



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

FOR IMMEDIATE RELEASE

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**COMPTROLLER LEMBO SAYS EARLY DATA SHOWS BALANCED  
BUDGET; WARNS THAT SAVINGS TARGET MAY BECOME A  
CHALLENGE**

Comptroller Kevin Lembo announced today that, while still early in Fiscal Year 2017, the state is currently on track to end the year essentially in balance.

In a letter to Gov. Dannel P. Malloy, Lembo said that the state's current savings target for the fiscal year – approximately \$190.8 million – will be a challenge for agencies that have managed several consecutive years of cost cutting.

“While that savings target is not at a historically high level, it follows successive fiscal years of significant cost cutting with each year's target becoming more challenging to achieve,” Lembo said. “Current General Fund projections have Fiscal Year 2017 total spending growth flat against last fiscal year. To realize no growth in actual year-over-year outlays is a considerable management challenge that will require the skillful efforts of all agencies and branches of government.”

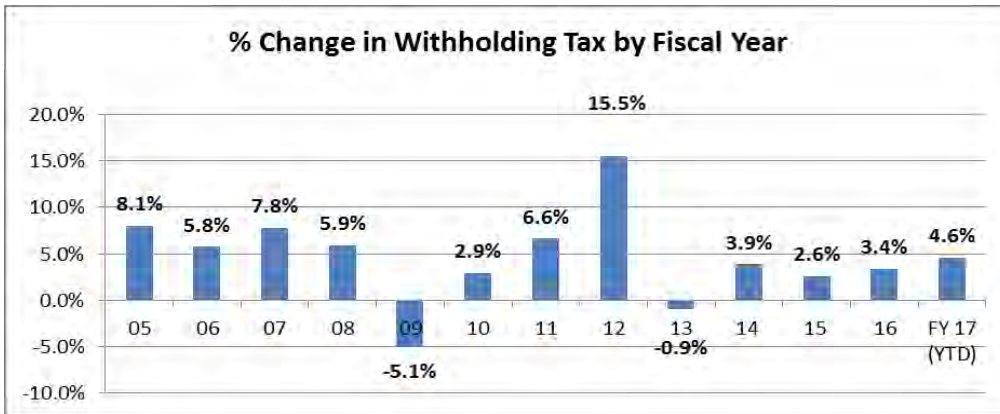
As economic growth remains moderate at both the state and national level – and the capital markets remain volatile – Lembo said he will continue to carefully monitor revenue.

“General Fund revenue estimates for Fiscal Year 2017 are consistent with a continuation of moderate economic growth,” Lembo said. “In Fiscal Year 2016, tax revenues fell more than a half a billion dollars short of initial budget projections. Volatility in capital markets and slower-than-expected growth in workers' wages were major contributing factors to sluggish revenue growth in Fiscal Year 2016. I will be carefully monitoring economic data that impacts state revenue and will adjust my estimates accordingly in future letters.”

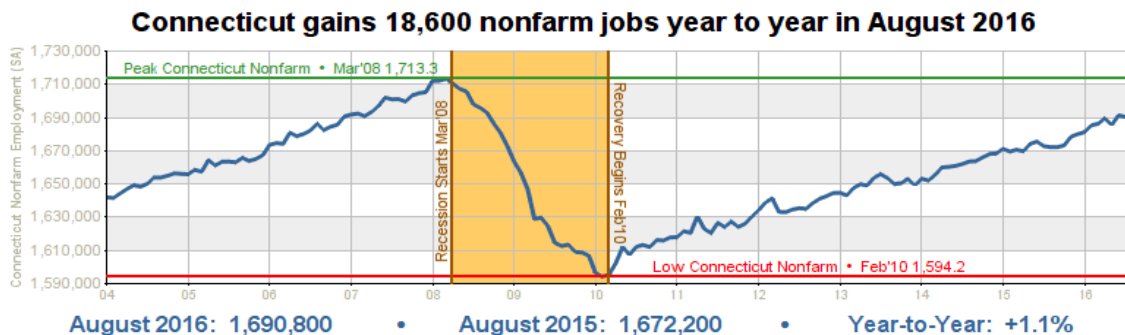
Lembo pointed to some of the latest economic indicators from federal and state Departments of Labor and other sources that show:

## Employment

- In Fiscal Year 2016 the withholding portion of the income tax increased 3.4 percent from the prior fiscal year. Through August of Fiscal Year 2017, adjusting to equivalent payroll days, the withholding tax is exceeding last year's growth.



