News from
COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO PROJECTS $894.7M SURPLUS STEMMING LARGELY FROM FEDERAL SUPPORT

Comptroller Kevin Lembo today, in his monthly financial and economic update, projected a General Fund surplus of $894.7 million for Fiscal Year 2022 due largely to financial support from the federal government and the continued recovery from the pandemic.

In November, a new consensus revenue forecast issued by the Office of Policy and Management and the Office of Fiscal Analysis showed a significant increase in state revenue projections. Most of the increase is owed to federal grants, particularly in Medicaid reimbursement and support for health and community-based services. Forecasts for sales tax revenues also improved as consumer spending continues at high levels.

"Connecticut's economy continues on its upward trajectory," said Lembo. "The state budget appears to be in good shape for this fiscal year and, if current projections hold, another large payment should be available to pay down pension debt for the third consecutive year. While this is undoubtedly good news, I also want to caution that this level of federal aid cannot be depended on in future budget years and lawmakers should plan accordingly."

Connecticut experienced its tenth consecutive month of employment growth in October, adding 5,300 jobs. The state has now recovered 72.8 percent of the jobs lost during the onset on the pandemic. The level of new unemployment claims has now dropped to pre-pandemic levels and the leisure and hospitality sector, which was particularly harmed during the spring and summer of 2020, has seen a significant rebound in recent months, resulting in competition for labor.

While economic indicators remain largely positive, Lembo warned of continued issues of housing security. The market for single-family homes in Connecticut has slowed in recent months as inventory has shrunk. High prices have depressed the market for would-be first-time homebuyers and skyrocketed rental costs, which are up over 23 percent from this time a year ago.

"Housing is an essential need for everyone in Connecticut," said Lembo. "Unaffordable prices not only lead to dangerous levels of housing insecurity, but they also hamper other parts of the economy. As we wait for the inflationary pressures of supply chain issues and consumer demands to wane, it's critical that policymakers keep a close eye on housing costs and continue to devote resources to helping families stay in their homes."

Another concern for Lembo is a national decline in local government education jobs. The national quit rate of 3 percent in September remains high and educators switching professions, or leaving the workforce, could have deleterious long-term effects. While Connecticut's overall quit rate of 2.5 percent is better than the national average, the government sector is one of three in the state to see a year-over-year decline.

While wages are growing nationally, the benefits are being mitigated by high inflation. Global supply-chain disruptions, raw material shortages, and labor shortages — each exacerbated by pent up demand — are driving up costs for consumers. While many economists believe spending habits will adjust closer to their pre-pandemic norms, the timing of that normalization is unpredictable and markets will continue to be uneven in the meantime.

Lembo is currently projecting another large deposit into the state's Budget Reserve Fund ("Rainy Day Fund") of approximately $1.7 billion. Due to a law originally drafted by Lembo, excess revenue in volatile categories is automatically deposited into the fund. Because the fund has currently reached its statutory cap of 15 percent of net General Fund appropriations, the additional money would be used to pay down the state's pension debt for the third consecutive year.

"This smart fiscal policy continues to generate huge benefits for taxpayers," said Lembo. "If these projections hold, we'll be able to erase another huge portion of the pension debt that has been consuming more and more of the state's budget in recent decades, easing the burden of past bad decisions on future generations."

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

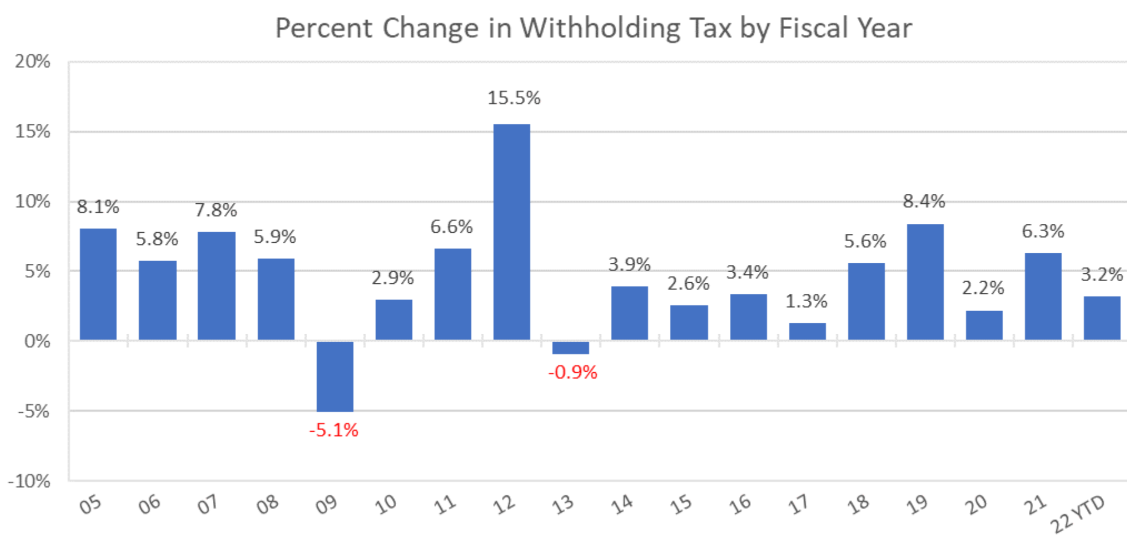
NOTE – Economic indicators largely look back to past periods. Therefore, some of the information presented this month may appear inconsistent with more recent developments in the rapidly changing response to the COVID-19 pandemic.

Employment and Withholding Receipts

The withholding portion of the income tax is the largest single General Fund revenue source.

Despite historic levels of job losses at the start of the pandemic, income tax withholding still finished FY 2021 $75.3 million or 1.0 percent above its budget target. Compared with prior year realized amounts, FY 2021 withholding receipts performed even better, growing by $428.6 million or 6.3 percent over FY 2020 levels. Growth in withholding receipts reflected several factors, including the concentration of employment losses in the lower wage service sector, the ongoing recovery of jobs throughout the year, and having income tax withheld on enhanced unemployment benefits, including the additional $600 per week that was part of the Federal pandemic relief efforts.

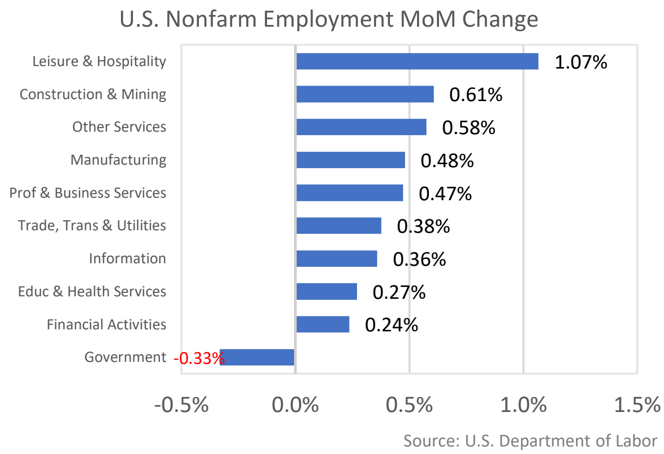
Through the first four months of FY 2022 income tax withholding continues to perform well. To date through October 31st, collections are coming in 3.2 percent above the same period in FY 2021. The budget plan calls for growth in withholding receipts of 1.8 percent over FY 2021 realized amounts.

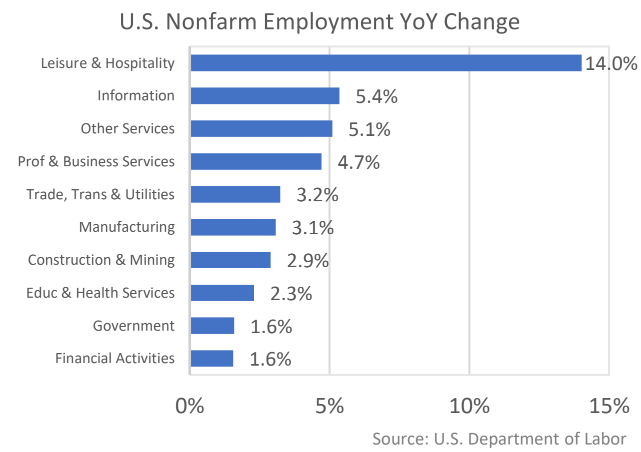


National Jobs & Unemployment Picture – Job Growth Improves in October

National job growth exceeded expectations in October after a few months of disappointing growth. The Bureau of Labor Statistics (BLS) reported the U.S. added 531,000 jobs after adding 312,000 in September and 483,000 in August. This marks ten straight months of gains. Job gains occurred in leisure and hospitality (+164,000), professional and business services (+100,000), manufacturing (+60,000), and transportation and warehousing (+54,000). Government lost 73,000 jobs, with the highest loss in local government education (-43,400).

