



News from:
COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO PROJECTS \$140-MILLION DEFICIT FOR FISCAL YEAR 2013

Comptroller Kevin Lembo today announced that the deficit projection for Fiscal Year 2013 has grown to \$140 million.

In a letter to Gov. Dannel P. Malloy, Lembo said that he agrees with new consensus projections that state revenue has eroded by \$33.9 million.

As for spending, Lembo said that his projection is \$75.6 million above what the Office of Policy and Management (OPM) recently reported. Lembo based his higher projection on the continued caseload growth at the Department of Social Services (DSS).

“The slow growth in the national economy has created increasing demand for state services while at the same time producing lower revenue collections,” Lembo said. “Traditionally, even after the national economy improves, there is a lag before the state budget realizes the full benefit of the general economic improvement.”

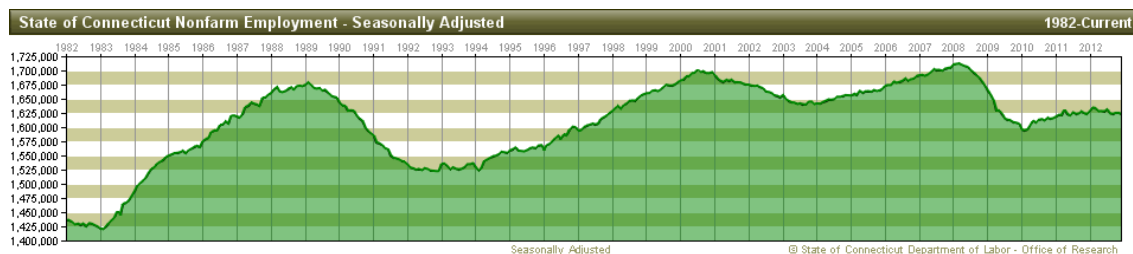
Lembo said there is still an opportunity for the current budget year to recover, and he agrees with OPM’s note that less than half of projected General Fund revenue for 2013 was collected as of December.

“April is a significant month for income tax collections,” Lembo said. “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. This would improve the budget forecast, so we will continue to modify our projections based on actual experience.”

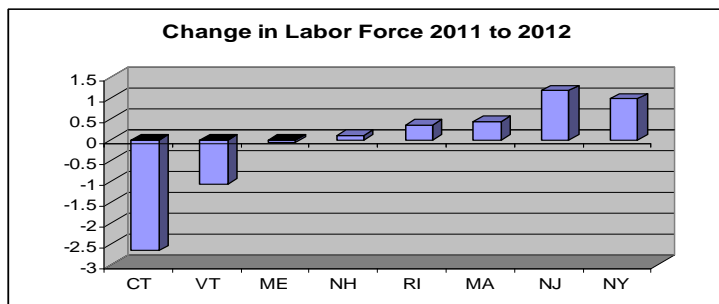
Economic data from the state and federal Departments of Labor and other sources show:

Employment

- The state lost 1,800 payroll jobs in December. The state Labor Department notes that holiday retail trade employment gains from November seemed to be revised away this month and retail trade employment in December was lackluster.
- Overall employment for 2012 has now 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 those new numbers, the state's job growth is expected to be well below normal recovery gains.



- Connecticut has now recovered 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 was educational & health services (up 10,800).
- The weakest sectors were 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.
- Economist Don Klepper-Smith noted that Connecticut had the largest decline in its labor force of all 50 states in 2012 at 2.68 percent. The shrinking labor force explains recent improvement in the unemployment rate despite poor job growth.

