



NATALIE BRASWELL
Connecticut State Comptroller

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**COMPTROLLER BRASWELL PROJECTS \$1.48B SURPLUS,
PROMOTES LONG-TERM ECONOMIC PLANNING**

Comptroller Natalie Braswell today, in her first monthly financial and economic update, projected a General Fund surplus of \$1.48 billion for Fiscal Year 2022 while urging policymakers to maintain positive economic momentum.

“There are some really promising signs in this month’s economic data including a substantial surplus projection,” said Braswell. “While this is undeniably good news, we can’t lose focus on the long-term budgetary reforms that have helped get Connecticut’s fiscal house in order. I encourage policymakers to explore all options to grow the middle class and lower the cost of living in our state, but they must be done in a sustainable manner that doesn’t rely on federal interventions that can’t be counted on in future years.”

Braswell noted that the state’s economy continues to modestly expand and add jobs, but significant federal aid during the pandemic, federal assistance programs that have since expired, and a temporary change to Medicaid reimbursement all contributed to the current surplus projection and none can be depended on to impact future fiscal years.

Continuing a trend in the pandemic recovery, this month’s economic indicators reflect an improving but tumultuous reality. Job growth slowed nationally as the Omicron variant spiked COVID-19 cases across the country. Consumer retail spending also disappointed, reflecting concerns over inflation. However, the national real Gross Domestic Product increased by 5.7% over the previous year, the highest increase since 1984.

Connecticut added jobs in December for the twelfth consecutive month. Manufacturing was the state’s highest gaining sector last month, adding 800 new positions. Overall, Connecticut’s continued unemployment claims have receded to pre-pandemic levels and the state has recovered 74.6% of the jobs lost during the pandemic.

The local housing market still does not have sufficient inventory to meet demand, resulting in a slowdown of overall sales but a continuation of high sales prices. In December, the average single-

family home in Connecticut sold for over its list price. Renters have seen sustained cost increases as well with prices rising 9.24% year-over-year, raising red flags about overall housing affordability.

“The pandemic is still a tremendous destabilizing force,” said Braswell. “Overall, the economy is regaining its footing and trending in a positive direction, but we continue to face unique and unpredictable challenges both on a global scale and in our daily lives. Our government has a responsibility to help our most vulnerable residents navigate this immediate crisis, and the relative stability of Connecticut’s budget situation presents an opportunity to invest in making the state more equitable, affordable and attractive. However, with so much lingering uncertainty, it’s imperative that we maintain predictability and stability of state finances and not revert to same short-term thinking that took years of fiscal discipline to correct. We need change, but it must focus on a big picture view that offers real, lasting relief for our residents and businesses.”

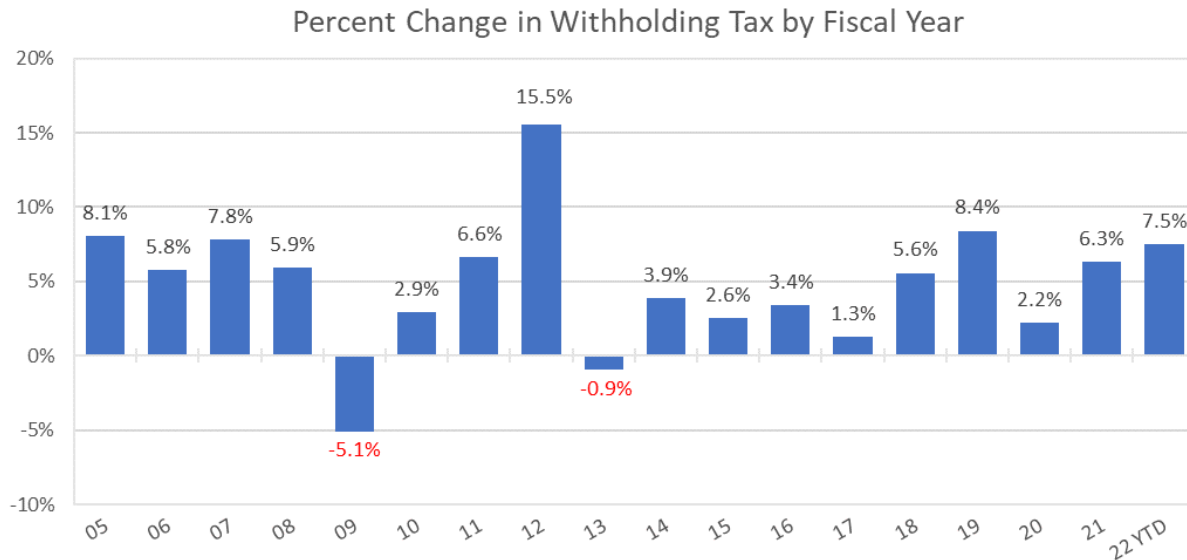
In a letter to Governor Ned Lamont, Braswell noted that revenue increases in volatile categories and the projected surplus would result in another large deposit into the state’s Budget Reserve Fund (“Rainy Day Fund”). Because the fund has already reached its statutory cap, those funds — currently estimated at \$2.33 billion — would be available to pay down pension debt and other state bonded indebtedness.

