News from
COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO PROJECTS $157.0 MILLION SURPLUS, FORECASTS LONG-TERM IMPACT OF GROWING RESERVES

Comptroller Kevin Lembo today, in his monthly financial and economic update, projected a General Fund surplus of $157 million while celebrating the success of revenue volatility reforms and the growth of the state's Budget Reserve Fund.

The Budget Reserve Fund, commonly known as "The Rainy Day Fund," was nearly depleted as recently as 2017. In response, reform efforts crafted by Lembo in 2015 were put in place beginning in FY 2018 to capture volatile revenues and automatically direct them into the fund. The maximum level of reserves was also increased to encourage savings up to 15 percent of General Fund expenditures.

The Budget Reserve Fund has reached its new statutory cap and Lembo is projecting an additional transfer of $1.2 billion this fiscal year in addition to the final year-end surplus.

"Connecticut's Budget Reserve Fund is a remarkable success story and serves as a prime example of smart financial planning," Lembo said. "At the time, my goal was to help the state escape the cycle of booms and busts where spending would increase dramatically during good years only to see tax increases and devastating service cuts when the economy turned. We exceeded those expectations and reached the fund's cap far faster than anticipated. We were able to get Connecticut on firm financial footing. Now we can focus not only on our recovery but paying down the unfunded liabilities that have plagued us as a state for decades."

The Budget Reserve Fund has already reached its cap. Any excess in volatility transfers will be used to pay down unfunded pension liability. According to an independent analysis conducted by the actuarial firm Cavanaugh MacDonald, applying the projected $1.25 billion contribution to the State Employees Retirement System would generate savings of $2.75 billion over the next 25 years, or approximately $110 million annually.

"This is real relief that will both spare future generations from a legacy of pension debt and give short-term budget relief to taxpayers," said Lembo. "I remain inspired that so many legislators — of both parties — joined me in enacting these policies. It was a big, difficult change but now we're seeing the reward of coming together to do hard things. There's a lesson to be learned from that."

In a letter to Governor Lamont, Lembo noted that this month's surplus projection has decreased from last month, owed largely to $492.3 million in spending carry forwards into the new biennium budget. Strong revenue collections in June offset increased spending, with over $200 million projected in the estimated and final payments portion of the income tax. The continued growth of income tax withholdings, currently above FY 2020 levels year-to-date, have Connecticut poised to continue its positive economic trajectory as the state emerges on the other side of the pandemic.

Connecticut added 7,800 jobs in June, the fifth consecutive month of gains. Collectively, the state has recovered 63.3 percent of jobs lost during the pandemic, with the leisure and hospitality sector seeing the most growth this month. Low infection rates, high vaccination rates and job growth have led to growing levels of consumer confidence, almost returning to pre-pandemic levels.

The state's Special Transportation Fund (STF) is projected to end FY21 with at $41.7 million surplus, representing a $36.2 million increase from last month. Current projections would leave a positive STF balance of $210.1 million at year-end.

"As a state, we are in a good place right now, despite the incredible turmoil we have endured over the last year and a half," Lembo said. "While it may be a bit chaotic as the economy continues to find its footing, residents are finally seeing some light at the end of the tunnel."

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

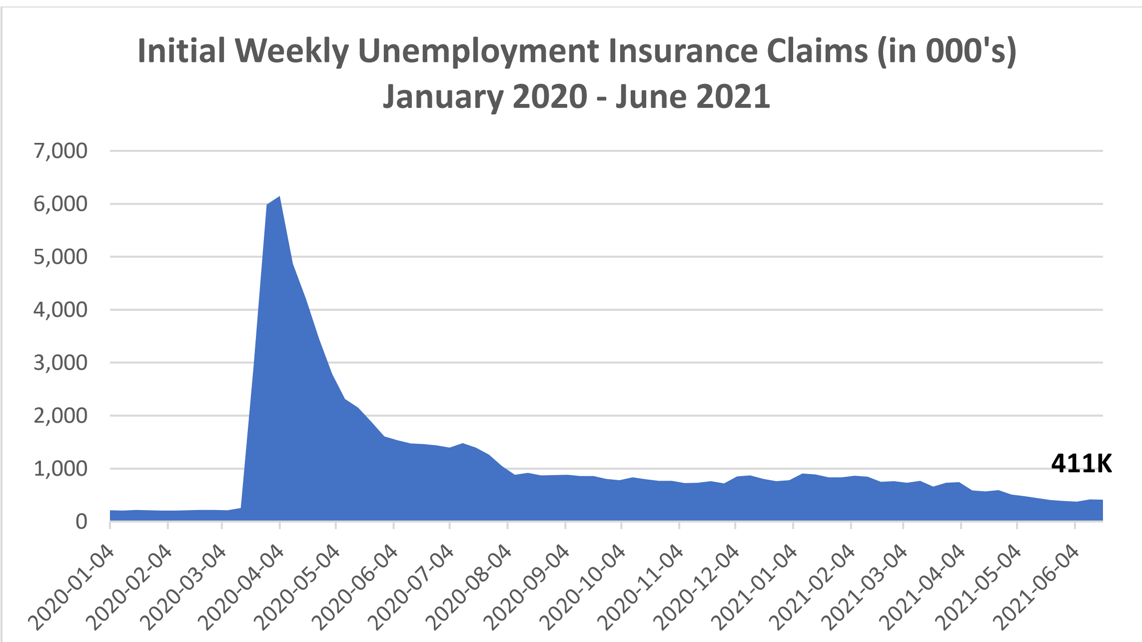
The withholding portion of the income tax is the largest single General Fund revenue source. Final results for FY 2020 showed withholding receipts came in 2.2 percent above FY 2019 levels, but somewhat below the growth rate built into the FY 2020 budget plan. Current collection trends for FY 2021 through May show withholding receipts growing by 4.9 percent above FY 2020 levels, another improvement over the previous month. This result coincides with job growth reported by Connecticut Department of Labor (DOL) in recent months. The current budget target for withholding represents 4.4 percent growth above FY 2020 realized amounts. Therefore, the revised estimate is consistent with year-to-date growth over the previous fiscal year.

COVID-19 Jobs Picture – Continued Improvement in June

The national jobs picture continued to brighten in May and June amid ongoing COVID-19 vaccination efforts and the further easing of state restrictions on businesses. The Bureau of Labor Statistics (BLS) reported the U.S. added 559,000 jobs in May, somewhat lower than analysts had expected. Still it represented an improvement over April's revised job growth of 278,000. tea

For the week ending June 19th, BLS reported that seasonally adjusted initial claims totaled 411,000. While still high by historical standards, this represented a decrease of 7,000 from the previous week's level of 418,000.