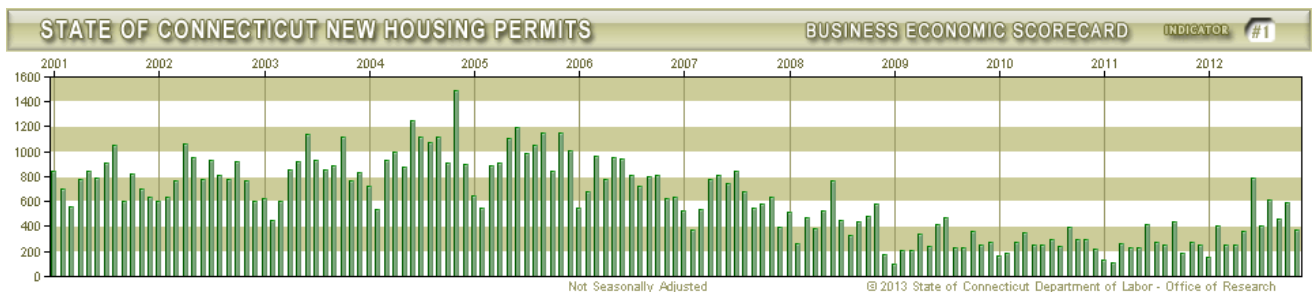


Wage and **\$**Salary income

- 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 44th 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 5 remaining states.
- 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 permits in Connecticut posted strong gains through November 2012, increasing by over 60 percent from the same period last year. Construction is still well below peak levels:



- According to the Census Bureau, U.S. new home sales increased 15.3 percent from last November (up 4.4 percent from October). Sales in the Northeast rose 68.8 percent over the 12-month period, and were up 12.5 percent from October.
- Results for the larger existing home sales market were as follows, according to the National Association of Realtors:
 - Nationally, December sales were down 1 percent from the previous month, and were up 12.8 percent from November of last year.

- Home prices were up 11.5 percent from one year ago.
- Existing home sales in the Northeast increased 3.2 percent on a month-over-month basis in December.
- For the 12-month period ending in December, sales were up 10.3 percent. Home prices in the Northeast were up 5.3 percent for the year to a median price of \$231,600.
- A housing report by the Warren Group on the Connecticut housing market shows sales through the first nine months of 2012 up 13.1 percent from last year. However, the median sale price of a single-family house in Connecticut fell 7.2 percent to \$230,000 from one year ago. This is the lowest median price recorded since September of 2002.

Business Activity and Consumer Spending

- At this writing, the DOW and major market indexes are posting solid gains.

DOW:



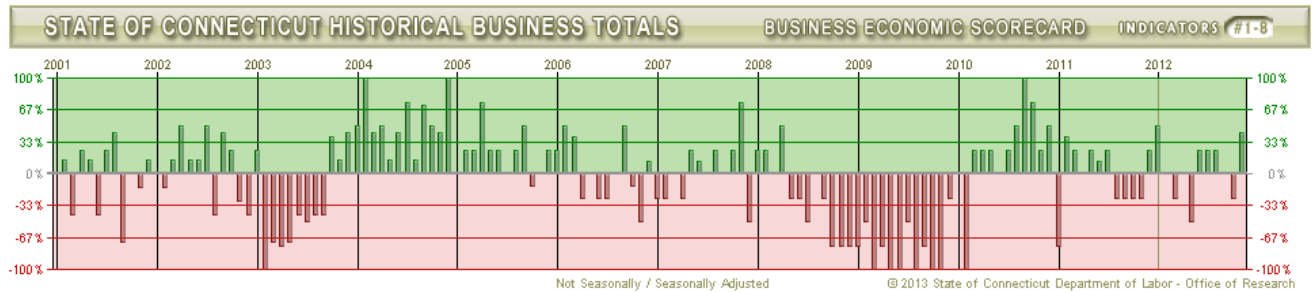
Consumer Spending:

- In December advance retail sales were up 4.7 percent from last year. 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, in November, consumer credit increased at a seasonally adjusted annual rate of 7 percent. Revolving credit increased at an annual rate of 1 percent, while non-revolving credit increased at an annual rate of 9.5 percent.

Business and Economic Growth:

- Real GDP advanced by a better-than-expected 3.1 percent in the third quarter. In the second quarter real GDP had risen 1.3 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 has been mixed in 2012.



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