COMPTROLLER LEMBO PROJECTS $2.1 BILLION DEFICIT IN FIRST FY21 FORECAST AS “RAINY DAY FUND” REACHES HISTORIC MILESTONE

Comptroller Kevin Lembo today, in his first monthly financial and economic update detailing Fiscal Year 2021, projected a deficit of $2.1 billion and announced the state’s reserves have reached an important milestone.

Last week, a large deposit into the state’s Budget Reserve Fund (“Rainy Day Fund”) brought its total balance to $3,035,853,798, representing 15.1 percent of net General Fund appropriations, a record-high and an important benchmark. Changes to state law in recent years championed by Lembo raised the reserve cap and introduced a formulaic approach to capture volatile revenue, guarding against future economic downturns.

“The ongoing crisis, and its economic impact on Connecticut families and businesses, shows the importance of budgetary preparedness,” said Comptroller Lembo. “This record-high balance in the Rainy Day Fund will likely be short-lived, but that’s entirely the point. By building reserves, our state is in a much stronger position to provide critical services to those in need and to weather this fiscal crisis.

“I’m grateful to the lawmakers that recognized the importance of this policy and joined me in the fight to make it law, and to those who wisely protected the funds before the pandemic hit, leaving us better prepared to reckon with the damage today. Connecticut has made great strides in building reserves over the last several years but continued fiscal discipline, and smart budgetary decisions, remain critical in the coming months and years as our state recovers.”

Lembo warned that it is early in the fiscal year and the economic uncertainty due to the ongoing pandemic makes forecasting revenue changes challenging. The current revenue estimates, accounting for the projected deficit, represent a cautious view and require budgetary discipline going forward.
“For months now, I have been warning that it was only a matter of time until we started to see the impact of COVID-19 on state revenues. This is the rainy day we’ve been preparing for,” said Lembo. “Connecticut is fortunate to have built its reserve, leaving us more prepared than many states, but the federal government must step up to replace lost revenues and protect families, small businesses and municipalities from tax increases and devastating service cuts. It is unacceptable that Congress cannot come together to do the right thing.”

Other data cited by Lembo shows the disparate economic effects of the pandemic. A recent study by The Center for Budget and Policy Priorities examining hardship caused by COVID-19 found widespread food and housing insecurity and job losses among Black, Latino, Indigenous and immigrant households. Nationally, up to 17 million children (one in four) live in a household where children are not getting enough to eat, and eight million children live in a household that is behind on rent. Workers earning high incomes before the pandemic have been largely unharmed while in Connecticut, and across the country, low-wage workers are getting hit the hardest.

“Widespread inequality was a problem before COVID-19 and the current crisis is worsening it,” said Lembo. “As we approach an uncertain budget year in Connecticut, it is more important than ever to keep in mind the potential impacts of our policies and to ensure we are helping those who need it most.”

Preliminary reporting of unaudited operating results for Fiscal Year 2020 will be presented in Lembo’s September 30th letter to the governor.

Lembo pointed to recent economic indicators and trends from national and state sources that show:

**NOTE:** Economic indicators largely look back to past periods. Therefore, some of the information presented this month may appear inconsistent with more recent developments in the rapidly changing response to the COVID-19 pandemic.
Employment

The withholding portion of the income tax is the largest single General Fund revenue source. Based on the preliminary results of the year-end statutory tax accrual period, FY 2020 withholding receipts were trending about 2.2 percent above FY 2019 levels, but still below the 4.1 percent growth rate built into the FY 2020 budget plan. By statute, certain taxes collected through the first five business days of August, including for the income tax, are accrued back to the previous fiscal year. June collections showed growth in withholding receipts holding steady compared with FY 2019. July and August collections indicated stronger than expected receipts during the statutory accrual period, improving the revenue outlook for FY 2020. Looking forward to FY 2021, initial projections are dropping withholding collections by 4.6 percent versus FY 2020 levels.

![Percent Change in Withholding Tax by Fiscal Year](chart.png)

Preliminary reporting of unaudited operating results for Fiscal Year 2020 will be presented in State Comptroller’s September 30th letter to the governor.