- Preliminary Connecticut payroll job estimates show that the state added 300 jobs in August to a level of 1,690,800, seasonally adjusted. Over the last 12 months ending in August, employment in the state has grown by approximately 18,600 positions (1.1 percent, 1,550 jobs per month). July's originally released job gain of 1,700 (0.1 percent) was revised down sharply to a loss of 800.
- Connecticut has now recovered 96,600 positions, or 81.1 percent of the 119,100 seasonally adjusted total nonfarm jobs that were lost in the state during the March 2008 - February 2010 employment recession. The state needs to reach the 1,713,300 seasonally adjusted job mark to enter an employment expansion. This will require 22,500 additional nonfarm jobs to be created. Connecticut's nonfarm jobs recovery is now 78 months old and is averaging roughly 1,238 jobs per month since February 2010.



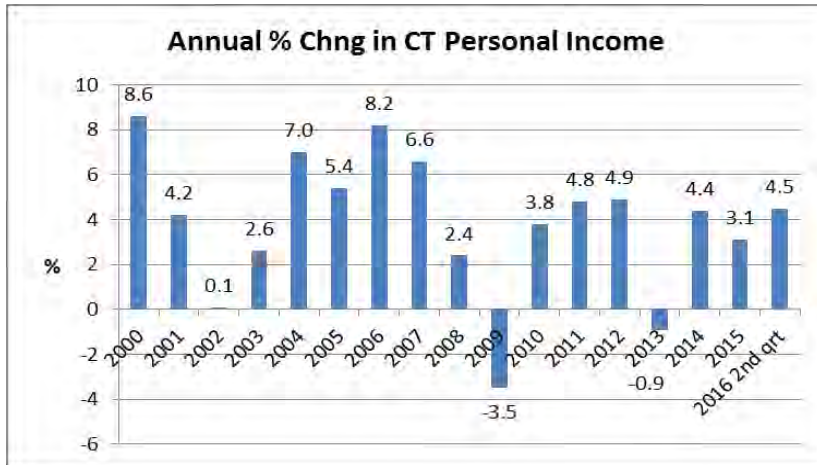
- As the state's employment recovery has progressed over the past year, an increasing number of job sectors have posted sustained employment gains.

<i>jobs in thousands</i>				
<u>Sector</u>	<u>8/16</u>	<u>8/15</u>	<u>Gain/Loss</u>	<u>% Chng.</u>
Construction	56.0	57.6	-1.6	-2.8%
Manufacturing	160.0	159.4	0.6	0.4%
Transp. & Public Utilities	297.3	296.4	0.9	0.3%
Information	33.6	32.5	1.1	3.4%
Financial	132.8	130.0	2.8	2.2%
Prof . & Business Svc.	218.2	216.3	1.9	0.9%
Education & Health Svc.	329.9	325.9	4	1.2%
Leisure & Hospitality	155.2	150.6	4.6	3.1%
Other Services	66.2	64.3	1.9	3.0%
Government	241.1	238.7	2.4	1.0%

- U.S. employment has been advancing at a rate of 1.7 percent over the 12-month period ending in August; Connecticut's employment growth was 1.2 percent for the same period.
- Connecticut's unemployment rate was 5.6 percent in August; the national unemployment rate was 4.9 percent. Connecticut's unemployment rate has continued to decline from a high of 9.5 percent in October 2010.
- There were 106,100 unemployed job seekers in Connecticut in August. A low of 36,500 unemployed workers was recorded in October of 2000. The number of unemployed workers hit a recessionary high of 177,200 in December of 2010.