Nonfarm payroll employment is up by 18.2 million since April 2020 but is down by 4.2 million, or 2.8 percent, from its pre-pandemic level in February 2020. The graphs below display the month over month and year over year net change in employment by sector. Month over month, nine sectors experienced gains while one declined (government). Year over year, all industry sectors experienced growth.



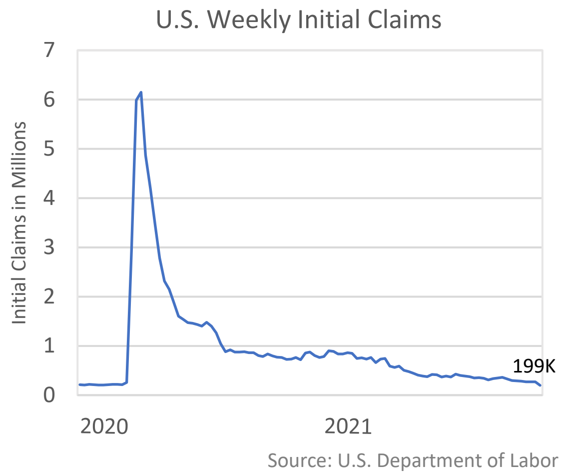


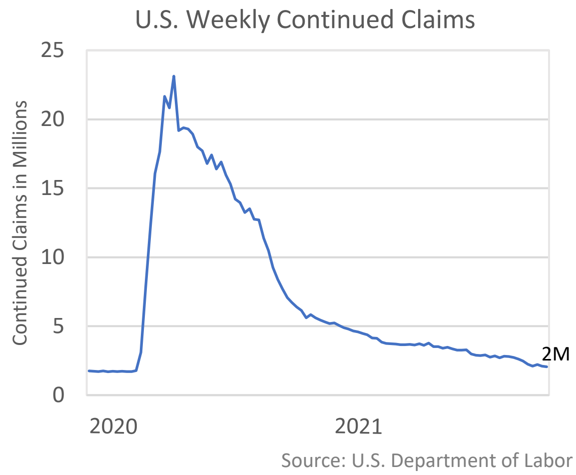
In September, the national quit rate was 3 percent, with 4.4 million people leaving their jobs. This is a record high, substantiating the "Great Resignation." Industries with the highest quit rates included leisure and hospitality (accommodation and food services & arts, entertainment, and recreation), trade, transportation, and utilities (retail trade), and professional and business services. The Northeast had the lowest quit rate at 2.2 percent, followed by the Midwest (3.0%), the West (3.1%) and the South (3.3%).

In October, the national unemployment rate declined by 0.2 percentage points to 4.6 percent. This is still higher than pre-pandemic levels (3.5%) but demonstrates how fast unemployment has recovered compared to previous recessions. The COVID-19 virus created the highest national unemployment rate (14.8%) since the Great Depression (25.6%) yet rebounded to under 5% in less than a year and a half.

The number of unemployed people decreased to 7.4 million, inching closer to pre-pandemic levels (5.7 million). The number of long-term unemployed people, those jobless for 27 weeks or more, decreased by 357,000 to 2.3 million, and account for 31.6 percent of the total unemployed in October. The labor force participation rate remained stagnant at 61.6 percent changing little since June of 2020. The labor force participation rate is the percentage of all people of working age who are employed or are actively seeking work. This trend is concerning to economists because it's an indication that people who left the workforce due to COVID-19 may have left long-term.

For the week ending November 20th, BLS reported that seasonally adjusted initial claims totaled 199,000 which is a decrease of 71,000 from the previous week's level of 270,000. This is the lowest level for initial claims since November 15th, 1969 when it was 197,000. For the week ending November 13th, BLS reported seasonally adjusted continued claims totaled 2,049,000, a decrease of 60,000 from the previous week's revised level of 2,109,000. This is the lowest level for insured unemployment since March 14th, 2020 when it was 1,770,000.





BLS reported the total receiving unemployment benefits was approximately 2.4 million for the week ending November 6th, down from 3.2 million the previous week and down from 21 million the previous year. The totals reported in the chart below do not represent unique individuals, rather the number collecting from all programs. These continual decreases are due to the expiration of supplemental federal unemployment programs and a decrease in the number of state unemployment claims.

Continued Weeks Claimed Filed for UI Benefits in All Programs (Unadjusted)

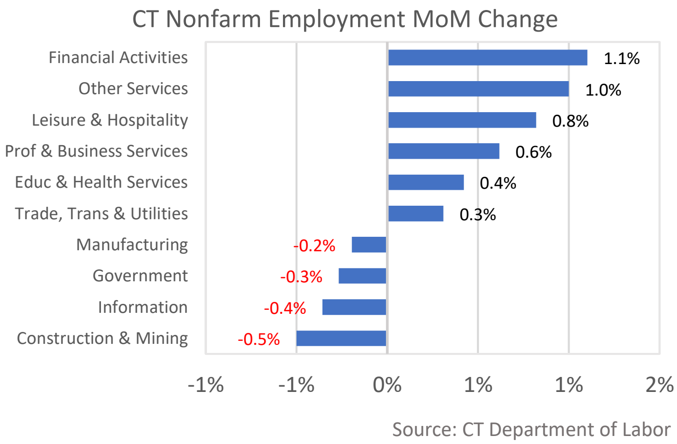
Week Ending	**November 6**	**October 30**	**Change**	**Prior Year**
Regular State	1,778,048	1,946,301	-168,253	6,020,069
Federal Employees	7,854	8,023	-169	13,539
Newly Discharged Veterans	4,837	5,001	-164	11,201
Pandemic Unemployment Assistance	334,750	791,060	-456,310	9,449,358
Pandemic Emergency UC	151,556	272,974	-121,418	4,884,324
Extended Benefits	134,116	136,208	-2,092	601,396
State Additional Benefits	2,985	3,172	-187	2,560
STC/Workshare	18,135	21,932	-3,797	128,819
TOTAL	2,432,281	3,184,671	-752,390	21,111,266

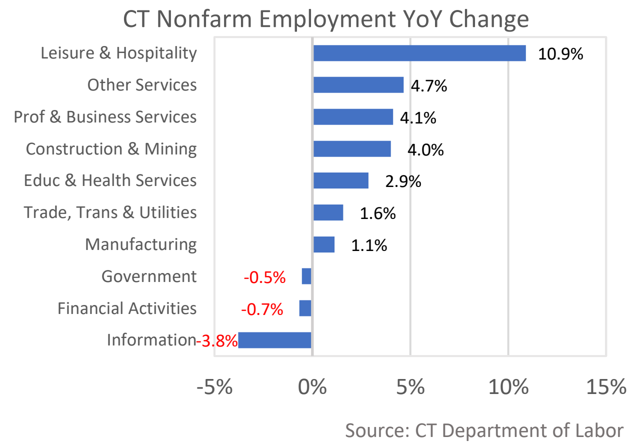
Source: U.S. Department of Labor

Connecticut Jobs Picture – Continued Improvement in October

After Connecticut experienced historic levels of employment losses in March and April of 2020, the state began regaining jobs over the following six months. Later in the year, the employment recovery stalled as coronavirus infection rates rose. More recently, information released by the Connecticut Department of Labor (DOL) indicates Connecticut's labor market continues to gradually improve as 2021 comes to a close.

DOL's Labor Situation report showed the state gained 5,300 net jobs (0.3%) in October to a level of 1,616,800 jobs seasonally adjusted. This follows job growth of 6,500 positions in September and represents ten consecutive months of employment gains. The graphs below display the month over month and year over year net change in employment by sector followed by a chart with the numeric gains and losses.