As can be seen in the graph below, despite clear improvement in initial claims for unemployment insurance, there is still a long way to go for the jobs recovery to reach pre-pandemic levels. Weekly initial UI claims averaged closer to 210,000 before the coronavirus-related shutdowns began a little more than a year ago, about half the current level.



In the same release, BLS reported the total receiving unemployment benefits was approximately 14.85 million for the week ending June 5th, up slightly from 14.84 million the previous week and down from 31.3 million the previous year. However, it still indicates serious, ongoing struggles with unemployment for a significant portion of the population. As the chart below notes – the total reported does not represent unique individuals, rather the number collecting from all programs.

CONTINUED WEEKS CLAIMED FILED FOR UI BENEFITS IN ALL PROGRAMS (UNADJUSTED)				
WEEK ENDING	**June 5**	**May 29**	**Change**	**Prior Year[1]**
Regular State	3,279,230	3,308,711	-29,481	18,594,536
Federal Employees	10,764	11,040	-276	15,353
Newly Discharged Veterans	6,554	6,349	+205	12,453
Pandemic Unemployment Assistance[3]	5,950,167	6,125,524	-175,357	11,470,042
Pandemic Emergency UC[4]	5,273,180	5,165,249	+107,931	946,808
Extended Benefits[5]	240,817	143,081	+97,736	2,998
State Additional Benefits[6]	1,503	1,501	+2	2,382
STC / Workshare [7]	83,235	80,239	+2,996	292,984
TOTAL[8]	14,845,450	14,841,694	+3,756	31,337,556

FOOTNOTES

SA - Seasonally Adjusted Data, NSA - Not Seasonally Adjusted Data Continued weeks claimed represent all weeks of benefits claimed during the week being reported, and do not represent weeks claimed by unique individuals.

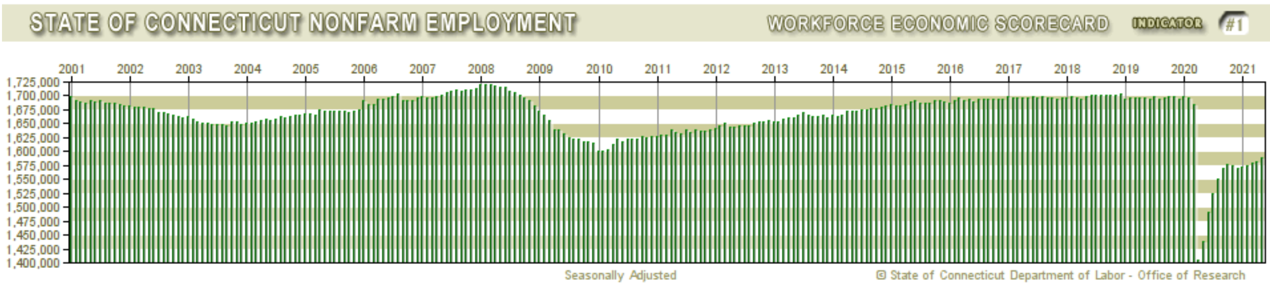
Connecticut Jobs Picture – May Gains Driven by Education & Health Sector

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 new information released by the Connecticut Department of Labor (DOL) indicates the trend has moved in a better direction in the first five months of 2021.

On June 22nd, DOL reported the preliminary Connecticut nonfarm job estimates for May 2021 from the business payroll survey administered by the U.S. Bureau of Labor Statistics (BLS). DOL's Labor Situation report showed the state gained 7,800 net jobs (0.5%) in May to a level of 1,589,100 jobs seasonally adjusted. This follows job growth of 1,200 positions in April and represents five consecutive months of employment gains.

DOL noted that four of the ten major industry sectors experienced improvement while six experienced declines in May. Education & health services lead the way (+5,300 jobs), followed by professional & business services (+2,200) and leisure & hospitality (+1,900). The sectors that lost jobs in May included government (-800 jobs), construction & mining (-600), financial activities (-400) and other services (-300). Overall, the government sector lost 800 jobs while the private sector added 8,600. The government sector includes all federal, state, and local employment, including public education and Native American casino employment located on tribal reservation land.

Connecticut reached its pandemic-related employment low in April of 2020. Thirteen months later, the state's total payroll employment is now 151,600 positions higher, representing an increase of 10.6 percent. Connecticut has now recovered 63.3 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.



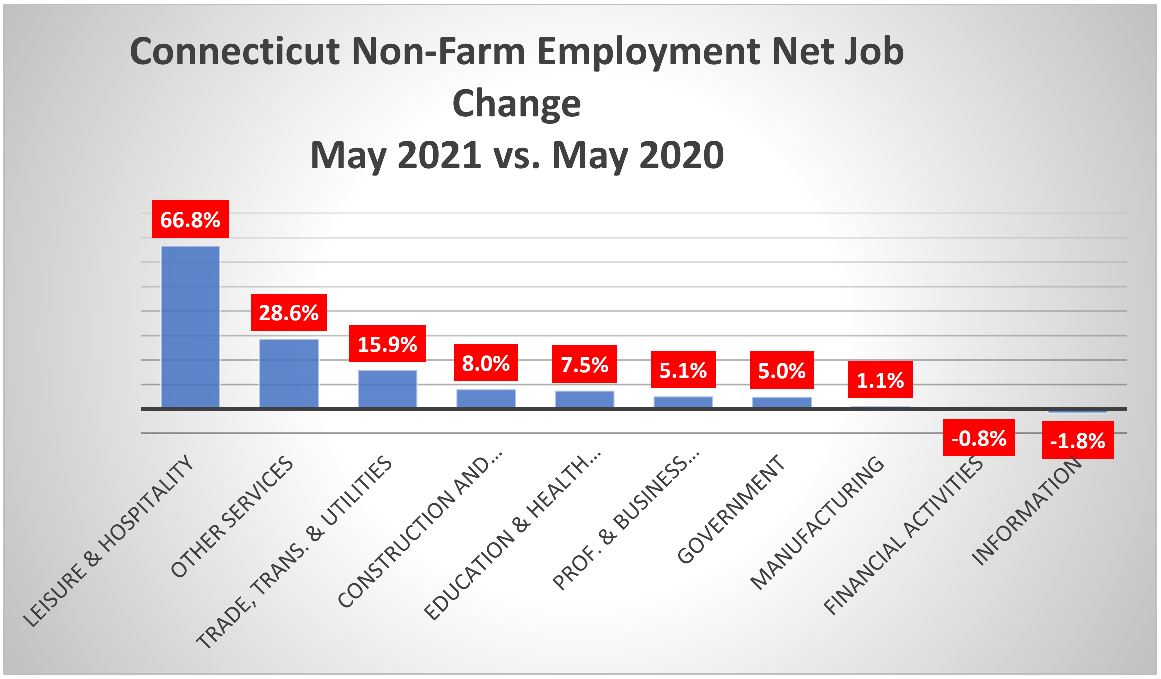
Connecticut's official unemployment rate stood at 7.7 percent in May 2021, down from 8.1 percent a month earlier and 11.4 percent from a year ago. The U.S. jobless rate in May was 5.8 percent, down three-tenths of a percentage point from the previous month, but down significantly from the 13.3 percent rate in May 2020.