**COVID-19 Related Job Losses**

Throughout July and into August, the nation continued seeing historically high levels of initial unemployment insurance (UI) claims. For the week ending August 22nd, the U.S. Bureau of Labor Statistics (BLS) reported that seasonally adjusted initial claims totaled just over one million. This was the 22nd time in 23 weeks that the initial UI claims came in above one million. Before the pandemic, initial UI claims averaged closer to 210,000 per week.
The economic pain and fallout of the COVID-19 pandemic remains widespread as federal policy makers failed to extend supplemental unemployment benefits, including an additional $600 per week, prior to their expiration on July 31 as part of the CARES Act.

Analysts are concerned the unemployment figures may be a sign that the labor-market recovery is stalling as coronavirus cases surge and reopenings pause or reverse in parts of the country. Several large employers have recently announced plans for significant layoffs, including American Airlines and MGM Resorts.

Continuing UI claims, for those who have been collecting for at least two weeks, declined by 223,000 to 14.535 million for the week ending August 15th. This measure gives a clearer picture of how many workers are still unemployed. As expanded unemployment benefits run out, with no agreement in sight for an extension, the number of continuing UI claims remains persistently high.

**Connecticut – Job Growth in July, Unemployment Still Historically High**

Connecticut has also experienced historic levels of employment losses this spring, although has recently reversed that trend and began recovering some jobs back.

On August 20th, Connecticut Department of Labor (DOL) reported the preliminary Connecticut nonfarm job estimates for July 2020 from the business payroll survey administered by the U.S. Bureau of Labor Statistics (BLS). DOL’s Labor Situation report
showed the state gained 26,500 net jobs (1.8%) to a level of 1,540,400 seasonally adjusted. At the same time, the June 2020 job gain of 73,300 was revised upward by an additional 4,000 jobs.

DOL reported Connecticut experienced a solid month of job growth in July but cautioned that these gains should be viewed from the perspective of the unprecedented job losses caused by the COVID-19 pandemic. In fact, the largest employment growth in July was seen in industries most affected by pandemic closures, including leisure & hospitality, trade, and other services. Professional & business services made a strong showing after several months of weakness, while the government sector lost jobs in July.

Over the year, however, nonagricultural employment in the state fell by 146,300 (-8.7%) seasonally adjusted. Connecticut's official unemployment rate stood at 10.2 percent in July, but DOL cautioned that figure continues to be significantly understated:

“The Connecticut unemployment rate continues to be underestimated due to challenges encountered in the collection of data for the June Current Population Survey (CPS) which is the foundation of the statistical model used to determine all states’ unemployment rates. In addition to a poor response rate in an already small sample size in Connecticut, key questions continue to be misinterpreted and misclassified. Specifically, a significant number of respondents who should have been classified as temporarily out of work and therefore unemployed were instead classified as employed, but away from work (e.g. sick)”

DOL’s Office of Research estimates Connecticut's unemployment rate to be much higher, in the range of 15 percent for the mid-June to Mid-July period. DOL notes this higher estimate was made using Connecticut residential unemployment insurance claims and adding a similar factor for the unemployed self-employed population. By comparison, the official US jobless rate in July 2020 was also 10.2 percent, although analysts noted that rate was likely understated due to the data collection issues noted above.

Among the major job sectors listed below, all ten experienced significant losses in July 2020 versus July 2019 levels. The leisure & hospitality sector was particularly hard hit, losing more than a quarter of its jobs for the period, followed by the other services and the government sectors. In this context, the government sector includes all federal, state and local
employment, including public education and Native American casino employment located on tribal land. A more detailed look at DOL’s data set indicated most of the government jobs lost between July 2019 and July 2020 were at the local level, including about 7,100 in education and 7,900 in non-education roles for municipal government.

<table>
<thead>
<tr>
<th>Payroll Employment Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>July 2020 Versus July 2019</strong></td>
</tr>
<tr>
<td><strong>Sector</strong></td>
</tr>
<tr>
<td>Construction and Mining</td>
</tr>
<tr>
<td>Manufacturing</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
</tr>
<tr>
<td>Information</td>
</tr>
<tr>
<td>Financial Activities</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
</tr>
<tr>
<td>Other Services</td>
</tr>
<tr>
<td>Government</td>
</tr>
<tr>
<td><strong>Total Connecticut Non-Farm Employment</strong></td>
</tr>
</tbody>
</table>

The job losses in the government sector are another indication that additional help is needed from the federal level to avoid cuts to vital public services during a severe economic downturn, while the pandemic is still not under control in the U.S.
COVID-19 Tracking Hardship Series – Center for Budget and Policy Priorities

The Center for Budget and Policy Priorities (CBPP) has been using the Census Bureau's Household Pulse Survey and other data sources to track hardships experienced by U.S. households during the COVID-19 pandemic. CBPP’s most recent report was published August 13th and covered the week ending July 21st, just before expanded unemployment benefits expired.