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

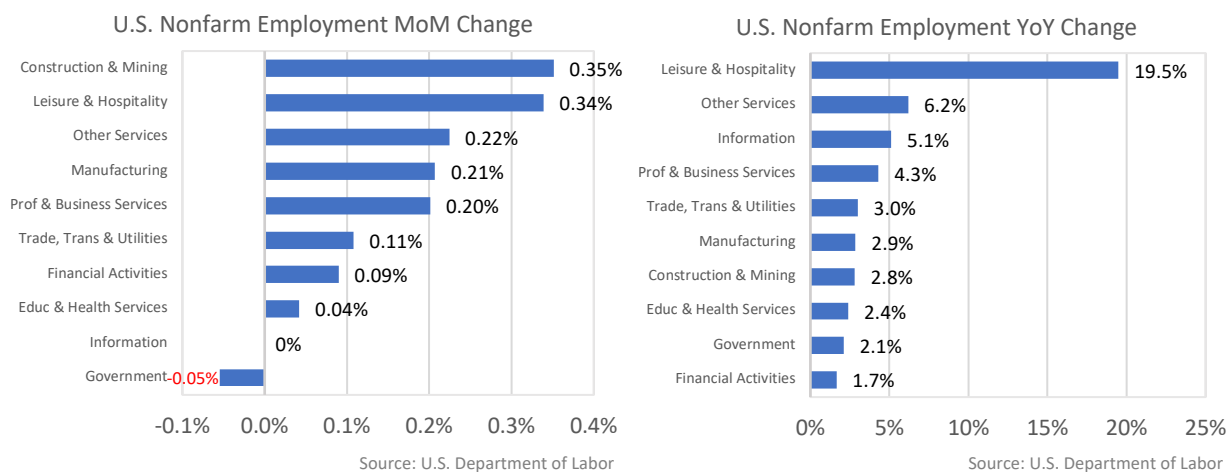
The withholding portion of the income tax is the largest single General Fund revenue source. Despite historic levels of job losses at the start of the pandemic, income tax withholding still finished FY 2021 \$75.3 million or 1.0 percent above its budget target. Compared with prior year realized amounts, 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 six months of FY 2022 income tax withholding continues to perform well. To date through December 31st, collections are coming in 7.5 percent above the same period in FY 2021. The budget plan called for growth in withholding receipts of 1.8 percent over FY 2021 realized amounts. Therefore, in light of this trend and job growth in recent months, the \$255 million improvement for income tax withholding in the January 18th consensus revenue forecast is reasonable.



National Jobs & Unemployment Picture – Job Growth Continues to Slow in December

The Bureau of Labor Statistics (BLS) reported the U.S. added 199,000 jobs after adding 249,000 in November and 648,000 in October. This marks twelve straight months of job growth. Job gains occurred in leisure and hospitality (+53,000), professional and business services (+43,000), and trade, transportation, and utilities (+30,000). Only the government sector declined month over month (-12,000) with losses specifically in state and local non-education jobs. The graphs below display the month over month and year over year net change in employment by sector.