Nonfarm Employment by Sector

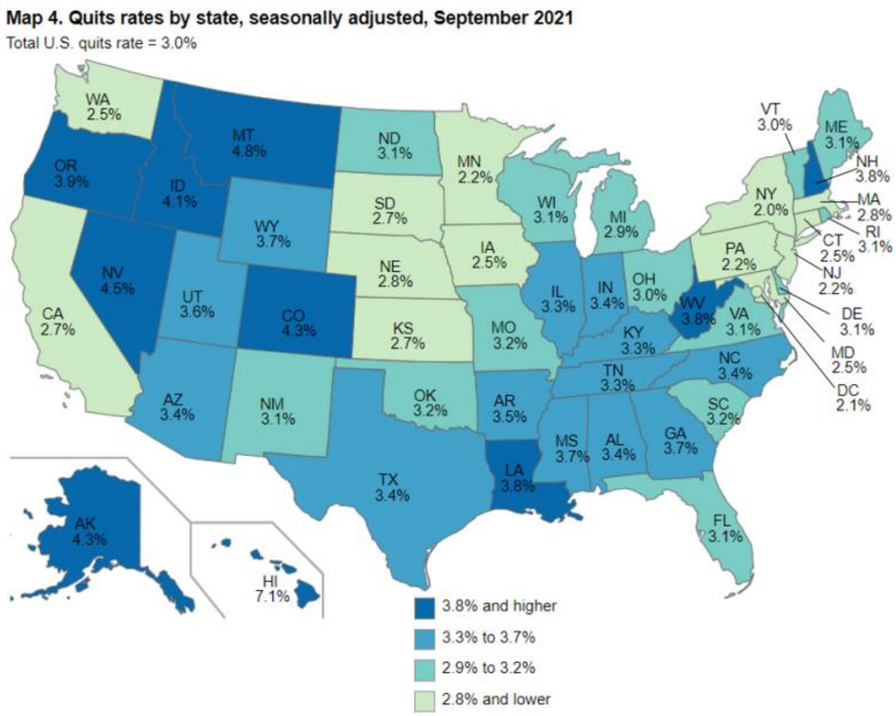
Sector	October 2021 (P)	September 2021 (R)	October 2020 (R)	MoM Change	MoM Rate	YoY Change	YoY Rate
Information	27,900	28,000	29,000	-100	-0.4%	-1,100	-3.8%
Financial Activities	119,300	118,000	120,100	1,300	1.1%	-800	-0.7%
Government	224,200	224,800	225,400	-600	-0.3%	-1,200	-0.5%
Manufacturing	153,100	153,400	151,400	-300	-0.2%	1,700	1.1%
Trade, Trans & Utilities	291,500	290,600	287,000	900	0.3%	4,500	1.6%
Educ & Health Services	333,500	332,100	324,200	1,400	0.4%	9,300	2.9%
Construction & Mining	59,600	59,900	57,300	-300	-0.5%	2,300	4.0%
Prof & Business Services	211,900	210,600	203,500	1,300	0.6%	8,400	4.1%
Other Services	60,600	60,000	57,900	600	1.0%	2,700	4.7%
Leisure & Hospitality	135,200	134,100	121,900	1,100	0.8%	13,300	10.9%

Source: CT Department of Labor

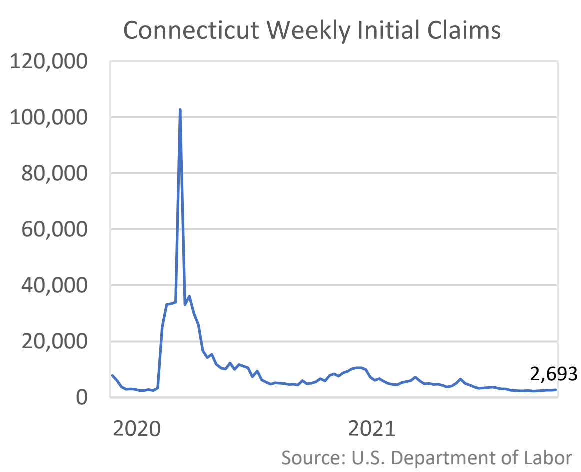
On a month-to-month basis, DOL noted that six of the ten major industry sectors experienced improvement while four declined. Education and health services lead the way (+1,400 jobs), followed by financial activities (+1,300), and professional and business services (+1,300). Sectors that lost jobs include government (-600), construction and mining (-300), manufacturing (-300), and information (-100).

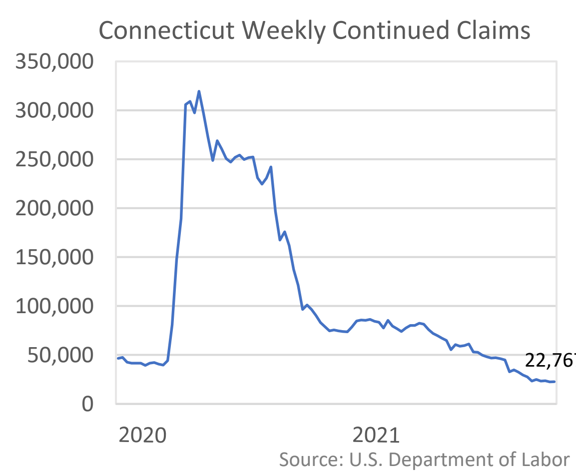
On a year-over-year basis, seven sectors experienced gains and three experienced losses. The leisure & hospitality sector, hardest hit during the pandemic, experienced the largest gains (+13,300), growing 10.9 percent from a year ago. Information, financial activities, and government lost jobs over the same period.

According to BLS, in September, Connecticut's quit rate was 2.5 percent, with 41,000 people leaving their job in one month. The graphic below from BLS depicts the quit rate by state.

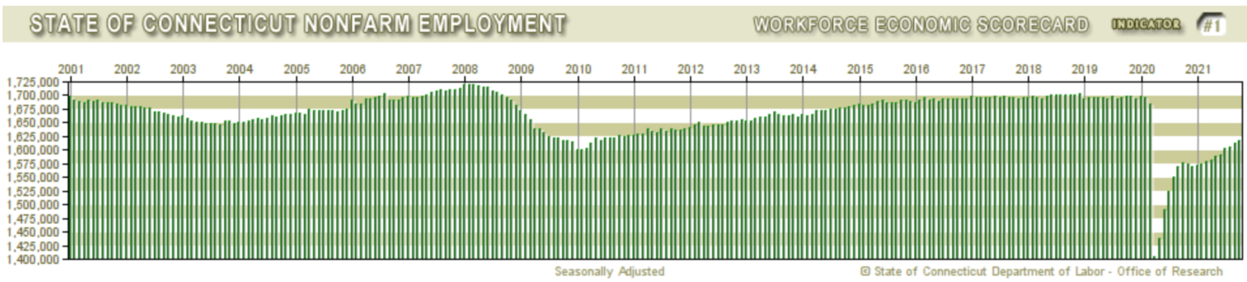


According to the Department of Labor, for the week ending November 20th, initial claims totaled 2,693. Unemployment claims for first-time filers were an average of 3,502 per week, down 228 from last month, and down 3,793 claims from last year. This level of monthly average weekly initial claims is the lowest in the state since February 2020 (3,243), just before the COVID-19 lockdown. For the week ending November 13th, continued claims totaled 22,767 which has returned to pre-pandemic levels.