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

- The Private Sector workweek, not seasonally adjusted, averaged 33.5 hours in August 2016, down five-tenths of an hour from the same month a year ago (-1.5 percent). Average hourly earnings at \$30.39, not seasonally adjusted, were up \$1.04, or 3.5 percent, from the August 2015 hourly earnings estimate (\$29.35). The resultant average Private Sector weekly pay amounted to \$1,018.07, up \$20.17, or 2.0 percent higher than a year ago.
- Connecticut ranked 20<sup>th</sup> nationally in income growth for the 2<sup>nd</sup> quarter of 2016 based on personal income statistics released by the Bureau of Economic Analysis on September 28. The state's personal income was growing at an annualized 4.5 percent rate in the 2<sup>nd</sup> quarter of the year. This growth rate exceeds that of the prior year.



- Personal income statistics for 3<sup>rd</sup> quarter personal income growth will be released on Dec. 20.



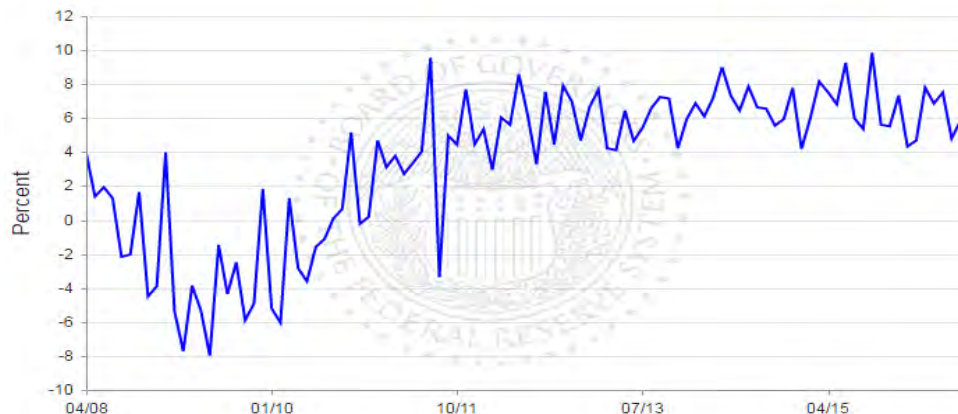
## *Housing*

- According to a Sept. 21 release from CT Realtors, Connecticut single-family residential home sales increased 9.1 percent in August 2016 from the same month a year earlier. The median sale price also rose by 5 percent to \$269,000. This marks a reversal of a recent trend of consistent monthly declines in home prices. Townhouse and condominium sales increased 14.1 percent from last August, however prices fell 3.5 percent to a median price of \$167,500.
- Nationwide, total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, fell on a month-over-month basis in August for the second consecutive month, declining 0.9 percent. Sales were still 0.8 percent higher than August of 2015. Restrained inventory and the tightening grip it's putting on affordability is the primary culprit for the considerable sales slump throughout much of the country last month according to the National Association of Realtors. Despite the sales volume slowdown, the median price rose by 5.1 percent in August to a median price of \$228,500.
- According to Berkshire Hathaway Home Services 2<sup>nd</sup> quarter report, inventory for single family homes in Connecticut was 9.6 months for the 2<sup>nd</sup> quarter of 2016, up from 8.4 months in the 1<sup>st</sup> quarter of 2016. Inventory for condominiums was 8.7 months, up slightly from 8.3 months in 1<sup>st</sup> quarter of 2016. This number tells you how many months it would take for all the current homes on the market to sell, given the monthly sales volume. Four to five months of supply is average. As the number rises it indicates that there are more sellers than buyers, or a buyer's market.