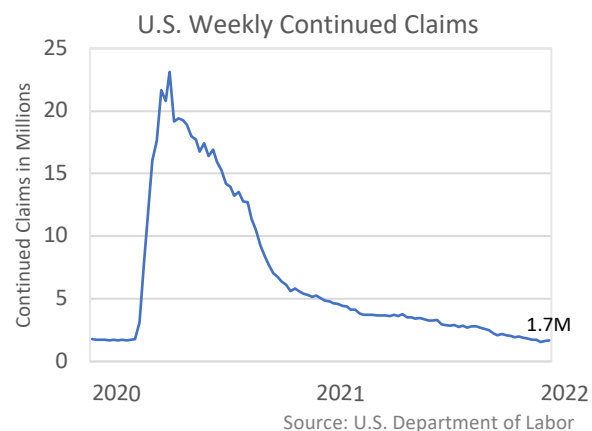
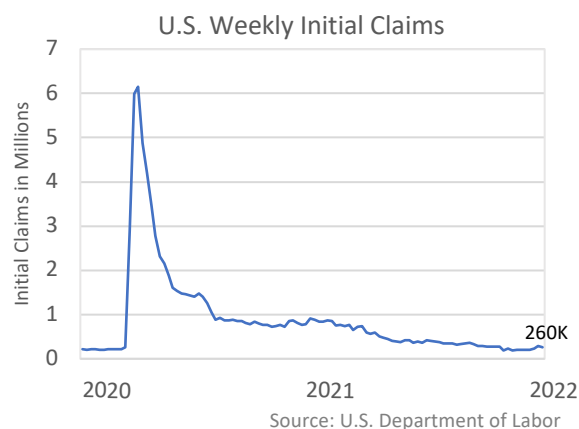
Nonfarm payroll employment is up by 18.8 million since April 2020 but is down by 3.6 million, or 2.3 percent, from its pre-pandemic level in February 2020.

In November, the national quit rate increased to 3 percent, with 4.5 million people leaving their jobs. This is an increase from the previous month's quit rate of 2.8 percent. The industries with the highest quit rates included leisure and hospitality—specifically accommodation and food services—professional and business services, and trade, transportation, and utilities—specifically retail trade. The Northeast had the lowest quit rate at 2.5 percent, followed by the West (2.8%), the Midwest (3.1%) and the South (3.5%).

In December, the national unemployment rate declined by 0.3 percentage points to 3.9 percent. This is still slightly 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 6.3 million, edging closer to pre-pandemic levels (5.7 million). The number of long-term unemployed people, those jobless for 27 weeks or more, decreased to 2 million, and account for 31.7 percent of the total unemployed in December. The labor force participation rate was 61.9 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.

For the week ending January 22nd, BLS reported that seasonally adjusted initial claims totaled 260,000 which is a decrease from the previous week's revised level of 290,000. For the week ending January 15th, BLS reported seasonally adjusted continued claims totaled 1,675,000, an increase of 51,000 from the previous week's revised level of 1,624,000.



BLS reported the total receiving unemployment benefits was approximately 2.1 million for the week ending January 8th, up 8,444 from the previous week and down from 19 million the previous year. The totals reported in the chart below do not represent unique individuals, rather the number collecting from all programs.

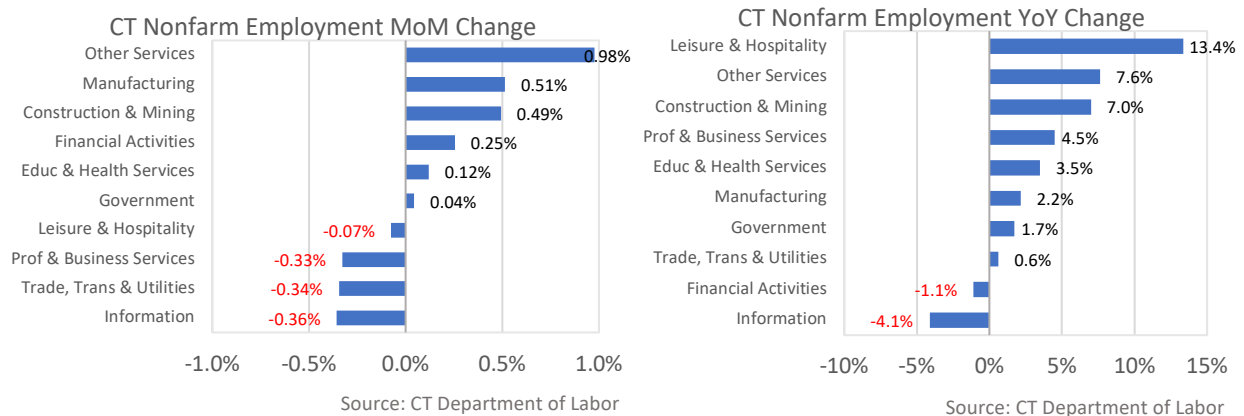
Continued Weeks Claimed Filed for UI Benefits in All Programs (Unadjusted)				
Week Ending	January 8	January 1	Change	Prior Year
Regular State	2,060,087	2,048,131	+11,956	5,442,482
Federal Employees	10,130	10,661	-531	18,066
Newly Discharged Veterans	5,046	4,765	+281	9,543
Extended Benefits	48,096	52,532	-4,436	1,505,550
State Additional Benefits	2,167	1,991	+176	2,517
STC/Workshare	15,460	14,462	+998	102,571
TOTAL	2,140,986	2,132,542	+8,444	19,048,138