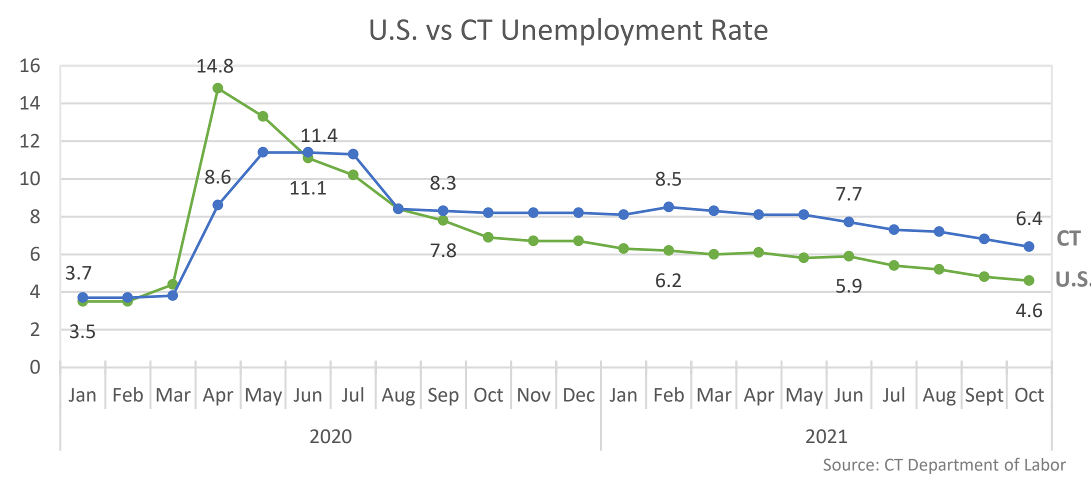




Connecticut reached its pandemic-related employment low in April of 2020. The state's total payroll employment is now 39,100 positions higher than October 2020, representing an increase of 2.5 percent. Connecticut has now recovered 72.8 percent of the 292,400 jobs lost in March and April 2020 due to the COVID-19 lockdown. The DOL graph below illustrates the longer-term trend.

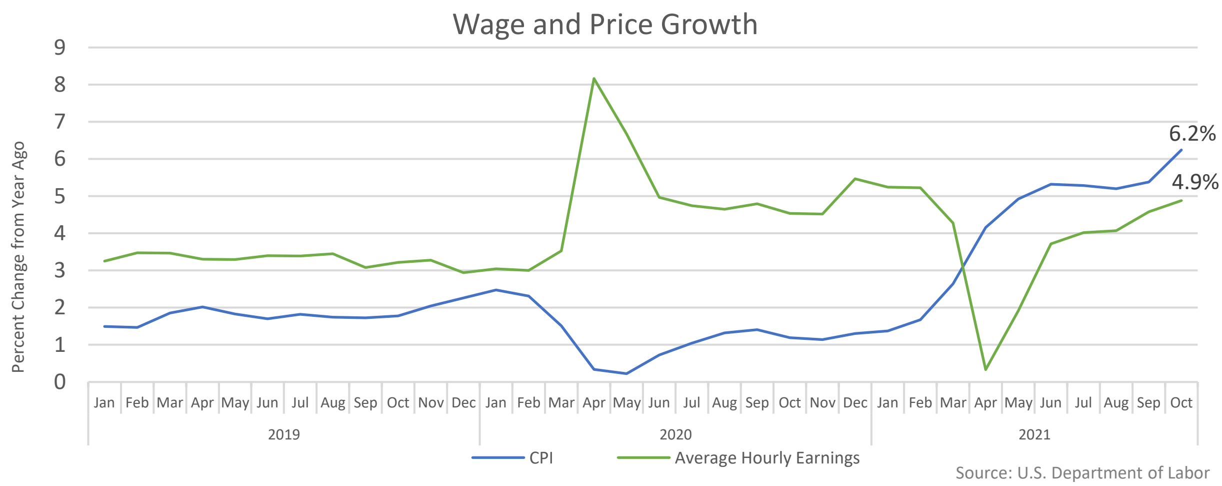


Connecticut's official unemployment rate dropped to 6.4 percent in October, down from 6.8 percent a month earlier and 8.2 percent from a year ago. Danté Bartolomeo, Commissioner of CT DOL said, "Both the job numbers and the unemployment rate continue to move in the right direction. The jobs numbers especially give us a reason to be optimistic that these trends will carry through the rest of 2021. There is still work to do across all sectors to regain the jobs lost during the pandemic shutdown, but the data signal a stable economic recovery is underway. We've been saying this consistently, but it bears repeating that this steady improvement is in part because Connecticut residents have taken the virus seriously and responded admirably by wearing masks, getting vaccinated, and socially distancing. This has helped keep the virus in check and our economy is stronger for it."



Income and Salary – Inflation Diminishing Wage Growth

According to the U.S. Department of Labor, average hourly wages increased 0.4 percent from September and 4.9 percent from October of 2020. However, due to high inflation, real earnings decreased 0.5 percent from last month and 1.2 percent year over year. The graph below charts the Consumer Price Index and Average Hourly Earnings as percent changes from last year. Inflation is outpacing wage growth which concerns some economists who warn against the wage-price spiral.

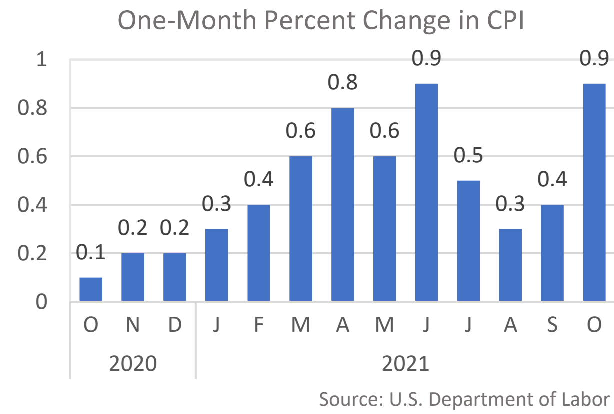


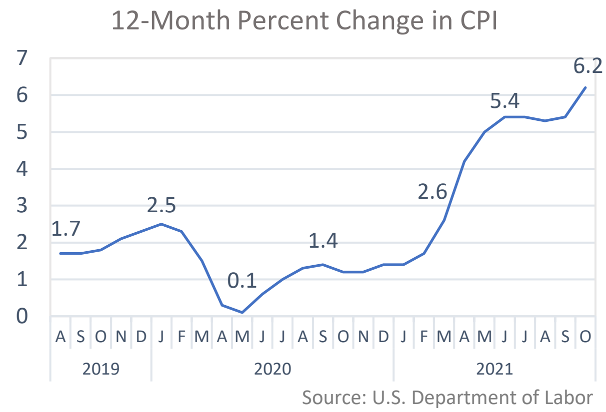
In Connecticut, October average hourly earnings at $34.07, not seasonally adjusted, were higher by $0.07 (0.02%) from the October 2020 estimate ($34.00). The resultant average private sector weekly pay came in at $1,154.97, down $1.03 or 0.09 percent from a year ago. This could reflect the recent addition of lower paying jobs in the service sector as it continues to recover from pandemic-related employment losses. Due to fluctuating sample responses, DOL warns that private sector earnings and hours estimates can be volatile from month-to-month.

Inflation Running High

According to the U.S. Department of Labor, the Consumer Price Index (CPI) increased 0.9 percent in October for an annual rate of 6.2 percent. Price increases were broad-based and included energy, shelter, food, used cars and trucks, and new vehicles, while airfare and alcoholic beverages decreased. Core CPI, which excludes food and energy, rose 0.6 percent in October for an annual rate of 4.6 percent which is the largest 12-month increase since August 1991.

Factors driving inflation include global supply-chain disruptions, raw material shortages, and labor shortages, each exacerbated by pent up demand. The following graphs display one-month and 12-month percent changes in CPI.





The Personal Consumption Expenditures (PCE) price index is the Federal Reserve's preferred measure of inflation because it includes a wider range of goods, accounts for substitution between goods, and is based on surveys of what businesses are selling rather than what households are buying. According to the Bureau of Economic Analysis, the PCE price index excluding food and energy increased 0.4 percent from last month and now stands at an annual rate of 4.1%. This annual rate is the highest in thirty years.

In order to address inflation, the Federal Open Market Committee (FOMC) indicated they will start tapering by reducing their monthly pace of net asset purchases by $10 billion for Treasury securities and $5 billion for agency mortgage-backed securities for a total of $15 billion per month. The FOMC also indicated they will keep interest rates near zero until the tapering process is complete and maximum employment is achieved. Some economists are calling for the Fed to increase interest rates to curb demand that is pushing up prices. Others argue that increasing interest rates won't help bring prices down in this current economy because a large part of inflation is due to supply-side issues. The Fed is in line with the latter.