Among the major job sectors listed below, eight experienced gains and two experienced losses in May 2021 versus May 2020 levels. The leisure & hospitality sector, hardest hit during the pandemic, experienced the largest gains on a percentage basis, growing 66.8 percent from a year ago. This was followed by other services (+28.6%) and trade, transportation & utilities (+15.9%). Both financial activities and the information sector lost jobs over the period.

Payroll Employment Trend: May 2021 Versus May 2020

Sector	May 2021 (P)	May 2020 (R)	Gain/Loss	% Change
Construction and Mining	58,100	53,800	4,300	8.0%
Manufacturing	152,300	150,600	1,700	1.1%
Trade, Transportation & Utilities	286,200	246,900	39,300	15.9%
Information	27,900	28,400	-500	-1.8%
Financial Activities	118,100	119,000	-900	-0.8%
Professional & Business Services	208,500	198,400	10,100	5.1%
Education & Health Services	329,800	306,900	22,900	7.5%
Leisure & Hospitality	127,400	76,400	51,000	66.8%
Other Services	58,900	45,800	13,100	28.6%
Government	221,900	211,300	10,600	5.0%
Total Connecticut Non-Farm Employment	**1,589,100**	**1,437,500**	**151,600**	**10.5%**

Source: Connecticut Department of Labor



Income and Salary – Step Back in Average Earnings as Inflation Rises

May 2021 average hourly earnings at $34.01, not seasonally adjusted, were lower by $0.51 (-1.5%) from the May 2020 estimate ($34.52). The resultant average private sector weekly pay came in at $1,173.35, down $24.49 or 2.1 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.

The 12-month percent change in the Consumer Price Index for All Urban Consumers (CPI-U, U.S. City Average, not seasonally adjusted) in May 2021 climbed to 5.0 percent. According to the Bureau of Economic Analysis, the 12-month change in Personal Consumption Expenditures (PCE) prices was 3.9 percent in May, up from 3.6 in April.

	Percent Change From Month One Year Ago				
Price Indexes	January	February	March	April	May
PCE	1.4	1.6	2.4	3.6	3.9
PCE, excluding food and energy	1.4	1.4	1.9	3.1	3.4

Federal Reserve Chair: Increased Inflation Due to Transitory Factors

After being tame in recent years, inflation came in at an annual rate of 5 percent for the 12 months ending in May 2021, according to the U.S. Labor Department. This continued upward trend concerns some analysts who believe this may be a longer-term trend indicating the Fed should intervene. The chart below shows year-over-year inflation (CPI) by month.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2021	1.4	1.7	2.6	4.2	5.0								
2020	2.5	2.3	1.5	0.3	0.1	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.2
2019	1.6	1.5	1.9	2.0	1.8	1.6	1.8	1.7	1.7	1.8	2.1	2.3	1.8

The Federal Open Market Committee (FOMC) met the third week of June and Chair Powell reiterated that increases in inflation are due to transitory factors that may take up to a year to subside. These factors include very low readings from early in the pandemic falling out of the calculation, consumer energy prices, upward pressure on prices from the rebound in spending as the economy reopens, and supply-chain bottlenecks limiting production in certain sectors.

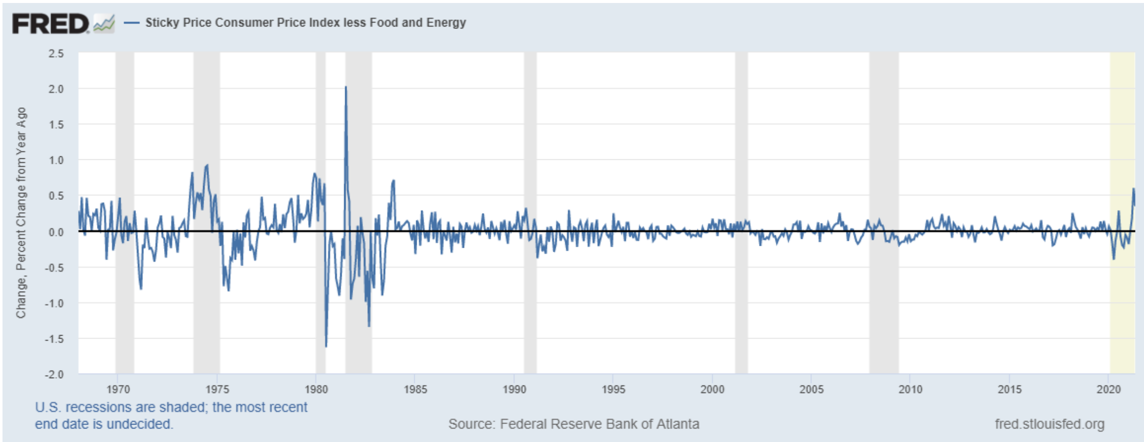
"As these transitory supply effects abate, inflation is expected to drop back toward our longer-run goal [2 percent], and the median inflation projection falls from 3.4 percent this year to 2.1 percent next year and 2.2 percent in 2023" said Powell.

The areas seeing the largest price increases include used cars, rental cars, transportation, lodging, airfare, and food away from home—those hit hardest by the pandemic. This supports the claim that these areas will only have transitory effects on underlying inflation and will come back down within the next year.

One forward looking statistic that economists use to predict long term inflation is called the Sticky Price Consumer Price Index. This indicator also excludes more volatile items such as food and energy. The Federal Reserve Economic Data (FRED) describes the measure as follows:

"The Sticky Price Consumer Price Index (CPI) is calculated from a subset of goods and services included in the CPI that change price relatively infrequently. Because these goods and services change price relatively infrequently, they are thought to incorporate expectations about future inflation to a greater degree than prices that change on a more frequent basis."

The chart below from FRED shows the longer-term trend for the Sticky Price CPI. May 2021 appears a bit elevated but is a reduction from the previous month.



It remains to be seen how high inflation will be in the coming months. However, the confluence of anomalies and short-term factors in May argues that more information is needed before the threat of inflation becomes a serious long-term concern. For now, the Federal Reserve's emphasis of nurturing the jobs recovery seems like the right focus, especially with so many Americans still out of work.