## Consumers

- According to a Sept. 22 report from the Commerce Department, U.S. sales at retail stores, online and at restaurants fell 0.3 percent in August to a seasonally adjusted \$456.32 billion last month. Sales were also slow in July rising just 0.1 percent, which was a small upward revision from an initial flat reading. Excluding both autos and gasoline, sales were down 0.1 percent in August. The report showed sales for non-store retailers, a category that includes online merchants such as Amazon, fell 0.3 percent in August. That was the largest one-month decline since January 2015.
- The Conference Board's consumer confidence index rose in September to its highest level in nine years. The percentage of Americans that described job availability as "plentiful" rose to 27.9 percent in September. That was the highest reading since July 2007. But compared with August, somewhat fewer consumers in September said they planned to buy an automobile, home or household appliance during the next six months.
- The Federal Reserve's report on consumer borrowing showed consumer credit increased at a seasonally adjusted annual rate of 5.4 percent in July. Revolving credit increased at an annual rate of 3.5 percent, while non-revolving credit increased at an annual rate of 6.7 percent. The graph below shows the percent change in consumer credit since 2008.

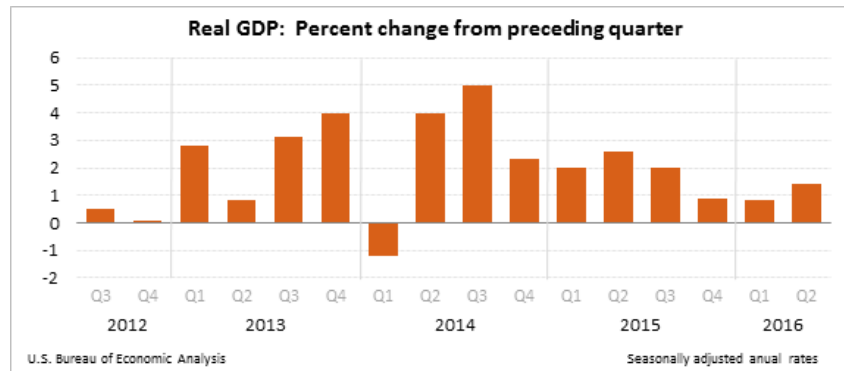
### % Change in Consumer Credit



## Business and Economic Growth

- According to the Sept. 29 third estimate by the Bureau of Economic Analysis, GDP in the 2<sup>nd</sup> quarter of 2016 grew at a 1.4-percent annual rate. In the 1<sup>st</sup> quarter, GDP grew by 0.8 percent.

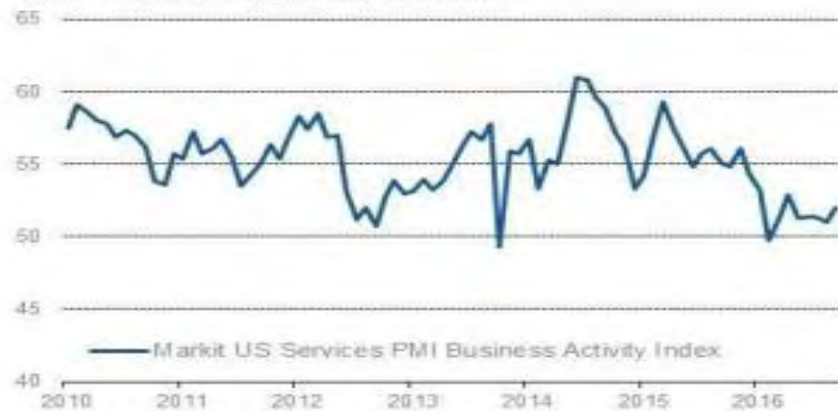
- BEA reported that the acceleration in real GDP in the second quarter primarily reflected an acceleration in personal consumption expenditures and upturns in nonresidential fixed investment and in exports. These were partly offset by a larger decrease in private inventory investment, downturns in state and local government spending and in residential fixed investment, and an upturn in imports.



