



*News from:*

## **COMPTROLLER KEVIN LEMBO**

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### **COMPTROLLER LEMBO PROJECTS \$120.3-MILLION DEFICIT FOR FISCAL YEAR 2012**

Comptroller Kevin Lembo today announced that, while final revenue numbers will be available next month, the state is positioned to end Fiscal Year 2012 with a \$120.3-million deficit that will ultimately be eliminated using General Fund reserves from prior years.

This improvement over last month means that approximately \$102.1 million will be available after the deficit to transfer to the Budget Reserve Fund – more commonly referred to as the “Rainy Day Fund.”

“I strongly support this decision to replenish the Rainy Day Fund – a first step towards protecting Connecticut against the volatilities of Wall Street,” Lembo said. “Wall Street is the largest single influence on the direction of the state budget – dwarfing any other budget drivers.

“Just as important as debt reduction, perhaps even more so, is the reinstatement of a healthy Rainy Day Fund to provide a critical layer of protection against inherent stock market uncertainties, which so directly influence Connecticut’s budget.”

In a letter to Gov. Dannel P. Malloy, Lembo reported that General Fund revenue for Fiscal Year 2012 is expected to fall \$194.4 million short of original budget projections and total state spending is expected to exceed appropriated levels by \$6.8 million.

“The state economy continues to recover at a frustratingly slow pace – which means the state should exercise significant spending restraint as we head deeper into Fiscal Year 13. The state should also build on last year’s efforts to begin chipping away at future pension and health-care liabilities, and continue the important steps already taken this year to

transition to Generally Accepted Accounting Principles.”

Data from the state and federal Departments of Labor and other sources show continued slow growth – a mix of positive indicators and uncertainties:

## Employment

- After three consecutive months of no job growth (note: preliminary numbers for May that showed 1,400 job additions were revised to show no growth), non-farm payroll employment in Connecticut increased by 1,400 jobs in June based on preliminary figures.
- During the first half of 2012, the state has added 6,100 jobs; last year, over the same time period the state had added 5,100 jobs.
- The state’s unemployment rate edged up slightly in June to 8.1 percent. Strong growth in Connecticut’s labor force helps to explain the increase in the unemployment rate.
- The national unemployment rate was 8.2 percent in June.
- Nationally, 80,000 jobs were added in June. U.S. job growth has not topped the 200,000 mark expected during a recovery since February.
- June average weekly unemployment claims in Connecticut edged up 5.4 percent in June as compared to last year. However, they remain well below the recessionary peaks.



- Gains: Education and health services once again led the monthly job growth among employment supersectors. The health and social assistance component grew by 2,900 jobs and the education component added 900 positions.
- Losses: The government supersector led in job loss. The local government component shed 2,900 jobs, the state government sector lost 800 jobs, and the federal government added 100 positions.
- Connecticut has now recovered 34,900, or 29.7 percent, of the 117,500 total non-farm jobs lost in the March 2008 - February 2010 recessionary downturn.
- The private sector has now regained 47,300 (42.9 percent) of the 110,200 private jobs lost in that same recessionary period.
- Financial activities, other services, government, and now information have continued to lose jobs even after the recovery began in February 2010. The current job

recovery highpoint, which was reached during 2012's record warm winter, is February 2012 (1,634,900) for Connecticut.

- Over the 12-month period ending in June, the state's strongest employment sector has been education & health services with the addition of 11,700 payroll jobs, followed by transportation & public utilities with 3,000 job additions.
- The most significant job losses have been in the government and financial activities sectors down 3,000 jobs and 4,400 jobs respectively.

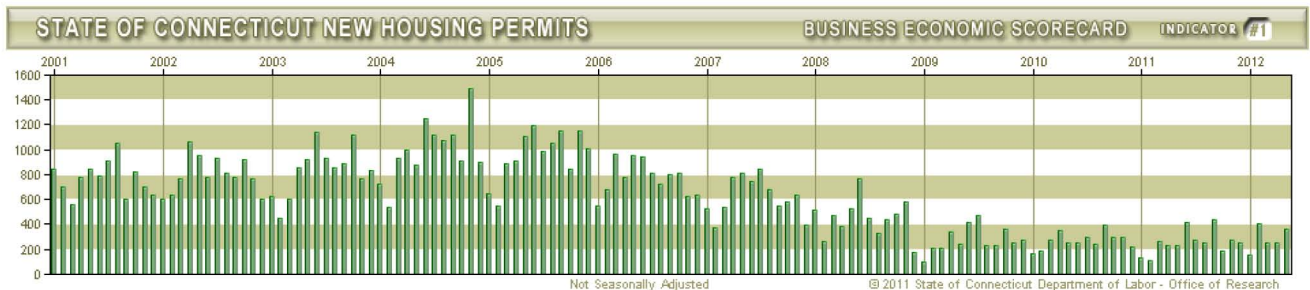
## Wage and **\$**Salary income

- In the first 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 2.7 percent from the same quarter of last year. This ranked Connecticut 13<sup>th</sup> in national income growth.
- Department of Labor quarterly data indicates that wage and salary growth in the state is relatively flat as compared to the same period last year.



## Housing

- Connecticut housing permits reached their highest level since January 2008 in February of this year. In May permits again showed double digit gains over last year. However, permits remain well below prerecession levels.



- According to the Census Bureau, U.S. new home sales decreased by 8.4 percent in June from the prior month but were up a solid 15.1 percent from 12 months ago.
- Sales in the Northeast dropped sharply in June against May's strong showing when sales advanced 36.7 percent.
- For the 12-month period ending in June, sales in the Northeast were flat.
- Results for the larger existing home sales market were as follows according to the National Association of Realtors:
- Nationally, June sales were down 5.4 percent from the previous month but were up 4.5 percent from June of last year.
- Home prices were up 7.9 percent from one year ago.
- Existing-home sales in the Northeast dropped 11.5 percent to an annual pace of 540,000 in June but are 1.9 percent above June 2011.
- The median price in the Northeast was \$253,700, down 1.8 percent from a year ago.

## *Business Activity and Consumer Spending*

- At this writing, markets remain below their spring peaks.

### **DOW:**



### **S&P 500:**



## NASDAQ:



- Nationally, advance retail sales have slowed from the 6-percent gains experienced through most of last year. In June, sales were 3.5 percent higher than one year ago. The strongest gains for the year have been in furniture and home furnishings, and non-store retailers. Most categories were showing some level of gain.
- Interest rates remain at historically low levels with the prime rate at 3.25 percent and conventional mortgage rate of 3.8 percent, a drop from last month.
- According to the Federal Reserve Board, U.S. consumer credit outstanding grew 8 percent in May, well above April's 4.7-percent growth.
- Revolving credit (credit cards) grew by 11.25 percent while non-revolving credit (loans) advanced 6.5 percent.
- Four out of five business indicators tracked by the Connecticut Department of Labor were down in May. In the preceding months the indicators had been fairly mixed.
- Corporate profits advanced at a 6.5-percent rate in the first quarter of 2012 from a year ago. This is down slightly from the profit level posted in 2011 of 7.9 percent.

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