



News from:
COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO ANNOUNCES IMPROVED OUTLOOK WITH PROJECTED \$11.2-MILLION SURPLUS

Comptroller Kevin Lembo today announced that the state is currently on track to end Fiscal Year 2014 with a surplus of \$11.2 million based on Generally Accepted Accounting Principles (GAAP).

In a letter to Gov. Dannel P. Malloy, Lembo said that he agrees with the Office of Policy and Management's (OPM) latest projection, which reflects an improvement of \$6.8 million over last month.

"If the current trends continue through the fiscal year, the state will likely meet its budget targets," Lembo said. "The outlook is generally positive – both in revenue performance and spending control."

OPM is anticipating that Fiscal Year 2014 General Fund savings, originally budgeted at \$172.6 million, will increase by \$26.8 million. The savings is partially offset by about \$20 million in expected agency deficiencies.

Lembo said the largest areas of savings are in debt service (\$10 million) due to low interest rates, and the Department of Children and Families (\$14.8 million) due to lower child placement costs. The anticipated deficiencies are related to two large insurance claim settlements, lower casino reimbursements and shortfalls in the Magnet School account.

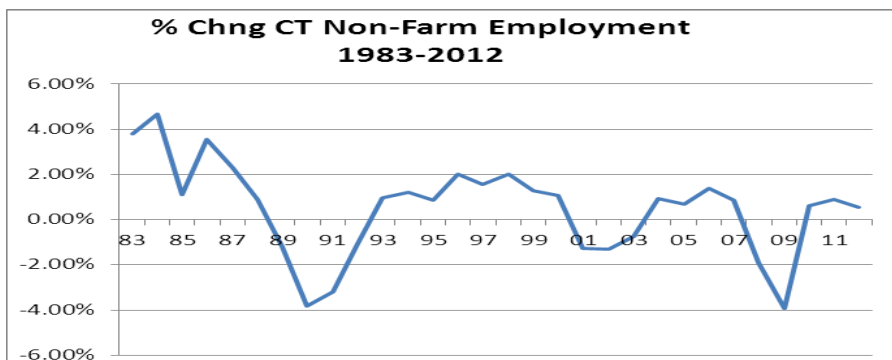
Many of the economic indicators used in this report have been delayed due to the federal government shutdown. Updated data will likely be available next month. Available information from federal and state Departments of Labor and other sources shows:

Employment

- Due to the federal shutdown, new state employment numbers will not be released until Nov. 22. The November release will contain state employment updates for September and October.
- Based on the most current figures available at this time, the state lost 6,000 payroll jobs in August. This is the first monthly employment loss following five consecutive months of gains.
- Connecticut was one of 17 states that saw a decline in August employment.
- Over the 12-month period ending in August, the state's employment has increased by 15,400 non-farm positions.
- Connecticut's unemployment rate remained unchanged at 8.1 percent. This compares to a national rate of 7.3 percent.



- This recovery, like the past two recoveries, has seen Connecticut's rate of job growth decelerate.