Housing – Strong Results for Connecticut Continue in May

Continuing a trend from recent months, Berkshire Hathaway HomeServices reported another month of strong results for the Connecticut housing market in May 2021 compared with May 2020. Sales of single-family homes grew 16.55 percent, with the median sale price increasing by 21.95 percent. Reflecting a comparison from the beginning of the pandemic lock down, new listings were up 14.24 percent this May versus last year. The median list price was up 15.26 percent while the average list price is up 30.37 percent pointing to a very robust market for higher priced homes. Average days on the market decreased 44.44 percent in May 2021 compared to the same month in the previous year (40 days on average compared with 72 in May 2020). Finally, on average sales prices came in above list prices in May, with the sales to list price ratio of 102.6 percent. The table below contains more detailed data for the Connecticut housing market.

MARKET SUMMARY

MAY 2021 | SINGLE FAMILY HOMES

Market Summary	Month to Date			Year to Date		
	May 2021	May 2020	Percent Change	Year-To-Date 2021	Year-To-Date 2020	Percent Change
New Listings	5496	4811	14.24% ▲	21029	19626	7.15% ▲
Sold Listings	3360	2883	16.55% ▲	14967	12336	21.33% ▲
Median Listing Price	$339,900	$294,900	15.26% ▲	$329,900	$279,000	18.24% ▲
Median Selling Price	$350,000	$287,000	21.95% ▲	$335,000	$271,000	23.62% ▲
Median Days on Market	15	44	-65.91% ▼	29	56	-48.21% ▼
Average Listing Price	$569,248	$436,645	30.37% ▲	$537,443	$399,452	34.55% ▲
Average Selling Price	$573,144	$419,480	36.63% ▲	$533,458	$383,945	38.94% ▲
Average Days on Market	40	72	-44.44% ▼	54	82	-34.15% ▼
List/Sell Price Ratio	102.6%	97.7%	5.09% ▲	100.8%	97.5%	3.39% ▲

For the U.S. housing market, the National Association of Realtors (NAR) reported existing-home sales fell in May 2021, marking the fourth consecutive monthly decrease. Three of the four major U.S. regions had month-over-month sales declines in May, but all four experienced double-digit year-over-year gains.

Total existing-home sales decreased 0.9 percent from April to a seasonally adjusted annual rate of 5.8 million in May. Year-over-year sales were up 44.6 percent from a year ago (4 million in May 2020) reflecting the pandemic's impact.

Nationally, home prices have remained strong during the pandemic. NAR reported the median existing-home price for all housing types in May was $350,300, up 23.6 percent from May 2020 ($283,500), as prices increased in every region. May's national price growth marks 111 straight months of year-over-year gains dating back to March 2012. All regions of the country experienced double-digit price growth from a year ago. The largest regional gains on a percentage basis were in the West (+24.3), followed by the South (+22.6%). The Midwest increased 18.1 percent and the Northeast grew 17.1 percent.

Commercial Real Estate – Mixed Results for Delinquency Rates in May

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. One source that conducts a monthly commercial real estate loan performance survey is the Mortgage Bankers Association (MBA).

MBA's June 3rd report found delinquency rates for mortgages backed by commercial and multifamily properties continued to decrease in May 2021, reaching the lowest level since the onset of the COVID-19 pandemic. MBA reported the balances of commercial and multifamily mortgages that are not current dropped for the fifth straight month in May. In all, 95.2 percent of outstanding loan balances were current, up from 95.1 percent in April.

Loans backed by lodging and retail properties, the sectors most directly affected by the pandemic, continue to see the greatest levels of stress, but also the most improvement in May. The overall share of retail loan balances that are delinquent increased in May along with multifamily property loans. Non-current rates for other property types were modestly lower during the month, including for industrial and office properties.

	Percent of Balance Not Current	
Commercial Loan Type	**May 2021**	**April 2021**
Lodging Loans	20.0%	20.2%
Retail Loans	9.5%	9.3%
Industry Property Loans	1.9%	1.9%
Office Property Loans	2.4%	2.6%
Multifamily Property Loans	1.8%	1.7%
Source: Mortgage Bankers Association CREF Loan Performance Survey for May 2021		

Regarding the survey results, Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research noted "Quarterly measures of delinquency rates between last year's fourth quarter and this year's first quarter show a drop in distress across nearly every capital source."

Connecticut Population Count

Based on the 2020 Census, the U.S. Census Bureau recently issued new population counts for states. Connecticut's resident population as of April 1, 2020 was listed as 3,605,944. This represented an increase of 31,847 or 0.9 percent from the 2010 Census count. Connecticut ranked 48th among states in population growth for the period.

The fastest growing states on a percentage basis were Utah (+18.4%), Idaho (+17.3%), Texas (+15.9%), North Dakota (15.8%) and Nevada (15.0%). Three state lost population over the past decade, including West Virginia (-3.2%), Mississippi (-0.2%) and Illinois (-0.1%).

Stock Market – Volatile June, But Strong First Half Results for 2021

As calendar 2020 came to end, the overall economy has not recovered to its pre-pandemic levels, but the stock market ended the year at or near record highs. The DOW gained 7.25 percent and ended the year at an all-time high. The NASDAQ, heavily composed of tech stocks, was the strongest performer and was up 43.64 percent. The S&P 500 rose to record levels as 2020 ended, rising 16.26 percent for the year.

The new year has seen upward movement, with increased volatility toward the end of the month, especially in January and February. April was generally a positive month for stocks, but volatility returned in May with mid-month drops for all three indices. Volatility continued in June as inflation fears riled investors, but the NASDAQ has had a very strong month. Year-to-date at the mid-point of the year, the DOW has increased 12.7 percent, the NASDAQ has gained 12.5 percent and the S&P is up 14.4 percent as of this writing, reaching a record high on June 30th. Fourteen months ago, in late March, the stock market was in free fall as the pandemic-related shutdowns were taking place. As the charts below illustrate, all three indices have significant gains since then. To give a broader perspective, three-year results are shown:

DOW Jones Industrial Average

NASDAQ Composite Index

S&P 500 Index

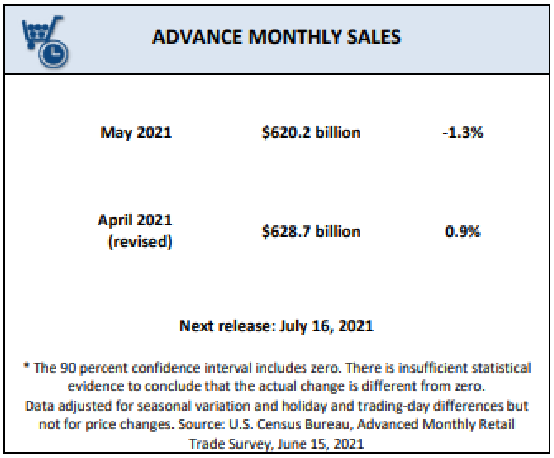
To give more perspective on the performance of the stock market over the longer term, the chart below shows the level of the S&P 500 from 2000 to the present:

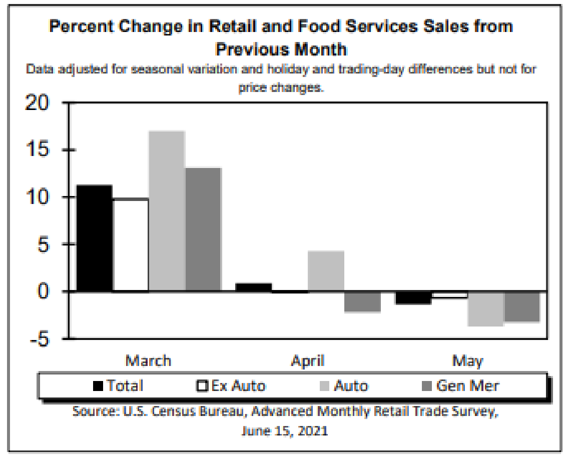
The performance of the stock market has a significant impact on the State of Connecticut's revenues. In a typical year, estimated and final income tax payments account for approximately 25-30 percent of total state income tax receipts, but can be an extremely volatile revenue source.

FY 2020 results showed estimated and final payments were down a combined 13.2 percent compared with the previous year. Preliminary estimates for the first ten months of FY 2021 indicate better than expected results through April 2021. To date, combined estimated and final payments are 116.8 percent above FY 2020's level, with estimates up 38.2 percent and final payments up 297 percent. Caution should be used in interpreting this year-over-year comparison since the 2020 income tax filing deadline was postponed by three months last year due to the pandemic, so these increases may be largely due to timing difference between years.

Consumer Spending – Step Back in May for Retail Sales

Consumer spending is the main engine of the U.S. economy, accounting for more than two-thirds of total economic output. On June 15th, the Commerce Department reported that U.S. advance retail sales were $620.2 billion in May 2021, down 1.3 percent from April.





May results were mixed. Sectors that experienced a step back in May included building material and gardening equipment (-5.9%), motor vehicle and parts dealers (-3.7%), and electronic and appliance stores (-3.4%) The biggest gainers in May on a percentage basis were clothing stores, which saw an increase of 3 percent, as more COVID restrictions were lifted and more businesses re-opened. This was followed by restaurants and bars (+1.8%) and health and personal care stores (+1.8%).

So-called core retail sales dropped 0.7 percent in May, after falling a revised 0.4 percent in April. This category excludes automobiles, gasoline, building materials and food services.

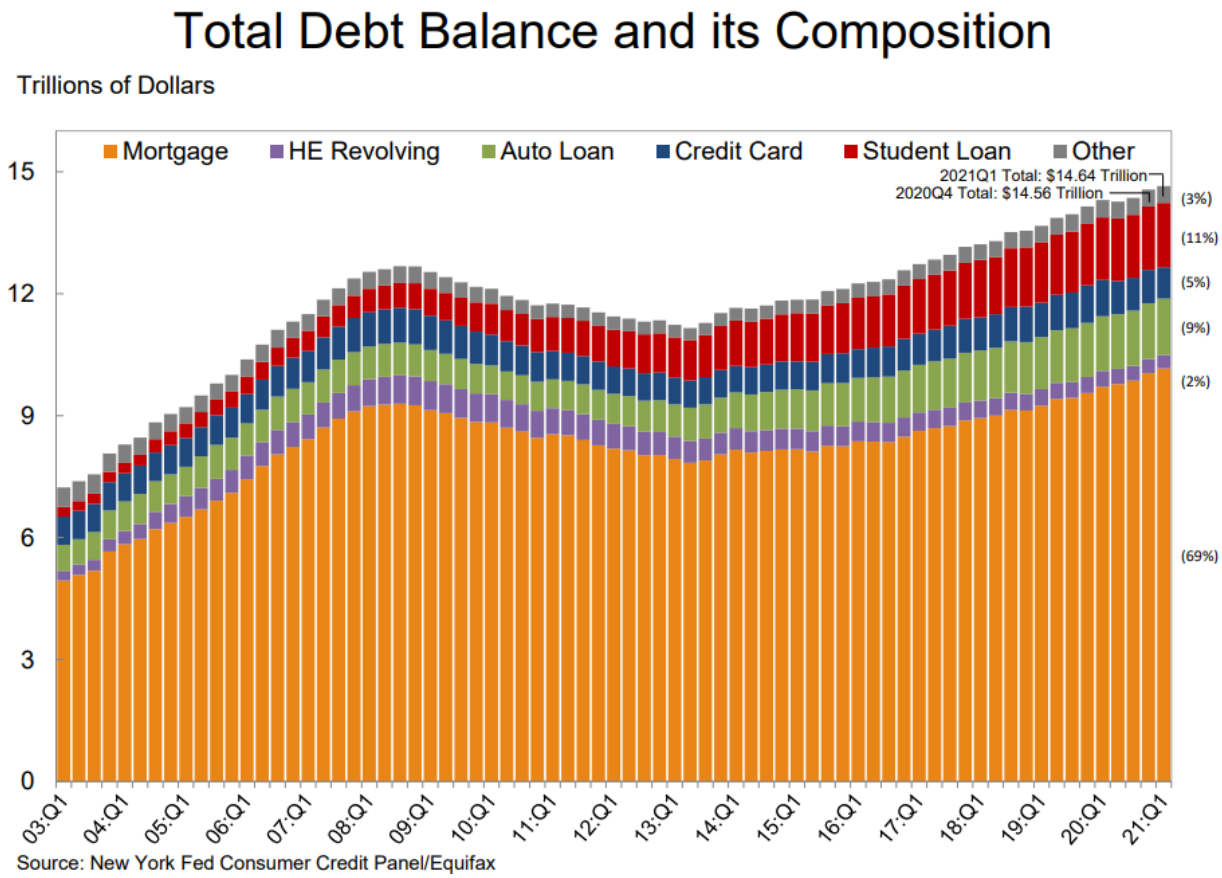
Analysts noted consumer spending is shifting back to services from goods as increased levels of vaccinations allow Americans to travel and experience other activities that were restricted by COVID-19. During the pandemic lock-down, consumers spend more on goods.

Consumer Debt – Mortgage Debt Up, Credit Cards Down in First Quarter

According to the Federal Reserve Bank of New York, aggregate household debt balances increased in the first quarter of 2021, driven largely by an increase in mortgage originations. Total household debt increased by $85 billion (0.6 percent) to $14.64 trillion in the quarter ending March 31, 2021. The total debt balance is now $499 billion higher than is was at the end of 2019.