CBPP found that the economic impacts of the pandemic are widespread. Unemployment remains high and too many households continue to struggle with putting enough food on the table or are falling behind on paying rent. These issues are particularly prevalent in low income families and among Black, Latino, Indigenous, and immigrant households. CBPP notes these disproportionate impacts reflect longstanding inequalities in education, employment, housing, and health care that the current crisis is exacerbating.

Additional findings from the CBPP report include:

**Difficulty Getting Enough Food**

- Data from several sources show a dramatic increase in the number of households struggling to put enough food on the table. About 29 million adults — 12.1 percent of all adults in the country — reported that their household sometimes or often didn't have enough to eat in the last seven days, according to the Household Pulse Survey for the week ending July 21.

- The rates were more than twice as high for Black and Latino respondents (21 percent for both groups) as for white respondents (8 percent).

**Inability to Pay Rent or Mortgage**

- An estimated 14.8 million adults who live in rental housing — 1 in 5 adult renters — were behind on rent for the week ending July 21. Here, too, the rates were much higher for Black (31 percent) and Latino (28 percent) renters than white (15 percent) renters.

- In addition, renters who are parents or otherwise live with children are nearly twice as likely to be behind on rent compared to adults not living with anyone under age 18. (See Figure 4.) Some 8 million children lived in a household that was behind on rent for the week ending July 21.

**Job Losses Concentrated in Low-Paid Industries**

- The unemployment rate jumped in April to a level not seen since the 1930s — and still stood at 10.2 percent in July, higher than at any point in the Great Recession. Some 14.6
percent of Black workers and 12.9 percent of Latino workers were unemployed in July, compared to 9.2 percent of white workers.

- The majority of jobs lost in the crisis have been in industries that pay below average wages, with the lowest-paying industries accounting for 30 percent of all jobs but 51 percent of the jobs lost from February to July, the latest month of Labor Department employment data.

- Jobs in low-paying industries were down almost twice as much between February and July 2020 (14.0 percent) as jobs in medium-wage industries (8.1 percent) and three times as much as in high-wage industries (5.0 percent).

### FIGURE 5

**Job Losses Largest in Industries That Pay Low Wages**

<table>
<thead>
<tr>
<th>Low-wage</th>
<th>Medium-wage</th>
<th>High-wage</th>
<th>All industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>-14%</td>
<td>-8%</td>
<td>-5%</td>
<td>.9%</td>
</tr>
</tbody>
</table>

Source: CBPP calculations of Bureau of Labor Statistics data

**Millions of Children Facing Hardship**

- Approximately 19 million children, or 1 in 4 children, live in a household that isn’t getting enough to eat, is behind on rent or mortgage payments, or both.

- These levels of hardship are substantially higher among Black and Latino children, reflecting longstanding inequities that the current crisis has exacerbated.

CBPP notes that relief efforts to date have mitigated hardship during the pandemic, but there are significant gaps and implementation difficulties have delayed aid to some households. The aid is also temporary. Therefore, CBPP recognizes the need for substantial, continued relief measures to alleviate hardships like hunger, eviction, and homelessness, especially in households with children.

The full report from CPBB can be found at:  
Income and Salary

July 2020 average hourly earnings at $33.50, not seasonally adjusted, were up $1.16 (3.6%) from the July 2019 estimate ($32.34). The resultant average private sector weekly pay amounted to $1,149.05, up $52.72 from a year ago (4.8%). However, DOL warns that due to fluctuating sample responses, private sector earnings and hours estimates can be volatile from month-to-month.

The 12-month percent change in the Consumer Price Index for All Urban Consumers (CPI-U, U.S. City Average, not seasonally adjusted) in July was a modest 1.0 percent.

On June 23rd, the Bureau of Economic Analysis reported that Connecticut’s personal income grew by a 2.4 percent annual rate between the fourth quarter of 2019 and the first quarter of 2020. Based on this result, Connecticut ranked 26th in the nation for first quarter income growth. Connecticut’s growth rate was equal to the New England region’s and slightly above the national average rate of 2.3 percent. The percent change in personal income across all states ranged from 4.9 percent in New Mexico to -0.3 percent in Michigan.