Source: U.S. Department of Labor

Connecticut Jobs Picture – Job Growth Slows in December

After Connecticut experienced historic levels of employment losses in March and April of 2020, the state began regaining jobs over the following year. 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 came to a close.

DOL's Labor Situation report showed the state gained 600 net jobs (0.04%) in December to a level of 1,622,000 jobs seasonally adjusted. This follows job growth of 2,800 positions in November and represents twelve 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.



On a month-to-month basis, DOL noted that six of the ten major industry sectors experienced improvement while four declined. Manufacturing led the way (+800), followed by other services (+600), and education and health services (+400). Manufacturing employment has increased for six consecutive months. Trade, transportation, and utilities (-1,000), professional and business services (-700), information (-100), and leisure and hospitality (-100) lost jobs month over month.

On a year-over-year basis, eight sectors experienced gains and two experienced losses. The leisure & hospitality sector, hardest hit during the pandemic, experienced the largest gains (+15,900), growing 13.4 percent from a year ago. Information and financial activities lost jobs over the same period.

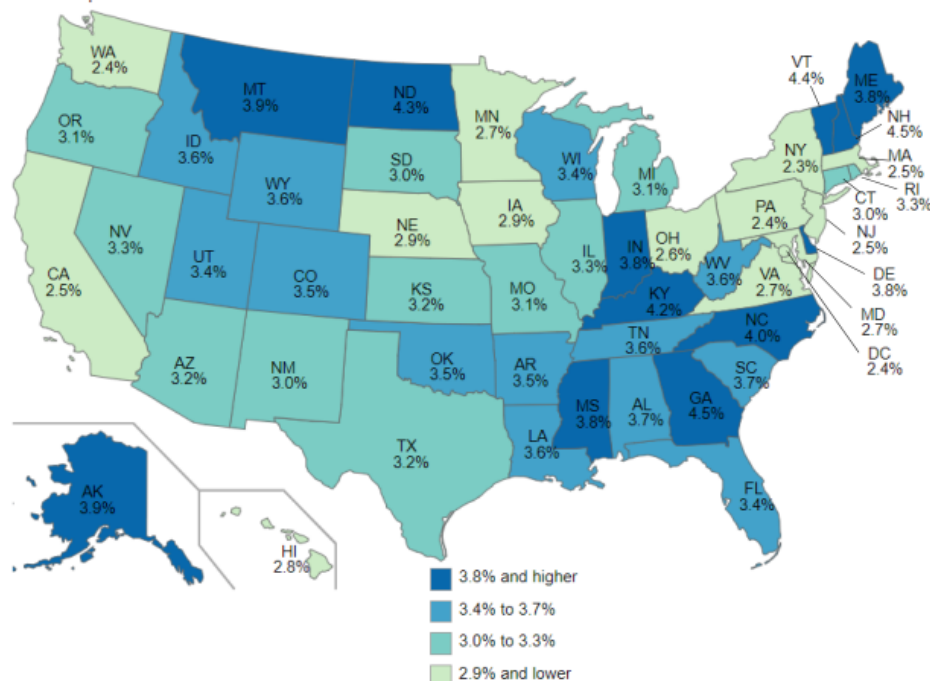
Nonfarm Employment by Sector							
Sector	December	November	December	MoM		YoY	
	2021 (P)	2021 (R)	2020 (R)	Change	Rate	Change	Rate
Information	28,000	28,100	29,200	-100	-0.4%	-1,200	-4.1%
Trade, Trans & Utilities	289,300	290,300	287,500	-1,000	-0.3%	1,800	0.6%
Prof & Business Services	212,800	213,500	203,600	-700	-0.3%	9,200	4.5%
Leisure & Hospitality	134,800	134,900	118,900	-100	-0.1%	15,900	13.4%
Government	224,900	224,800	221,100	100	0.0%	3,800	1.7%
Educ & Health Services	334,300	333,900	323,000	400	0.1%	11,300	3.5%
Financial Activities	118,500	118,200	119,800	300	0.3%	-1,300	-1.1%
Construction & Mining	61,200	60,900	57,200	300	0.5%	4,000	7.0%
Manufacturing	156,200	155,400	152,900	800	0.5%	3,300	2.2%
Other Services	62,000	61,400	57,600	600	1.0%	4,400	7.6%