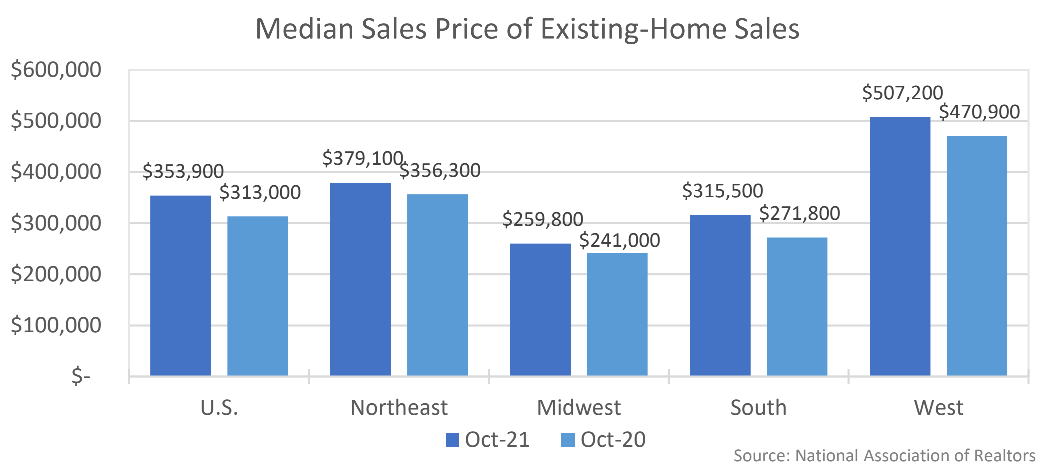
On November 3rd, Chairman Powell said, "we understand the difficulties that high inflation poses for individuals and families, particularly those with limited means to absorb higher prices for essentials such as food and transportation. Our tools cannot ease supply constraints. Like most forecasters, we continue to believe that our economy will adjust, and inflation will decline to levels closer to our 2 percent longer-run goal. Of course, it is very difficult to predict the persistence of supply constraints or their effects on inflation. Global supply chains are complex; they will return to normal function, but the timing of that is highly uncertain."

National Housing Market – Existing Home Sales Inch Up in October

The National Association of Realtors (NAR) reported existing-home sales increased 0.8 percent to a seasonally adjusted annual rate of 6.34 million in October. Two of the four major U.S. regions had month-over-month sales increases. Year-over-year sales dropped 5.8 percent from October 2020 (6.73 million).

NAR reported the median existing-home price for all housing types was $353,900, up 13.1 percent from last year as prices increased in every region. This price growth marks 116 straight months of year-over-year gains dating back to March 2012. All regions of the country experienced price growth from a year ago. The largest regional gains on a percentage basis were in the South (+16.1%), followed by the Midwest (+7.8%), the West (+7.7%), and the Northeast (+6.4%).

October's inventory totaled 1.25 million units, down 0.8 percent from September and down 12 percent from one year ago. Unsold inventory sits at a 2.4-month supply at the current sales pace, below the desired pace of six months. "Home sales remain resilient, despite low inventory and increasing affordability challenges. Inflationary pressures, such as fast-rising rents and increasing consumer prices, may have some prospective buyers seeking the protection of a fixed, consistent mortgage payment" said Lawrence Yun, NAR's chief economist.



<u>Connecticut Housing Market Slows Down in October</u>

Connecticut's housing market continued its recent slow-down in October as sales, new listings, and average prices all decreased. Berkshire Hathaway HomeServices reported year over year sales of single-family homes decreased 26.75 percent and new listings were down 26.07 percent. Median sales price increased by 3.34 percent and median list price increased by 1.79 percent. However, average sales price decreased 6 percent and average list price decreased 7.44 percent. Average days on the market decreased to 39 days from 57 a year ago. On average, sales prices came in above list prices, with a list/sell price ratio of 100.8 percent. Inventory sits at a 1.8-month supply at the current sales pace, down from last month and last year. The table below contains more detailed data for the Connecticut housing market.

Connecticut Market Summary						
	October 2021	October 2020	% Change	YTD 2021	YTD 2020	% Change
New Listings	3,613	4,887	-26.07%	43,701	46,778	-6.58%
Sold Listings	3,503	4,782	-26.75%	35,685	34,897	2.26%
Median List Price	$334,900	$329,000	1.79%	$340,000	$309,000	10.03%
Median Selling Price	$340,000	$329,000	3.34%	$350,000	$305,000	14.75%
Median Days on the Market	25	32	-21.88%	23	42	-45.24%
Average Listing Price	$485,397	$524,437	-7.44%	$543,568	$474,505	14.55%
Average Selling Price	$484,533	$515,457	-6.00%	$544,614	$461,981	17.89%
Average Days on the Market	39	57	-31.58%	44	71	-38.03%
List/Sell Price Ratio	100.8%	99.8%	0.97%	101.6%	98.7%	3.01%

Source: Berkshire Hathaway HomeServices

Commercial Real Estate – Delinquency Rates Mixed in September

While many analysts focus on the residential housing market, it is also worthwhile to monitor trends in the commercial real estate market, especially for the impact of COVID-19 on the health of the sector. The Mortgage Bankers Association's (MBA) CREF Loan Performance Survey found delinquency rates for mortgages backed by commercial and multifamily properties continued to decline. In all, 96.7 percent of outstanding loan balances were current, up from 96.6 percent in August. Loans backed by lodging properties, a sector directly affected by the pandemic, saw delinquency rates increase 0.6% from last month while delinquent retail loans decreased. The overall share of industry, office, and multifamily property loan balances that are delinquent had mixed results in September. The percent changes in delinquency rates from last month are shown in the table below.

Percent of Balance Not Current			
	September 2021	August 2021	Percent Change
Lodging Loans	14.0%	13.4%	0.6%
Retail Loans	8.2%	8.5%	-0.3%
Industry Property Loans	1.8%	1.5%	0.3%
Office Property Loans	1.8%	2.0%	-0.2%
Multifamily Property Loans	1.3%	1.2%	0.1%

Source: Mortgage Bankers Association

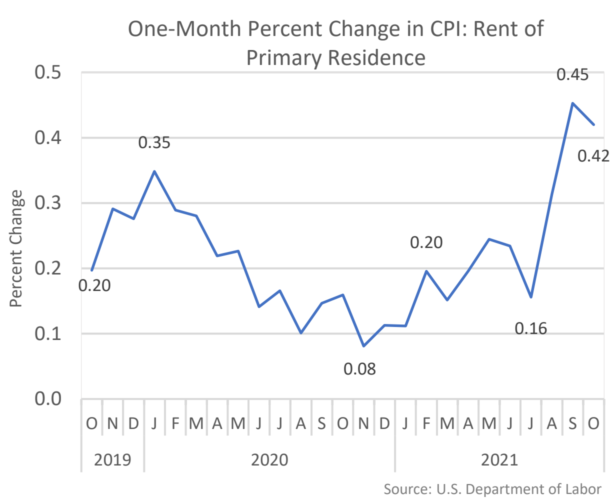
Regarding the survey results, Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research noted, "commercial and multifamily mortgage performance has improved considerably since the worst of the downturn. The stress that entered, and remains, in the market is largely concentrated in lodging and retail properties, but with fewer new loans becoming delinquent, and shrinking balances of overall delinquency as lenders and servicers work out the longer-term troubled loans."

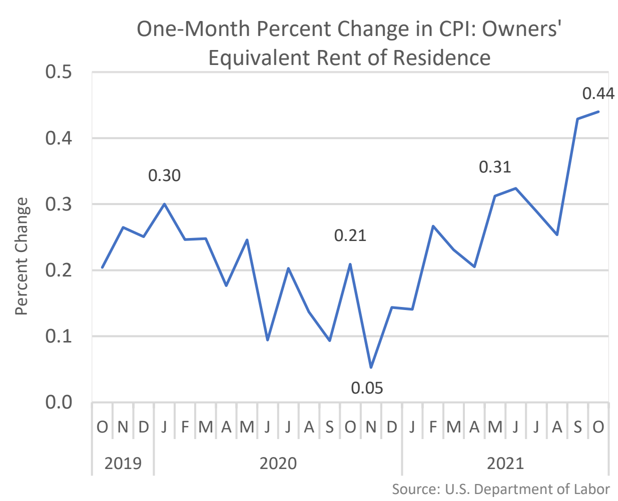
Rental Market

According to Apartment Guide's October 2021 Rent Report, the national average rent price for a one-bedroom apartment was $1,660, up 7.7 percent from last month and up 19.8 percent from last year. Every state except South Dakota and Nebraska saw rent prices increase year over year. In Connecticut, average rent increased 23.35 percent year over year, from $1,463 to $1,804.

