales in the Northeast increased 4.8 percent on a month-over-month basis in January. For the 12-month period ending in January, sales were up 12.1 percent. Home prices in the Northeast

were up 2.4 percent for the year to a median price of \$230,500.

- A housing report by the Warren Group focusing on the Connecticut housing market shows sales in 2012 up 14.8% from last year. This is the strongest gain since 2009. However, the median sale price of a single-family house in Connecticut fell 1.2%, to \$240,000, from one year ago. This is the lowest median price since 2003, when the recorded price was \$231,750.

## *Business Activity and Consumer Spending*

- At this writing, the DOW and major market indexes continue on an upward trend.

### **DOW:**



- In January advance retail sales were up 4.4 percent from last year. Automobiles and non-store retailer sales were the only area posting double digit growth.
- The auto industry said 2012 was its best year in five years in the U.S., helped by a strong boost in sales in December. Sales totaled 14.5 million in 2012, 13 percent higher than in 2011. Sales at Chrysler, the smallest of automakers headquartered in Detroit, increased 21 percent.
- Workers are seeing decreased take-home pay since the expiration of the two-year payroll tax reduction. The tax change is expected to remove about \$125 billion in expendable income from consumers. Connecticut's share of the loss would be about \$2 billion.
- According to the Federal Reserve Board, Consumer credit increased at a seasonally

adjusted annual rate of 6-1/2 percent during the fourth quarter. Revolving credit was little changed, while non-revolving credit increased at an annual rate of 9-1/2 percent.

- Real GDP was flat in the fourth quarter of 2012 declining 0.1 percent based on advanced estimates that are still subject to revision (revisions will be available March 28 along with fourt quarter corporate profit data). In the third quarter, GDP advanced by a stronger than expected 3.1 percent.
- Corporate profits were up 7.5 percent from the third quarter last year, about the same as the 2011 profit level.
- The Labor Departments scorecard of business activity was mixed in 2012.



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