- Before-tax corporate earnings fell 4.9 percent in the second quarter from a year earlier, the fifth consecutive decline and the worst streak since the end of the recession in mid-2009. The profit slump softens the outlook for already-weak business investment and also poses a risk to continued strength in hiring.
- The Commerce Department's Sept. 28 report on durable goods—products such as cars, tractors and refrigerators designed to last longer than three years—were unchanged from a month earlier. When excluding the volatile categories of defense and transportation products, sales declined.
- Durable goods orders have been erratic of late with a large upswing in July orders following a significant June drop. Much of the recent weakness in demand has been tied to the troubled energy sector, with the oil and coal industries pulling back investment, though overall demand remains sluggish beyond energy. Most economists have concluded that the manufacturing sector remains weak but is not weakening.
- The service-sector, which is the largest sector of the economy, posted growth in September according to Markit Economics. The rate of expansion in business activity at U.S. service providers picked up for the first time in three months during September, but remained relatively modest. Meanwhile, growth of new orders eased to a four-month low and companies reacted to modest inflows of new work by reducing their rate of hiring. However, companies remained optimistic about the outlook for the next twelve month period.

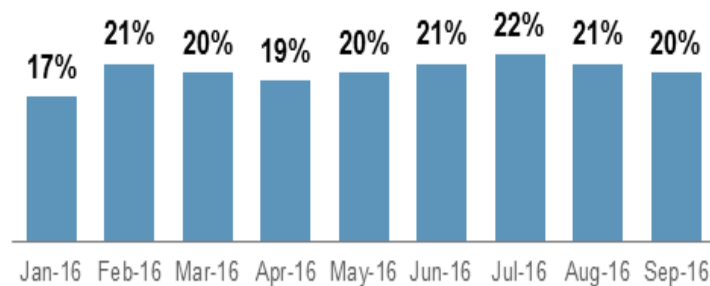
### Service sector business activity (seasonally adjusted)

Markit US Services PMI Business Activity Index



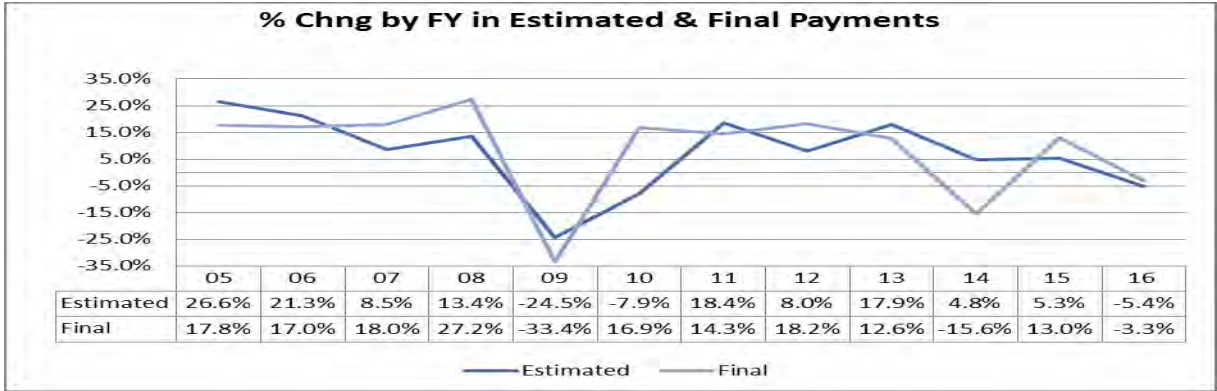
- The Wall Street Journal's survey of 60 economists indicates a small probability of a recession within the next 12 months. The probability has moved down slightly for the past two months.

### WSJ Survey of Recession Probability- Next 12 months.



## Stock Market

- Estimated and final income tax payments account for approximately 40 percent of total state income tax receipts. Both the estimated and final payments had a negative rate of growth in Fiscal Year 2016.
- The first large estimated payments for Fiscal Year 2017 will be made in September. That will provide a sense of emerging trends in the new fiscal year.



- The graphs below show the year-to-date movement in the DOW and the S&P respectively at this writing. There has been significant market volatility following the Brexit vote.

DOW JONES INDU AVERAGE INDEX



S&P 500 INDEX



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