Thirty five percent of households in Connecticut rent their homes, and approximately 52 percent of Connecticut renters are cost burdened, meaning they spend more than 30 percent of household income on housing costs. According to the most recent U.S. Census Bureau Household Pulse Survey, 50,591 Connecticut tenants reported they were not caught up on rent and 114,275 Connecticut tenants reported low confidence in their ability to make next month's rent payment.

According to the U.S. Department of Labor, the price index for rent rose 0.42 percent in October while owner's equivalent rent rose 0.44 percent. Owner's equivalent rent is what an owner would be paying for housing had they not bought a home. The Federal Open Market Committee (FOMC) is carefully monitoring the owners' equivalent rent component of price indexes because rising home prices lead to upward pressure on rent.





"Rent prices continue to rise even faster, putting upward pressure on inflation. While rents are surging for a number of reasons, record high home prices hurts affordability, delaying the transition to homeownership for many renters. When rates fell in 2020 during the pandemic, approximately 3.7 million additional households could purchase a home compared to 2019. Today, however, due to high home prices, 4.8 million fewer households can buy a residence versus two years ago, even though mortgage rates are lower than in 2019. As a result, the share of first-time homebuyers has dropped to a near two-year low of 29%" says Nadia Evangelou, Senior Economist and Director of Forecasting for the National Association of Realtors.

Evictions in Connecticut

The National CDC and statewide ban on evictions have both ended. State protections including mandatory rental assistance applications, 30-day notice, and required information sharing are extended until February 15th, 2022. According to Eviction Lab, there has been no major national or state spike in evictions after the moratoriums ended, with evictions filings remaining below historical averages. According to the Connecticut Fair Housing Center, since January of 2021, landlords have filed 7,716 eviction cases and courts have carried out 2,969 eviction orders so far.

Working to prevent an eviction crisis, Connecticut established the UniteCT Program to provide landlords and tenants with rental and utility assistance. As of November 29th, 32,662 cases had been approved and $155 million dollars had been allocated out of $371 million budgeted.

Experts are concerned a wave of evictions could generate far reaching social and economic issues. Evictions taint a tenant's record and can reduce credit ratings. This further deters the ability to secure safe, affordable housing which affects employment, educational opportunities, health outcomes, and much more. Evictions can force people to stay in crowded shelters, move in with family or friends, or become homeless which decreases the ability to social distance or quarantine properly. With Delta variant cases increasing across the country, officials are concerned a wave of evictions could create long-lasting economic and health problems.

Stock Market – Inflation and Omicron Fears Drive Stocks Lower At Month-End

In late November, stocks saw dramatic drops on the Friday after Thanksgiving driven primarily by investors' concerns about the new Omicron variant of COVID-19 and its potential to disrupt the global economic rebound. After a modest rebound on Monday, the selloff continued on the last trading day of the month. Inflation concerns combined with worries about Omicron drove stocks dramatically lower. All three of the major indices ended the month in negative territory.

Year-to-date, all three indices have performed reasonably well. As of this writing, the DOW has increased 12.6 percent, the S&P 500 is up 21.6 percent, and the NASDAQ has gained 20.5 percent.

A year and a half ago, in late March 2020, the stock market was in free fall as pandemic-related shutdowns were taking place. As the charts below illustrate, all three indices have made significant gains since then. To give a broader perspective, three-year results are shown below:

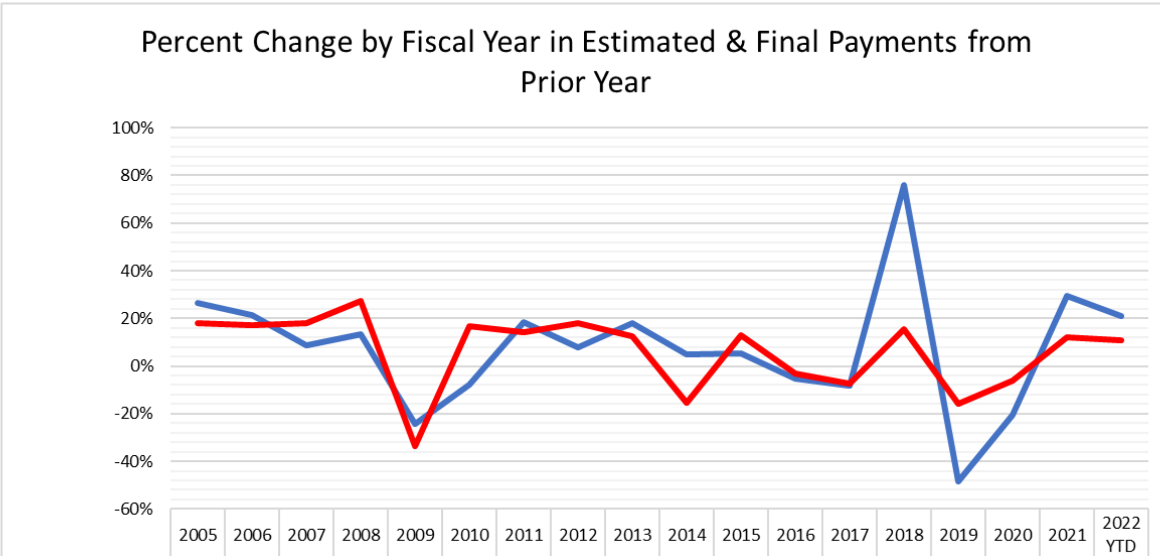
DOW Jones Industrial Average Index:

S&P 500 Index:

NASDAQ Composite Index:

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 30 percent of total state income tax receipts, but can be an extremely volatile revenue source.

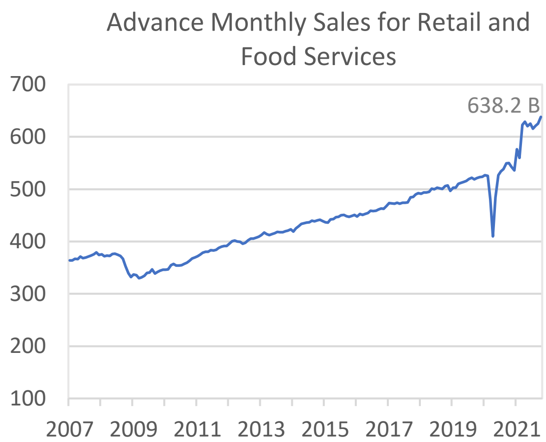
According to unaudited FY 2021 results, combined estimated and final payments are 19.9 percent above FY 2020's level, with estimates up 29.9 percent and final payments up 12.1 percent. This reflects the strong performance of the stock market. This collection trend has continued into FY 2022, with both categories of tax receipts growing by a combined 18.4 percent over year-to-date results in the previous fiscal year.

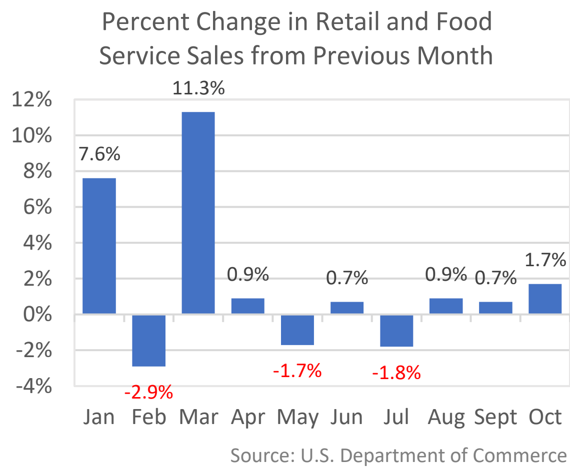


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 YTD
Estimated	26.6%	21.3%	8.5%	13.4%	-24.5%	-7.9%	18.4%	8.0%	17.9%	4.8%	5.3%	-5.4%	-8.3%	76.0%	-48.3%	-20.4%	29.5%	20.8%
Final	17.8%	17.0%	18.0%	27.2%	-33.4%	16.9%	14.3%	18.2%	12.6%	-15.6%	13.0%	-3.3%	-7.2%	15.3%	-15.9%	-6.2%	12.1%	10.9%

Consumer Spending Increases in October

Consumer spending is the main engine of the U.S. economy, accounting for more than two-thirds of total economic output. According to the U.S. Department of Commerce, advance retail sales were $638.2 billion in October, up 1.7 percent from September. This was higher than analysts expected due to inflation concerns and is the largest increase in since March. Sectors with the largest gains include nonstore retailers (+4.0%), gasoline stations (+3.9), and electronics and appliance stores (+3.8%) which is in line with holiday shopping trends. Sectors that experienced a step back include clothing stores (-0.7%) and health and personal care stores (-0.6%). Core retail sales increased 1.9 percent in October which excludes automobiles, gasoline, building materials and food services.