The report titled "Quarterly Report on Household Debt and Credit" noted mortgage balances – the largest component of household debt – increased by $117 billion to $10.16 trillion at the end of March. Outstanding student loans, the second largest category of household debt, totaled $1.58 trillion in the fourth quarter, a $29 billion increase from the fourth quarter. Auto loan balances increased by $8 billion in the first quarter, reaching $1.38 trillion. Balances on home equity lines of credit (HELOC) saw a $14 billion decline, the 17th consecutive decrease since the fourth quarter of 2016, bringing the outstanding balance to $335 billion.

The Federal Reserve reported that credit card balances decreased by $49 billion in the first quarter, the second largest decline since it tracked this series dating back to 1999. Credit card balances are now $157 billion lower than they had been at the end of 2019. This trend is consistent with borrowers paying debt along with more constrained spending opportunities during the pandemic.



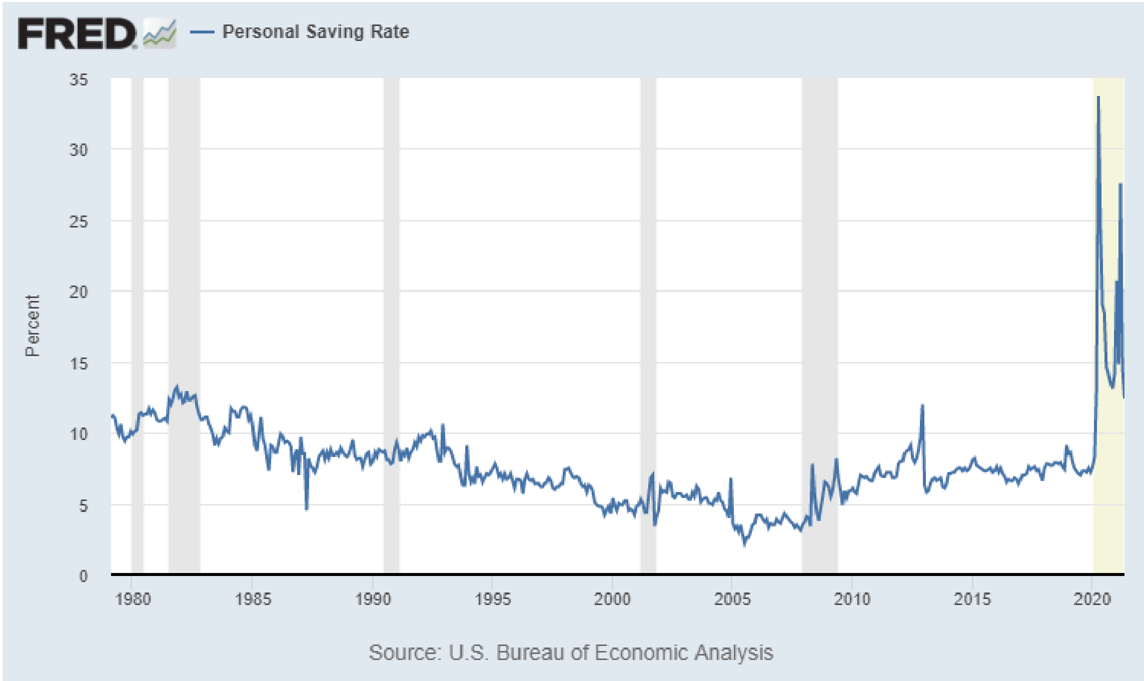
Personal Savings Rate

In its June 25th release, the Bureau of Economic Analysis (BEA) reported the personal-saving rate was 12.4 percent in May 2021, a decrease from 14.5 percent in April. The March increase was largely driven by government social benefits, primarily direct economic impact payments to households from the American Rescue Plan Act.

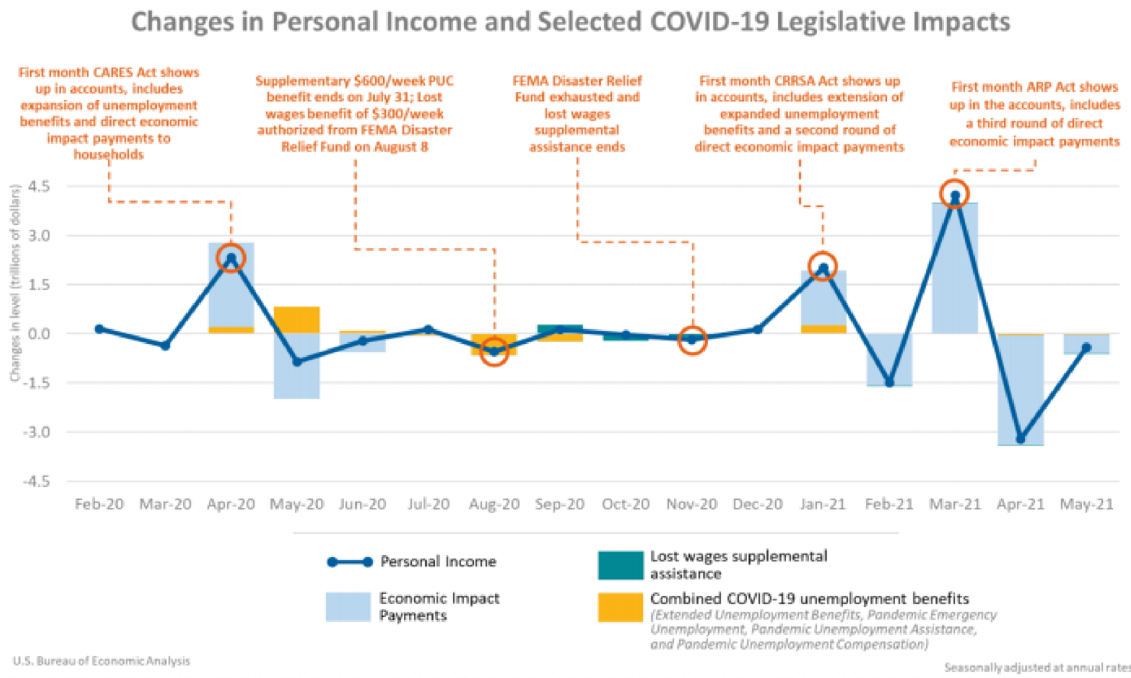
The personal savings rate is defined as personal saving as a percentage of disposable personal income. As seen in the chart below, the savings rate tends to increase during recessionary periods as consumers cut back on discretionary spending.

For May, BEA reported that personal income decreased $414.3 billion (2 percent) while personal consumption expenditures (PCE) increased $2.9 billion (less than 0.1 percent). As a result, disposable personal income (DPI) decreased $4.36.3 billion (2.3 percent).

According to the BEA, the decrease in personal income in May primarily reflected a decrease in government social benefits and pandemic-related assistance programs. Economic impact payments made to individuals from the American Rescue Plan Act of 2021 continued, but at a lower level than in April.