BEA will release personal income by state for the second quarter 2020 and for the full 2019 year on September 24, 2020.
Berkshire Hathaway HomeServices reported strong results for the Connecticut housing market for July 2020 compared with July 2019. Sales of single-family homes increased by 14.27 percent, with the median sale price increasing by 15.52 percent. Continuing a trend from last month, new listings were up 18.39 percent in Connecticut. The median list price rose 13.68 percent to $339,900. At the same time, average days on the market increased 6.06 percent in July 2020 compared to the same month in the previous year (70 days on average compared with 66 in July 2019).

The table below contains more detailed data for the Connecticut housing market.

<table>
<thead>
<tr>
<th>Market Summary</th>
<th>July 2020</th>
<th>Month to Date</th>
<th>Percent Change</th>
<th>Year to Date</th>
<th>Year-To-Date 2019</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Listings</td>
<td>59,622</td>
<td>50,002</td>
<td>18.39%</td>
<td></td>
<td>325,422</td>
<td>-12.59%</td>
</tr>
<tr>
<td>Sold Listings</td>
<td>4,956</td>
<td>4,022</td>
<td>14.27%</td>
<td></td>
<td>20,750</td>
<td>0%</td>
</tr>
<tr>
<td>Median Listing Price</td>
<td>$339,900</td>
<td>$299,000</td>
<td>13.68%</td>
<td></td>
<td>$299,000</td>
<td>8.73%</td>
</tr>
<tr>
<td>Median Selling Price</td>
<td>$355,000</td>
<td>$299,000</td>
<td>15.52%</td>
<td></td>
<td>$291,000</td>
<td>7.98%</td>
</tr>
<tr>
<td>Median Days on Market</td>
<td>39</td>
<td>45</td>
<td>-13.33%</td>
<td></td>
<td>51</td>
<td>-7.27%</td>
</tr>
<tr>
<td>Average Listing Price</td>
<td>$518,655</td>
<td>$452,025</td>
<td>14.74%</td>
<td></td>
<td>$456,985</td>
<td>10.27%</td>
</tr>
<tr>
<td>Average Selling Price</td>
<td>$508,095</td>
<td>$437,142</td>
<td>16.23%</td>
<td></td>
<td>$442,813</td>
<td>10.65%</td>
</tr>
<tr>
<td>Average Days on Market</td>
<td>70</td>
<td>65</td>
<td>6.06%</td>
<td></td>
<td>80</td>
<td>0%</td>
</tr>
<tr>
<td>List/Sell Price Ratio</td>
<td>98.9%</td>
<td>98%</td>
<td>0.96%</td>
<td></td>
<td>97.9%</td>
<td>97.5%</td>
</tr>
</tbody>
</table>

For the U.S. housing market, the National Association of Realtors (NAR) reported existing-home sales continued a strong upward trend in July 2020, building on the rebound in sales from the previous month. Each of the four major regions experienced double-digit, month-over-month increases, while the Northeast was the only region to show a year-over-year decline.

Total existing-home sales, (completed transactions that include single-family homes, townhomes, condominiums and co-ops) jumped a record 24.7 percent from June to a seasonally adjusted annual rate of 5.86 million in July. In June sales increased 20.7 percent over May. Sales were also up year-over-year, growing 8.7 percent from a year ago (5.39 million in July 2019).

Nationally, home prices have remained strong during the pandemic. NAR noted the median existing-home price for all housing types in July was $304,100, up 8.5 percent from July 2019 ($280,400), as prices rose in every region of the country. July’s national price increase marks 101 straight months of year-over-year gains, and for the first time ever, national median home prices rose above the $300,000 level.
Stock Market – Strong Performance in August

In the third week of March, the stock market reached its low point in 2020 as the impact of the coronavirus became more widespread. Since that time, the major indices have recovered their losses and, in August, both the S&P and NASDAQ touched new record highs.

The stock market’s performance is much different than that of the larger economy, which still has not fully recovered from the ongoing pandemic. Unemployment levels are still at historically high levels and many businesses remained closed, some permanently.

As of this writing, the DOW has climbed back almost to even year-to-date and is up about 7.8 percent from a year ago. The NASDAQ, heavily composed of tech stocks, has been the strongest performer and is up over 30 percent year-to-date and over 48 percent from a year ago. The S&P 500 has risen 8.6 percent year-to-date and 19.7 percent from a year ago.