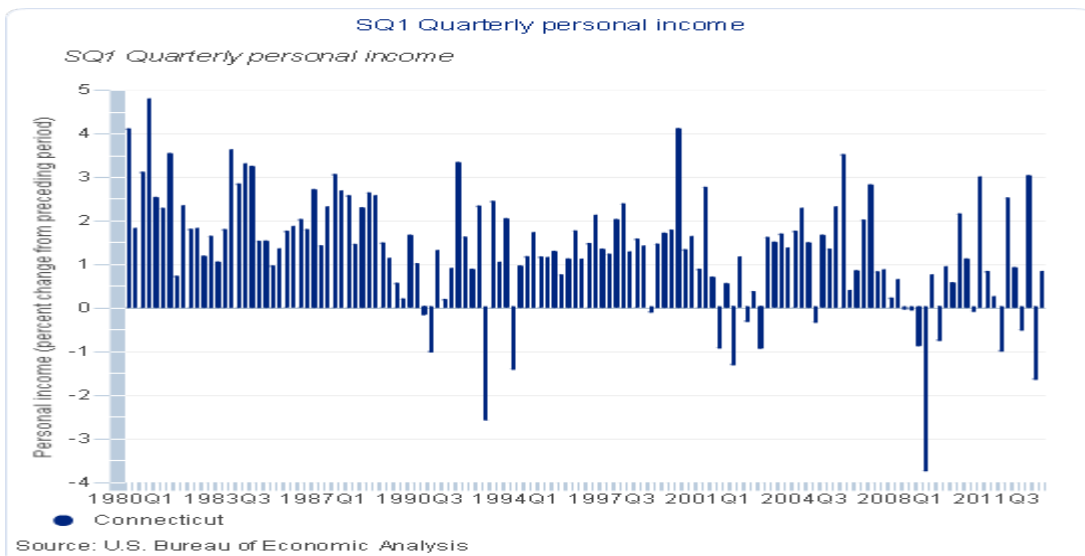


- According to the state Department of Labor, the state has recovered 51.3 percent or 62,000 of the 121,200 jobs lost during the recession. Private sector job gains have outperformed the public sector gains. The recovery is now in its 42nd month.
- The strongest job sectors have remained fairly consistent throughout the recovery. Over the past 12 months, the leisure and hospitality sector and the education and health services sector have each added more than 6,000 jobs.

- Professional and business services, as well as trade, transportation and public utilities have each added 4,000 jobs. The largest losses are in financial activities and manufacturing with the loss of 3,000 jobs in each sector.

*Wage and **\$**alary income*

- Personal income in Connecticut grew at a rate of 0.9 percent between the first and second quarters of 2013.
- This ranked Connecticut 30th nationally in income growth. On an annualized basis, growth was 3.6 percent, which is well above the 1.3 percent growth that was posted for 2012. Data for the third quarter will be released Dec. 19.
- The 2008 recession resulted in more quarterly declines in personal income than previous recessions, which lengthens the timeframe to a normal income recovery pattern.

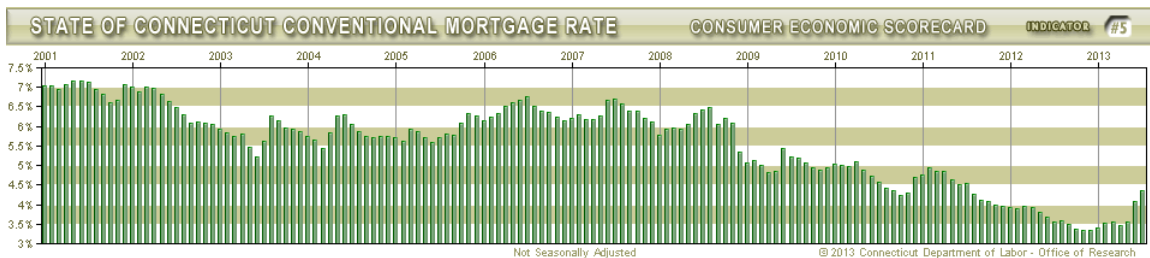


- According to the Department of Labor, average hourly earnings at \$27.71, not seasonally adjusted, were down a slight two cents, or just -0.07 percent from the August 2012 hourly pay estimate. The resulting average private sector weekly pay was estimated at \$931.06, down \$8.99, or -1.0 percent over the year. The year-to-year change in the Consumer Price Index for All Urban Consumers (CPI-U, U.S. City Average) in August 2013 was 1.5 percent.