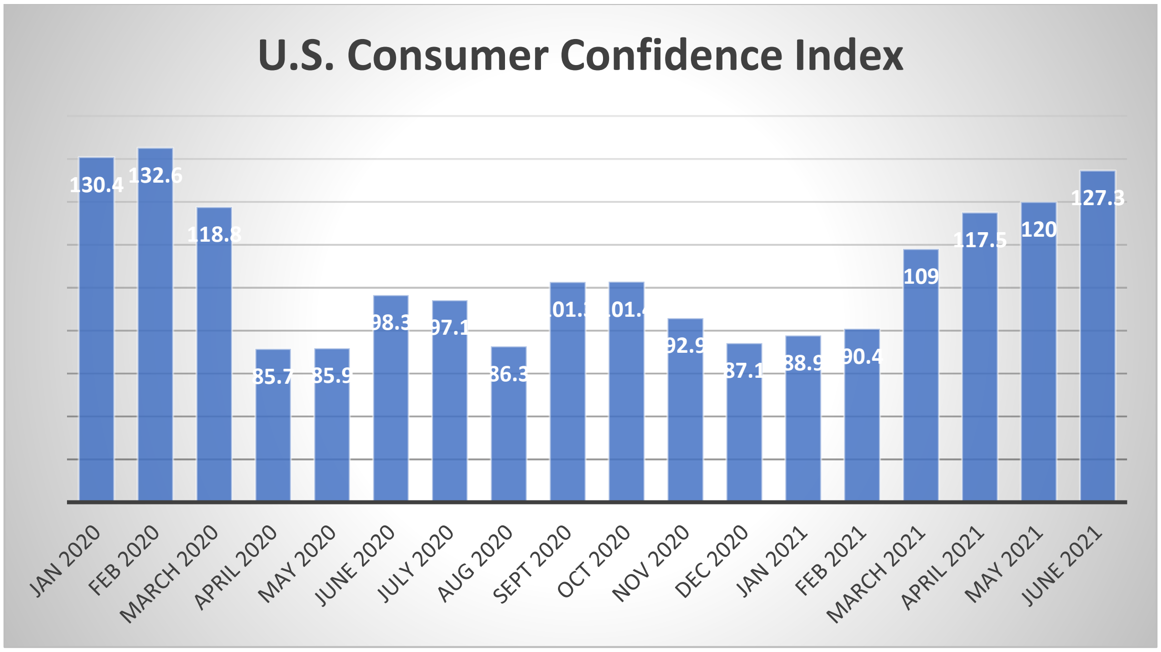
As can be seen from the chart above, the personal savings rate has been volatile since the pandemic began – with large swings in both directions. BEA noted that over the past 14 months, changes in personal income have primarily reflected changes in governmental social benefit payments, which were based 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. The BEA graphic below illustrates these legislative changes and their impact on personal income during the pandemic.



Consumer Confidence at Highest Level Since March 2020

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 improved further in June, following a significant rise in April, and steady increase in May. The Index now stands at 127.3, up from May's revised reading of 120.



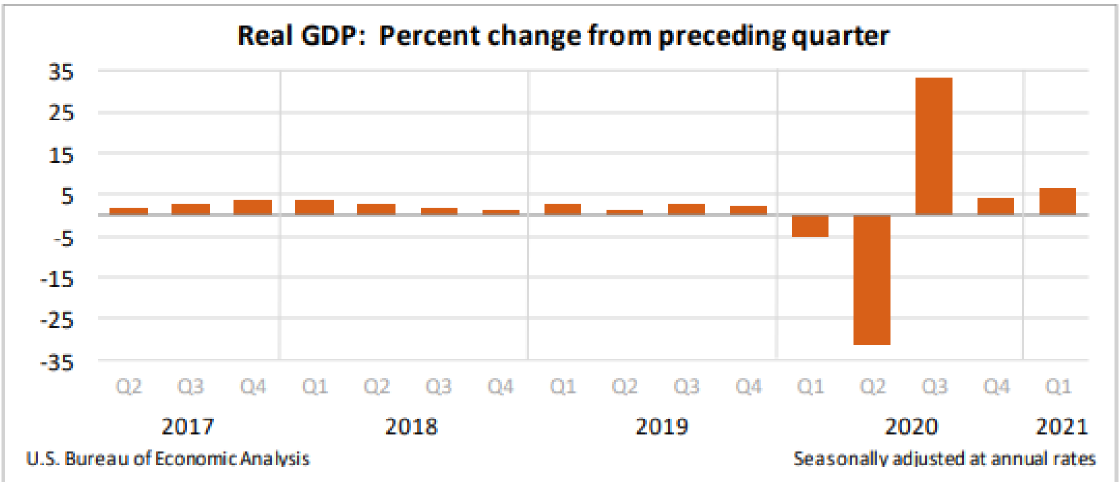
The Consumer Confidence Index is made up of two parts, including the Present Situation Index, which looks at current conditions and the Expectation Index, which measures consumers' views of anticipated conditions for the next six months.

In the June survey, the Present Situation Index improved, increasing from 148.7 to 157.7. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, also improved from 100.9 to 107. The Conference Board reported that consumers' short-term optimism has rebounded, buoyed by expectations that business conditions and their own financial prospects will continue to improve in the months ahead.

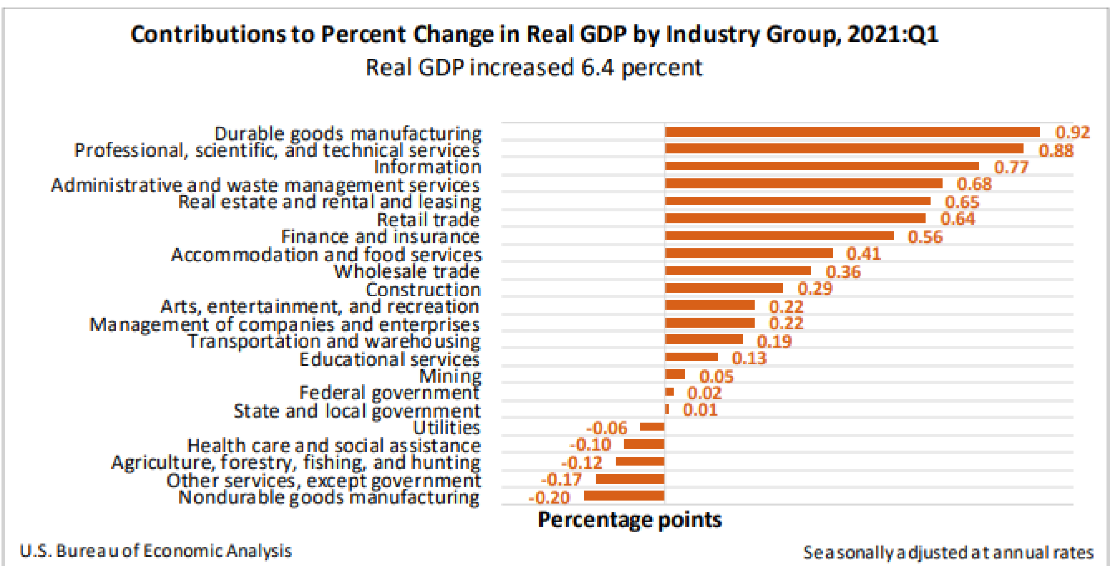
Lynn Franco, Senior Director of Economic Indicators at The Conference Board noted "While short-term inflation expectations increased, this had little impact on consumers' confidence or purchasing intentions. In fact, the proportion of consumers planning to purchase homes, automobiles, and major appliances all rose—a sign that consumer spending will continue to support economic growth in the short-term."