Source: CT Department of Labor

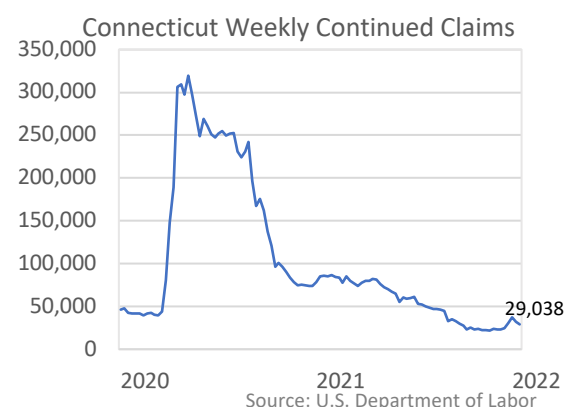
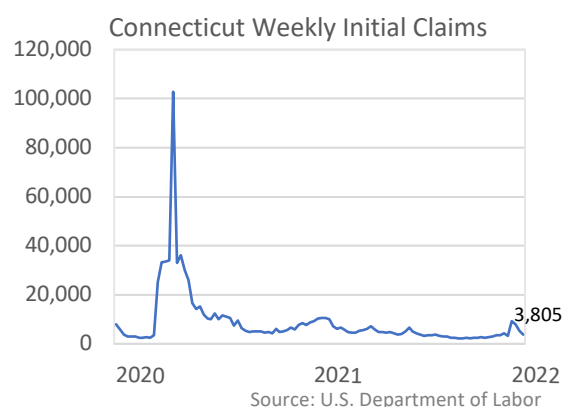
According to BLS, in November, Connecticut's quit rate was 3.0 percent, with 49,000 people leaving their job in one month. Connecticut DOL Director of Research, Patrick Flaherty, said, "Across the nation and in Connecticut, workers are leaving their jobs in record numbers for new, better jobs. This churn is opening up opportunities across almost all industry sectors—good news for those who are entering the market or looking for better employment." The graphic below from BLS depicts the quit rate by state. New York had the lowest quit rate at 2.3 percent while New Hampshire and Georgia had the highest rate at 4.5 percent.