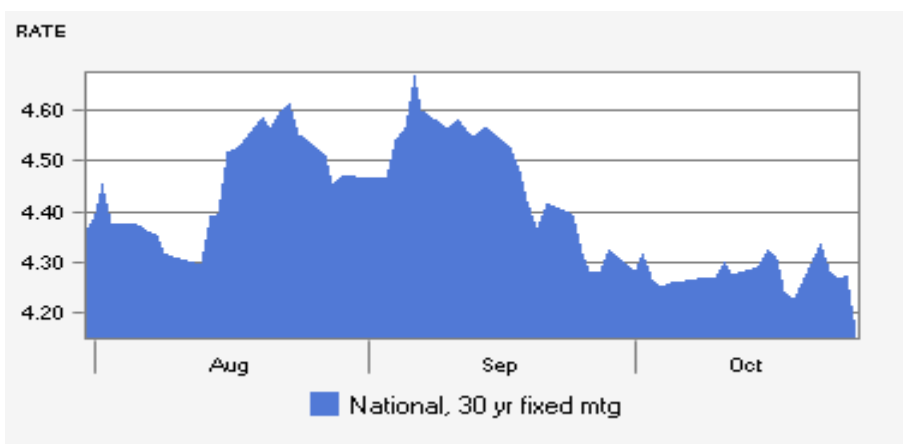


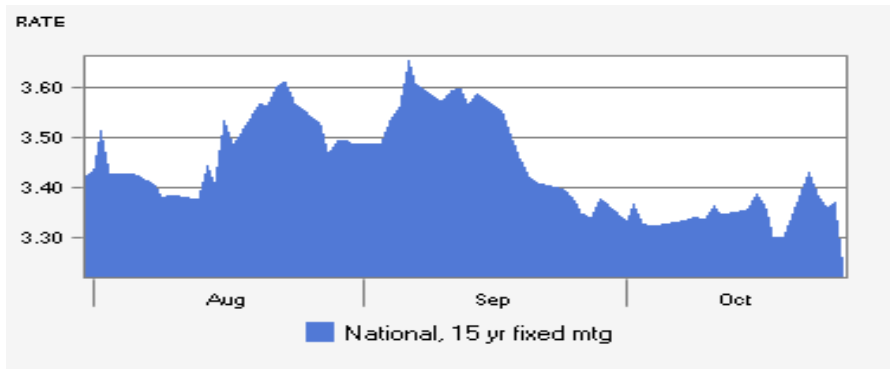
Housing

- The Census Bureau reported that U.S. new home sales increased 12.6 percent from August of last year.
- Sales in the Northeast were up 27.6 percent for the same period.
- Results for the larger existing home sales market were as follows based on numbers from the National Association of Realtors (NAR): Nationally, September sales were down 1.9 percent from the previous month, but sales were up 10.7 percent from last September. Home prices at \$199,200 were up a solid 10.7 percent from one year ago. This is the 10th consecutive month of housing price increases.
- Regionally, existing home sales in the Northeast were down 2.8 percent in September from last month, but were up 15 percent from last September. The median price in the Northeast was \$240,900, up 2.8 percent from a year ago.
- Conventional mortgage rates are showing some upward movement, but remain at historically low levels.



- The three month rate trends are also generally favorable.





Business Activity and Consumer Spending

- At this writing, the Dow was advancing at a double-digit rate over last year. Most major indices were following a similar trend.



Consumers

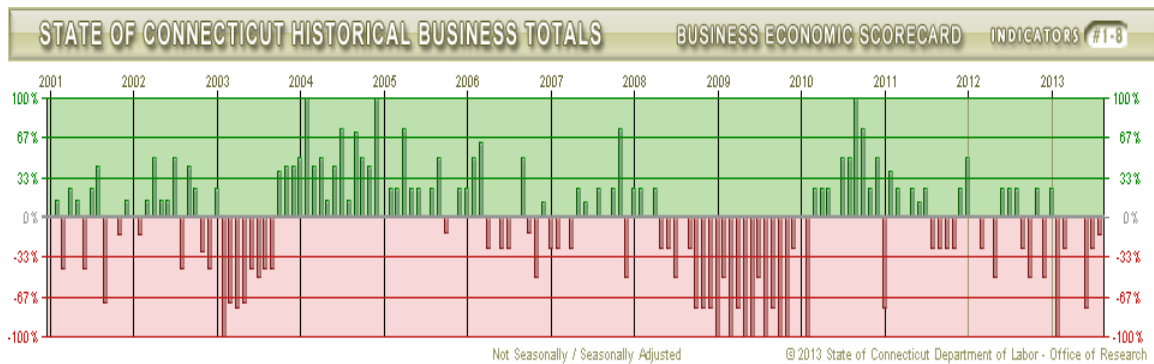
- In September, advance retail sales were up 3.2 percent from one year ago, which is lower than the 4.7 percent pace set in August.
- Auto sales, which had been experiencing strong sales gains, dropped in September. Auto sales declined in September after experiencing strong growth earlier in the year.
- The Conference Board reported that after edging up slightly in August, consumer confidence fell in September. Consumers are again concerned about the slow rate of job growth and stagnant or declining wages. The long-term outlook of consumers was better than their short-term.
- Consumer credit increased at an annual rate of 5.5 percent in August after an advance of 4.5 percent in July. Revolving credit decreased at an annual rate of 1.25 percent, while non-revolving credit increased at an annual rate of 8 percent.

Business and Economic Growth

- Based on current estimates, real GDP increased at a rate of 2.5 percent in the second quarter of 2013. This follows growth of 1.1 percent in the first quarter. According to the Bureau of Economic Analysis, the acceleration in real GDP in the second quarter

primarily reflected upturns in non-residential fixed investment and in exports, a smaller decrease in federal government spending, and an upturn in state and local government spending that were partly offset by an acceleration in imports and decelerations in private inventory investment and in personal consumption expenditures.

- Corporate profits advanced 7.0 percent in 2012 after growth of 7.9 percent in 2011. Corporate profits rebounded in the second quarter after a weak first quarter showing. Profits are running 4.5 percent above the second quarter of last year.
- The Labor Department's scorecard of business activity was mixed in 2012 and has been down in 2013.



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