Business and Economic Growth – 1st Quarter 2021 GDP

According to a June 25th report from the Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 6.4 percent in the first quarter of 2021.This follows a 4.3 percent real GDP increase in the fourth quarter of 2020. BEA noted the first quarter results reflected continued economic recovery, the reopening of business establishments and the impact of the federal government's ongoing response to COVID-19.

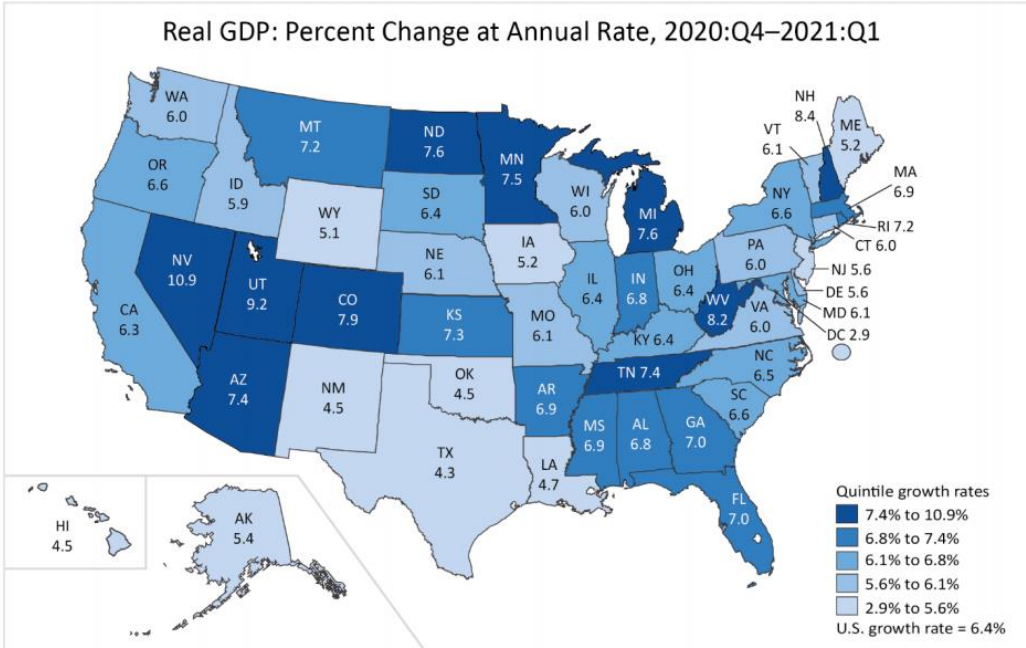


According to BEA, the first-quarter growth in real GDP resulted from increases in accommodation and food services, durable goods manufacturing professional, scientific, and technical services, and information services. The graph below shows contributions to percent changes in GDP by industry group for the first quarter:



State Level GDP Results for 1st Quarter 2021

On June 25th BEA reported state level GDP data for the first quarter of 2021. Real gross domestic product (GDP) increased in all 50 states and the District of Columbia in the first quarter of 2021, as real GDP for the nation increased at an annual rate of 6.4 percent. The percent change in real GDP in the first quarter ranged from 10.9 percent in Nevada to 2.9 percent in the District of Columbia.



U.S. Bureau of Economic Analysis

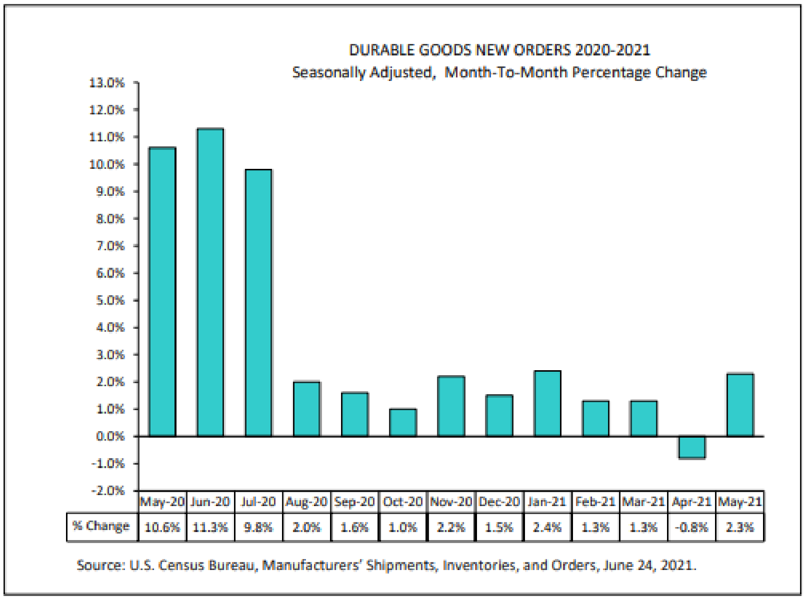
Connecticut's GDP growth rate of 6.0 percent ranked 34th in the nation and came in below the New England regional average of 6.7 percent. The Connecticut industries experiencing the largest gains on a percentage basis were durable goods manufacturing (+1.30%), finance & insurance (+0.93%), and retail trade (+0.77%).

Durable Goods – Rebound in May After One Month Drop

According to a June 24th report by the U.S. Department of Commerce, new orders for manufactured durable goods increased $5.7 billion or 2.3 percent in May to $253.3 billion. The increase, up twelve of the last thirteen months, followed a 0.8 percent decrease in April.

May's increase was driven by transportation equipment, up $5.2 billion or 7.6 percent to $74.2 billion, following two consecutive monthly decreases. The previous decreases were due to a drop in motor vehicle orders amid a global chip shortage that has caused supply chain disruptions and price increases.

Positive categories for new orders included electrical equipment, appliances, and components (+1.3%) and primary metals (+2.2%).



Orders for so called core capital goods decreased 0.1 percent in May, after rising 2.7 percent the previous month. Core capital goods are defined as non-defense capital goods excluding aircraft, which is considered a proxy for business spending.