Map 4. Quits rates by state, seasonally adjusted, November 2021

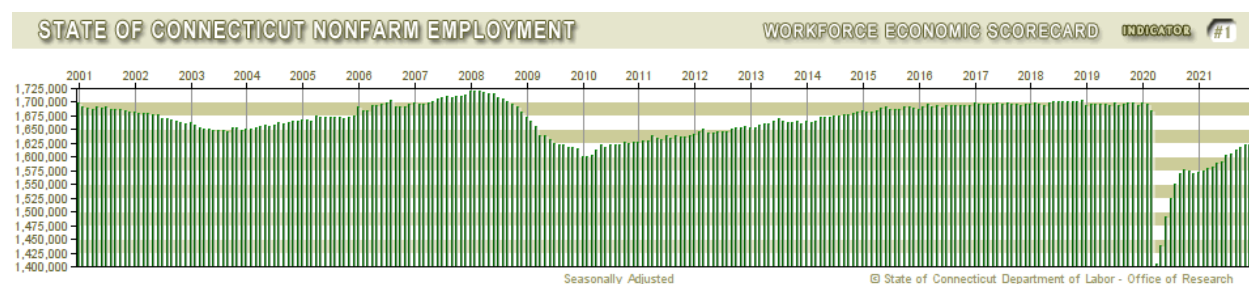
Total U.S. quits rate = 3.0%



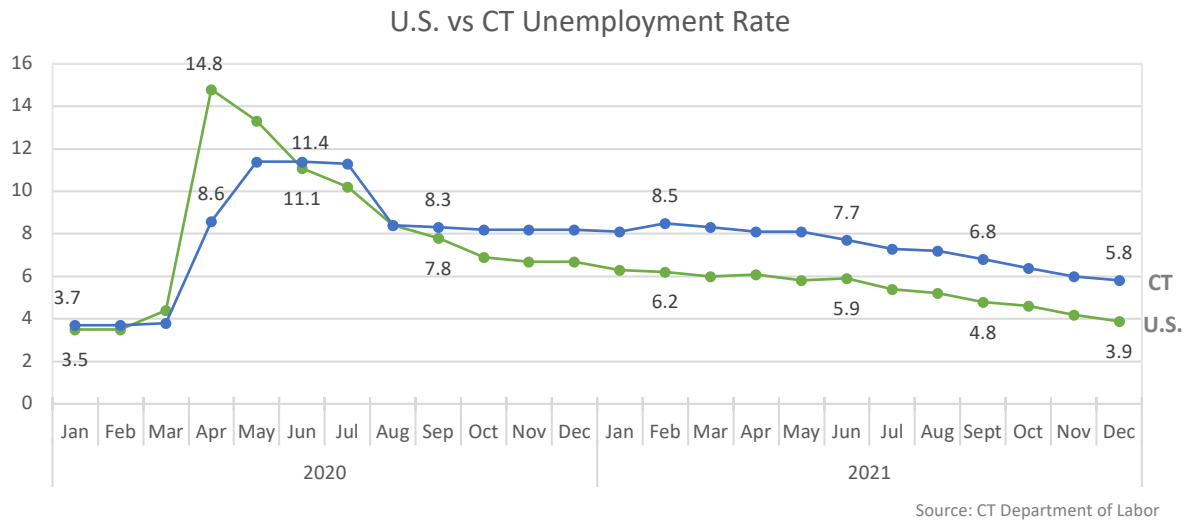
According to the Department of Labor, for the week ending January 22nd, initial claims totaled 3,805. Unemployment claims for first-time filers were an average of 2,624 per week, down 642 (-19.7%) from the November 2021 (3,266) level and lower by 1,869 claims (-41.6%) from the average weekly count of 4,493 in December 2020. This level of monthly average weekly initial claims (2,624) for the month in the state is significantly below (-619) the February 2020 (3,243) average weekly claims tally, just before the COVID lockdown. For the week ending January 15th, continued claims totaled 29,038 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 51,200 positions higher than December 2020, representing an increase of 3.3 percent. Connecticut has now recovered 74.6 percent of the 292,400 jobs lost in March and April 2020 due to the COVID-19 lockdown. Every state except Hawaii and Wyoming has recovered over half of the jobs lost in March and April of 2020, while four states have recovered 100 percent: Texas, Arizona, Utah, and Idaho. The DOL graph below illustrates the longer-term trend in Connecticut.