Charts for the three major stock indices follow.
To give more perspective on the performance of the stock market over the longer term, the chart below shows the level of the DOW from 2007 to the present:

The performance of the stock market has a significant impact on the State of Connecticut’s revenues. In a typical year, estimated and final income tax payments account for approximately 25-30 percent of total state income tax receipts, but can be an extremely volatile revenue source.

Year-to-date through the statutory tax accrual period, estimated and final payments are down a combined 13.2 percent compared with the same period a year ago. Complete unaudited results for revenues for FY 2020 will be available in the September 30th report from the Comptroller.
**Consumer Spending**

Consumer spending is the main engine of the U.S. economy, accounting for more than two-thirds of total economic output.

On August 14th, the Commerce Department reported that U.S. advance retail sales increased by 1.2 percent in July, after rising a revised 8.4 percent in June. This represents the third straight month of growth in retail sales, although the pace in July was slower than analysts anticipated. Economists surveyed by Dow Jones expected growth of 2.3 percent.

On the positive side, electronics and appliance retailers saw gains of 22.9 percent in July, while clothing stores were up 5.7 percent. Sales at restaurants and bars grew 5 percent and gas station receipts rose 6.2 percent. On the downside, auto sales declined 1.2 percent, sporting goods & bookstores saw a 5 percent decrease and home & garden suppliers reported a 2.9% drop.

However, analysts noted the emerging economic recovery is being threatened by a resurgence in new COVID-19 infections in parts of the United States and continued high levels unemployment nationwide. Consumer spending has been supported in part by expanded unemployment benefits, including an additional $600 per week. Those benefits expired at the end of July. Against that backdrop, it is an open question whether retail sales can continue to grow in the months ahead.

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**Consumer Debt and Savings Rates**

According to the Federal Reserve Bank of New York, aggregate household debt balances declined in the second quarter of 2020. The drop was the first decline since the second quarter of 2014 and the largest decline since the second quarter of 2013.
In the second quarter of 2020, total household debt decreased by $34 billion (0.2 percent) to $14.27 trillion. The total balance is still $1.59 trillion higher, in nominal terms, than the previous peak of $12.68 trillion in the third quarter of 2008.

The report titled “Quarterly Report on Household Debt and Credit” noted mortgage balances – the largest component of household debt – stood at $9.78 trillion during the second quarter of 2020, a $63 billion increase from the first quarter of 2020. At $1.54 trillion, student loans were the second largest category of household debt. The Federal Reserve reported that student loan balances increased by a slight $2 billion, but this reflected a wide application of CARES Act-related forbearances on federal student loans and interest waivers. Balances on home equity lines of credit (HELOC), continuing their downward trend since 2009, declined by $11 billion to $375 billion. Auto loans remained roughly flat, but credit card balances declined sharply in the second quarter, by a total of $76 billion. This represented the steepest decline in credit card balances in the history of the Federal Reserve’s data, which the bank attributed to sharp declines in consumer spending due to the COVID-19 pandemic and related social distancing orders.

The Federal Reserve reported aggregate delinquency rates dropped markedly in the second quarter, reflecting increased uptake of forbearances, which were provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Mortgages, credit cards, student and auto loans all showed lower transition rates into delinquency, likely reflecting the
impact of government stimulus programs and various forbearance options for troubled borrowers. The report noted approximately 7.0 percent of aggregate student debt was 90+ days delinquent or in default in the second quarter 2020 compared with 10.8 percent in the first quarter. The Federal Reserve attributed the sharp decline in student debt delinquency to a U.S. Department of Education decision to automatically qualify all federal student loans for CARES Act forbearances and report their status as current.

However, the Federal Reserve also warns that the various relief efforts provided through the CARES Act have provided temporary protection, but “may also mask the very real financial challenges that Americans may be experiencing as a result of the COVID-19 pandemic and the subsequent economic slowdown.”

The full report can be accessed at the following link: https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2020Q2.pdf

**Personal Savings Rate**

In its August 28th release, the Bureau of Economic Analysis (BEA) reported the personal-saving rate was 17.8 percent in July, down from a revised 19.2 percent in June. This level still represents a high savings rate by historical standards, although it continues to decline from the record 24.2 percent revised rate recorded in May. The personal savings rate is defined as personal saving as a percentage of disposable personal income. As seen in the chart below, the savings rate tends to increase during recessionary periods as consumers cut back on discretionary spending.