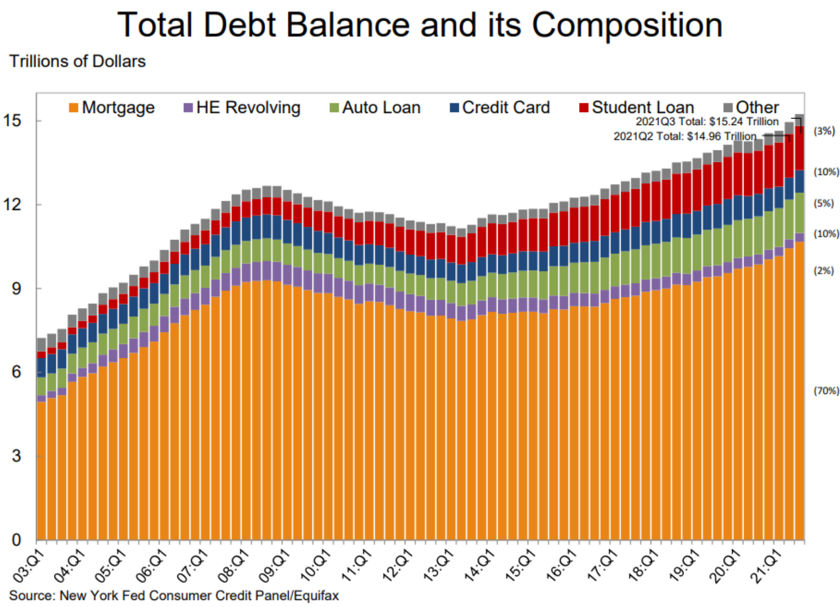
Consumer Debt

According to the Federal Reserve Bank of New York, total household debt increased by $286 billion in the third quarter of 2021 to $15.24 trillion, a 1.9 percent increase from the second quarter. Balances are $1.1 trillion higher than at the end of 2019 and $890 billion higher than quarter 3 of 2020.

Mortgage balances, the largest component of household debt, increased by $230 billion to $10.67 trillion at the end of September. Student loans, the second largest category of household debt, increased by $14 billion to 1.58 trillion as the school year started. Auto loan balances increased by $28 billion, reaching $1.44 trillion. Balances on home equity lines of credit decreased by $5 billion, the 19th consecutive decrease since the fourth quarter of 2016, bringing the outstanding balance to $317 billion. Credit card balances increased by $17 billion to a total of $800 billion but remain $123 billion lower than they had been at the end of 2019.

Federal Reserve Bank researchers noted the changes in credit card balances in the second and third quarters of 2021 are remarkable since they appear to be a return to the normal seasonal patterns in balances. Credit card balances typically follow a seasonal pattern—modest increases in the second and third quarter, a larger increase in the fourth quarter coincident with holiday spending, and then a large reduction in the first quarter, as borrowers pay off their holiday spending. Donghoon Lee, research officer at the New York Fed said, "we are again seeing credit card balances increase in the third quarter after a solid rise in the previous. As pandemic relief efforts wind down, we are beginning to see the reversal of some of the credit card balance trends seen during the pandemic, namely reduced consumption and the paying down of balances. At the same time, as pandemic restrictions are lifted and consumption normalizes, credit card usage and balances are resuming their pre-pandemic trends, although from lower levels."

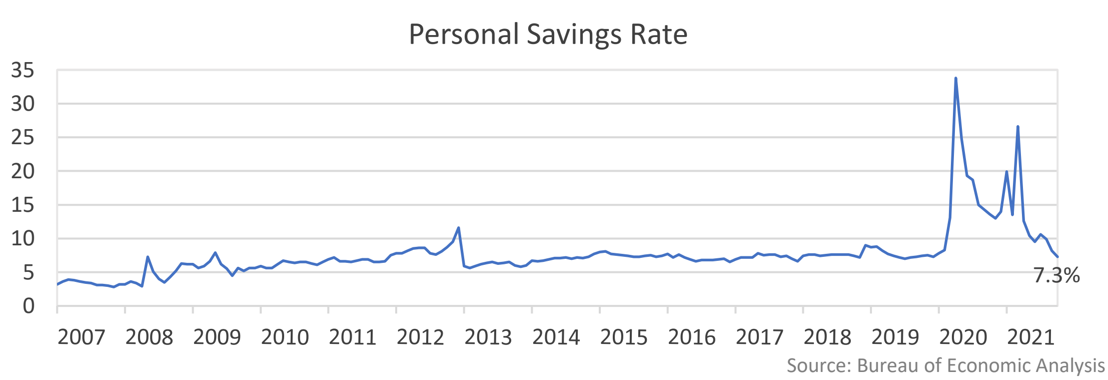
The graph below represents the total debt balance broken out by type of debt.



Delinquency rates have remained low since the beginning of the pandemic, reflecting forbearances provided by the CARES Act and lenders, which protect borrowers' credit records from the reporting of skipped or deferred payments. As of September, 2.7 percent of outstanding debt was in some stage of delinquency, a two-percentage point decrease from the fourth quarter of 2019, just before the pandemic. Of the $412 billion of debt that is delinquent, $302 billion is seriously delinquent (at least 90 days late).

Personal Saving Rate Declines in October

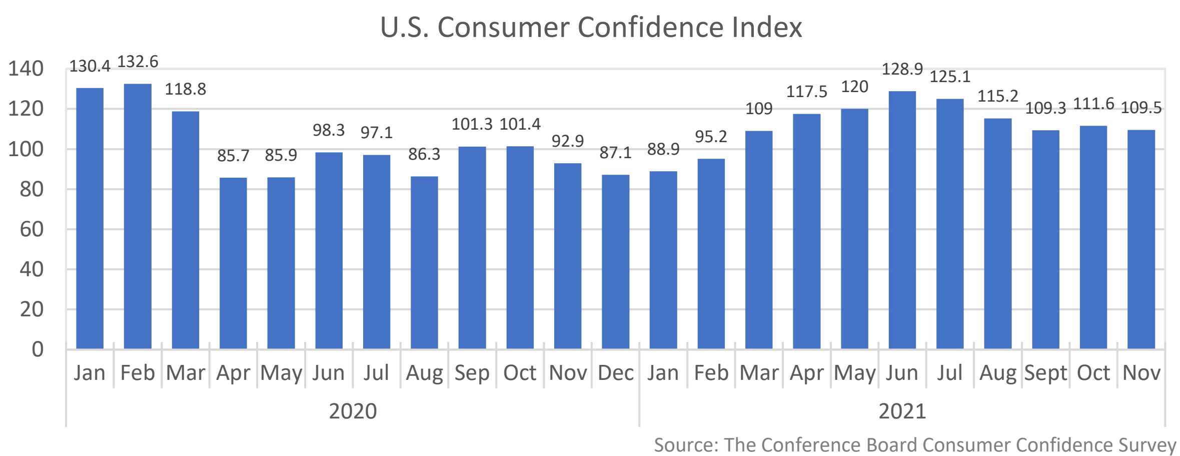
The Bureau of Economic Analysis (BEA) reported the personal-saving rate was 7.3 percent in October, down from 8.2 percent in September. Personal income increased $93.4 billion (0.5 percent) while personal consumption expenditures (PCE) increased $214.3 billion (1.3 percent). As a result, disposable personal income (DPI) increased $63 billion (0.3 percent). The personal saving rate is defined as personal saving as a percentage of disposable personal income.



As can be seen from the chart above, the personal saving rate has been volatile since the pandemic began – with large swings in both directions. BEA noted that over the past 18 months, changes in personal income have primarily reflected changes in governmental social benefit payments, which were based on the enactment and expiration of various legislative acts and related programs in response to COVID-19. Examples include direct economic impact payments to households and supplemental weekly unemployment benefits.

Consumer Confidence Drops in November

The U.S. consumer confidence index (CCI) is published by the Conference Board and 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 CCI now stands at 109.5, down from October's revised reading of 111.6.



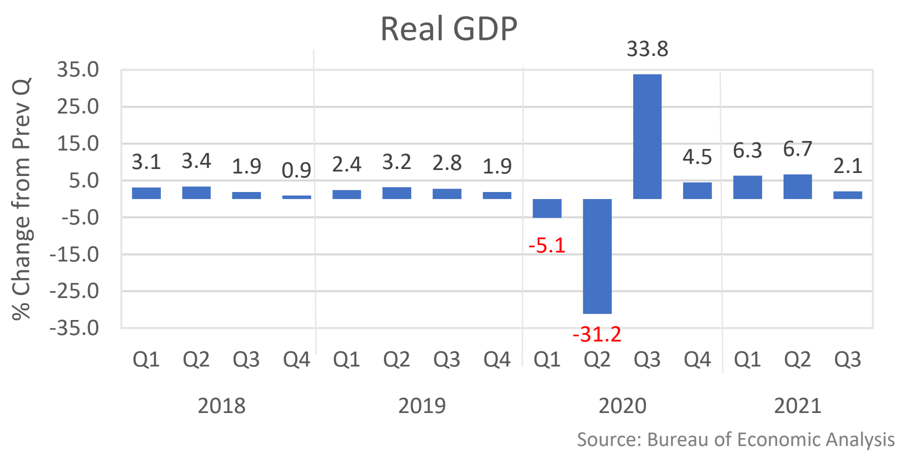
The Consumer Confidence Index is made up of two parts, including the Present Situation Index, which looks at current conditions and the Expectation Index, which measures consumers' views of anticipated conditions for the next six months. In the November survey, the Present Situation Index decreased from 145.5 to 142.5. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, decreased from 89.0 to 87.6.

Lynn Franco, Senior Director of Economic Indicators at The Conference Board noted, "Consumer confidence moderated in November, following a gain in October. Expectations about short-term growth prospects ticked up, but job and income prospects ticked down. Concerns about rising prices—and, to a lesser degree, the Delta variant—were the primary drivers of the slight decline in confidence. Meanwhile, the proportion of consumers planning to purchase homes, automobiles, and major appliances over the next six months decreased. The Conference Board expects this to be a good holiday season for retailers and confidence levels suggest the economic expansion will continue into early 2022. However, both confidence and spending will likely face headwinds from rising prices and a potential resurgence of COVID-19 in the coming months."

Business and Economic Growth – GDP Third Quarter 2nd Estimate

According to the Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 2.1 percent in the third quarter of 2021. This revision included a 0.1 percent increase to the 2.0 percent first estimate. This follows a 6.7 percent real GDP increase in the second quarter.

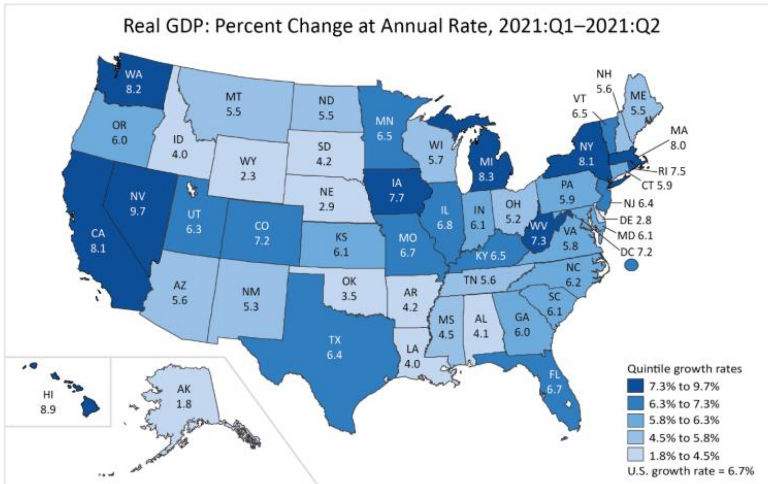
BEA noted the third quarter results reflected the continued economic impact of the COVID-19 pandemic. A resurgence of COVID-19 cases resulted in new restrictions and delays in the reopening of establishments in some parts of the country. Government assistance payments in the form of forgivable loans to businesses, grants to state and local governments, and social benefits to households all decreased.



According to BEA, the increase in real GDP in the third quarter reflected increases in private inventory investment, personal consumption expenditures (PCE), state and local government spending, and nonresidential fixed investment that were partly offset by decreases in residential fixed investment, federal government spending, and exports. Imports, which are a subtraction in the calculation of GDP, increased.

State Level GDP – 2nd Quarter 2021

On October 1st, BEA reported state level GDP data for the second quarter of 2021. Real gross domestic product (GDP) increased in all 50 states and the District of Columbia in the second quarter of 2021, as real GDP for the nation increased at an annual rate of 6.7 percent. The percent change in real GDP in the first quarter ranged from 9.7 percent in Nevada to 1.8 percent in Alaska.

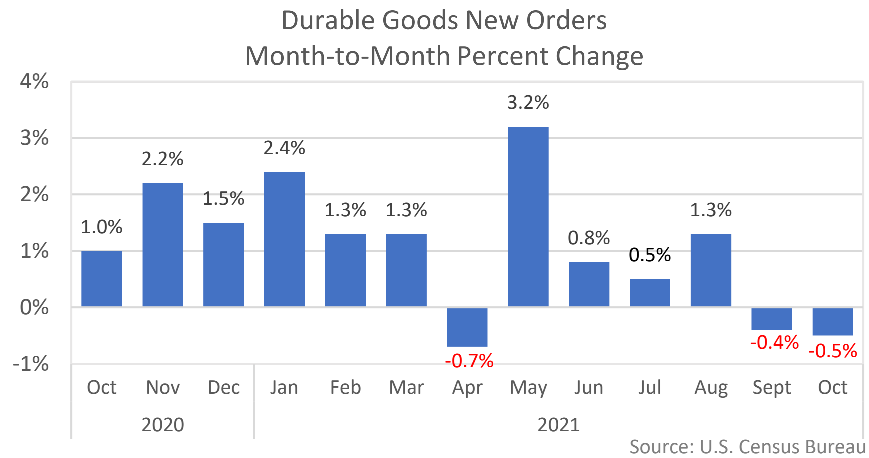


U.S. Bureau of Economic Analysis

Connecticut's GDP growth rate of 5.9 percent ranked 29th in the nation and came in below the New England regional average of 7.1 percent. The Connecticut industries experiencing the largest gains on a percentage basis were accommodation and food services (+1.36%), information (+1.26%), and professional, scientific, and technical services (+0.98%).

Durable Goods

According to the U.S. Department of Commerce, new orders for manufactured durable goods decreased $1.2 billion or 0.5 percent in October to $260.1 billion. The decrease follows a 0.4 percent decrease in September. Despite the small decreases in the last two months, year over year durable goods new orders has increased 22.1 percent



October's decrease was driven by transportation equipment, down $2 billion or 2.6 percent. The largest categories in transportation that led the decrease included non-defense and defense aircraft and parts. Excluding transportation, new orders increased 0.5 percent. The largest increases for new orders included primary metals (+1.7%), electrical equipment, appliances, and components (+1.2%), and computers and electronic products (+0.7%). Orders for core capital goods, considered a proxy for business spending, increased by 0.6 percent, and exclude all defense and aircraft goods.

Global raw material and labor shortages continue to contribute to slowed production. Manufacturers are struggling to find enough workers and materials to meet increased demand. Unfilled orders rose just 0.2 percent in October while shipments rose 1.5 percent—both moving in favorable directions over the past few months.

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