In July, personal income increased 0.4 percent and disposable personal income rose by a modest 0.2 percent, while personal consumption expenditures grew by 1.9 percent. BEA noted that the increases in personal income in July mostly reflected gains in compensation of employees as portions of the economy continued to reopen. In addition, proprietors’ income and rental income also contributed to the increase.
In past reports, the Office of the State Comptroller has warned that the personal savings rate has remained low by historical standards, despite a decade of economic growth since the end of the Great Recession. Even before the current coronavirus pandemic hit, studies showed nearly four in ten U.S. adults would have difficulty covering an emergency $400 expense due to lack of savings. In relatively good economic times, many working families lived paycheck to paycheck. Now with large scale job losses, a lack of savings will make the present downturn much more difficult to navigate.

**Consumer Confidence – Dramatic Drop in August**

The U.S. consumer confidence index (CCI) is published by the Conference Board. The CCI looks at U.S. consumer’s views of current economic conditions and their expectations for the next six months. The index is closely watched by economists because consumer spending accounts nearly 70 percent of U.S. economic activity.

The Conference Board reported that the Consumer Confidence Index dropped significantly in August, after a smaller decline in July. The Index now stands at 84.8, down from 91.7, the lowest level since May of 2014.

In its August report, the Conference Board noted that consumers felt both business and employment conditions had deteriorated over the past month, leading to a more pessimistic view of their own financial prospects. The decline in consumer confidence takes place against a backdrop of expiring supplemental unemployment benefits and a resurgence of the coronavirus in the southern and midwestern United States. The report also warned that uncertainty and concerns about the economic outlook could cause consumer spending to cool in the months ahead, potentially slowing the nation’s recovery.

**Business and Economic Growth - Historic Drop in Quarterly GDP**

According to an August 27th report from the Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) decreased at an annual rate of 31.7 percent in the second quarter of 2020, according to BEA’s second estimate. This represents the steepest quarterly decline on record, reflecting the significant economic fallout of the coronavirus pandemic. By comparison, the worst quarter during the Great Recession was an 8.4 percent drop in GDP in the fourth quarter of 2008. In the first quarter of 2020, real GDP decreased 5.0 percent.

BEA reported the sharp decline in real GDP reflected decreases in personal consumption expenditures (PCE), exports, private inventory investment, nonresidential fixed investment, residential fixed investment, and state and local government spending that were partly offset by an increase in federal government spending. Imports, which are a subtraction in the calculation of GDP, decreased.
BEA noted the drop in PCE reflected lower spending on services (led by health care) and goods (led by clothing and footwear). The decline in exports primarily reflected a decrease in capital goods. The falloff in private inventory investment was largely due to a decrease in retail (led by motor vehicle dealers). The decrease in business investment primarily reflected a decrease in equipment purchases (led by transportation equipment), while the decrease in residential investment primarily was largely due to a decrease in new single-family housing.

In a July 7th report, the Bureau of Economic Analysis (BEA) released Real Gross Domestic Product (GDP) results by state for the first quarter of 2020. With the onset of the coronavirus pandemic, GDP decreased in all 50 states. The percent change in real GDP in
the first quarter ranged from –1.3 percent in Nebraska to –8.2 percent in New York and Nevada. Connecticut experienced a seasonally adjusted change in GDP of -4.6 percent, which ranked 18th in the nation overall. Both the U.S and the New England region experienced larger decreases in GDP than Connecticut in the first quarter of 2020.

BEA will release state-level GDP results for the second quarter of 2020 on October 2nd.

**Durable Goods**

According to an August 26th report by the U.S. Department of Commerce, new orders for manufactured durable goods increased $23.2 billion in July or 11.2 percent to $230.7 billion. This increase, up now for three consecutive months, followed a 7.7 percent increase in June.

![Durable Goods – New Orders](chart.png)

Transportation equipment led the way, growing $19.6 billion or 35.6 percent to $74.7 billion. New orders of automobiles and parts jumped 21.9 percent in July.

Orders for so called core capital goods rose 1.9 percent in July, in line with economists’ expectations. Core capital goods are defined as non-defense capital goods excluding aircraft, which is considered a proxy for business spending. Analysts noted business investment is unlikely to recover fully until the coronavirus is brought under control. The pandemic has disrupted international supply chains, which places strains on the global trading system.

*** END ***