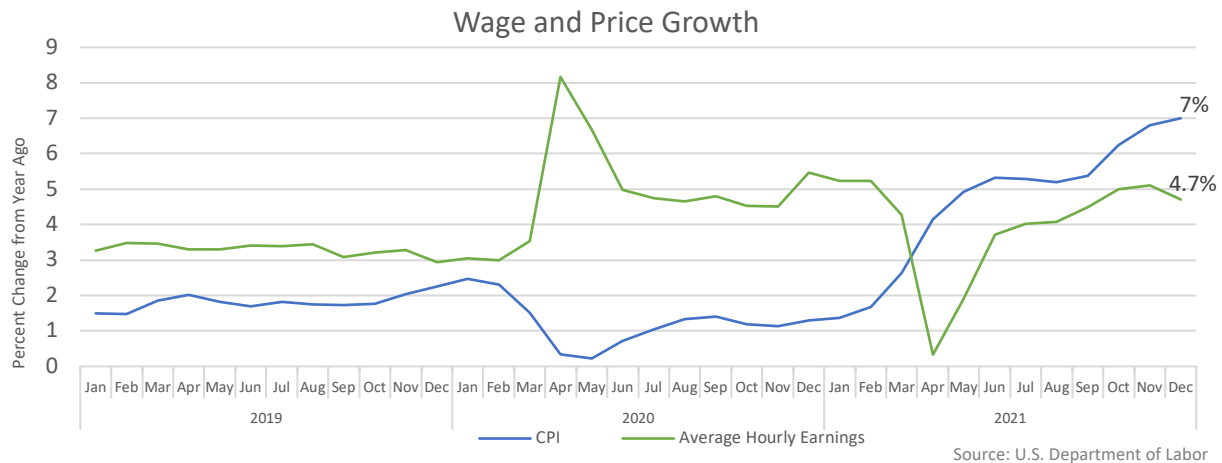


Connecticut's official unemployment rate dropped to 5.8 percent in December, down from 6 percent a month earlier and 8.2 percent from a year ago. Danté Bartolomeo, Commissioner of CT DOL said, "Connecticut continued to add jobs and the labor force grew in December—both positive signs and indicators of the underlying strength of our economy. Omicron has impacted the economy here and nationally; it's critical that residents continue to take every precaution against COVID-19 and variants. When we look at overall trends, Connecticut's economy is headed in the right direction, but economic growth requires a healthy and strong workforce."



Income and Salary – Inflation Diminishing Wage Growth

According to the U.S. Department of Labor, average hourly earnings increased 0.6 percent from last month. However, due to high inflation, real average hourly earnings only increased 0.1 percent from last month and decreased 2.4 percent from last 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.

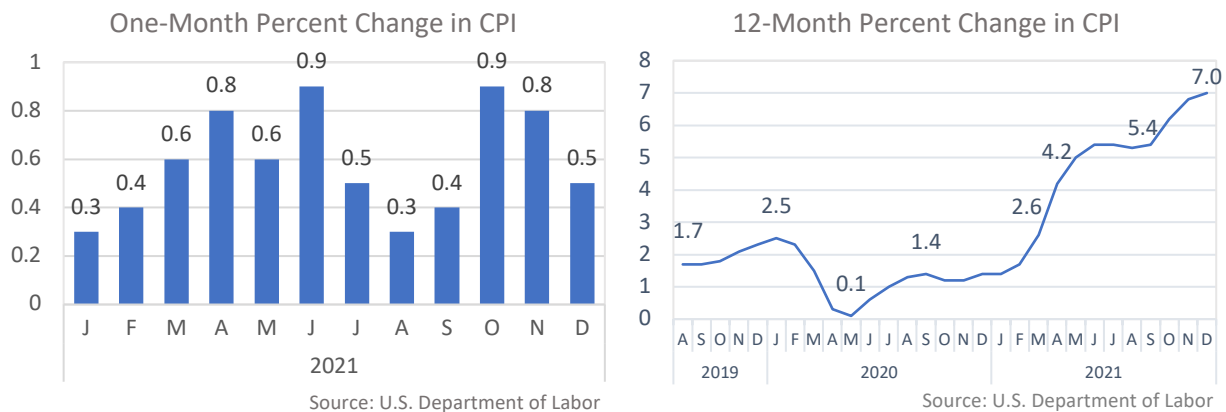


In Connecticut, December average hourly earnings at \$34.11, not seasonally adjusted, were lower by \$0.27 (0.8%) from the December 2020 estimate (\$34.38). The resultant average private sector weekly pay came in at \$1,173.38, up \$1.02 or 0.1 percent from a year ago. Average hourly earnings are calculated for all employees on private nonfarm payrolls including salaried employees. Due to fluctuating sample responses, DOL warns that private sector earnings and hours estimates can be volatile from month-to-month.

Inflation – Prices Increased 7% in 2021

According to the U.S. Department of Labor, the Consumer Price Index (CPI) increased 0.5 percent in December for an annual rate of 7 percent which is the largest 12-month increase since June 1982. Price increases were broad-based and included shelter, food, used cars and trucks, and new vehicles. The energy index fell 0.4 percent in December, ending a long series of increases as the indexes for gasoline and natural gas both decreased. Core CPI, which excludes food and energy, rose 0.6 percent in December for an annual rate of 5.5 percent which is the largest 12-month change since the period ending February 1991.

Factors driving inflation include global supply-chain disruptions, raw material shortages, labor shortages and strong consumer 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 0.5 percent from last month and now stands at an annual rate of 4.9%. This annual rate is the highest in thirty years.

In order to address inflation, the Federal Open Market Committee (FOMC) decided to double their pace of reductions in its asset purchases. Beginning in mid-January, the monthly pace of net asset purchases was reduced by \$20 billion for Treasury securities and \$10 billion for agency mortgage-backed securities. These increased reductions will continue each month, implying a completed taper by mid-March. The FOMC indicated at their January meeting they will keep interest rates near zero until the tapering process is complete.

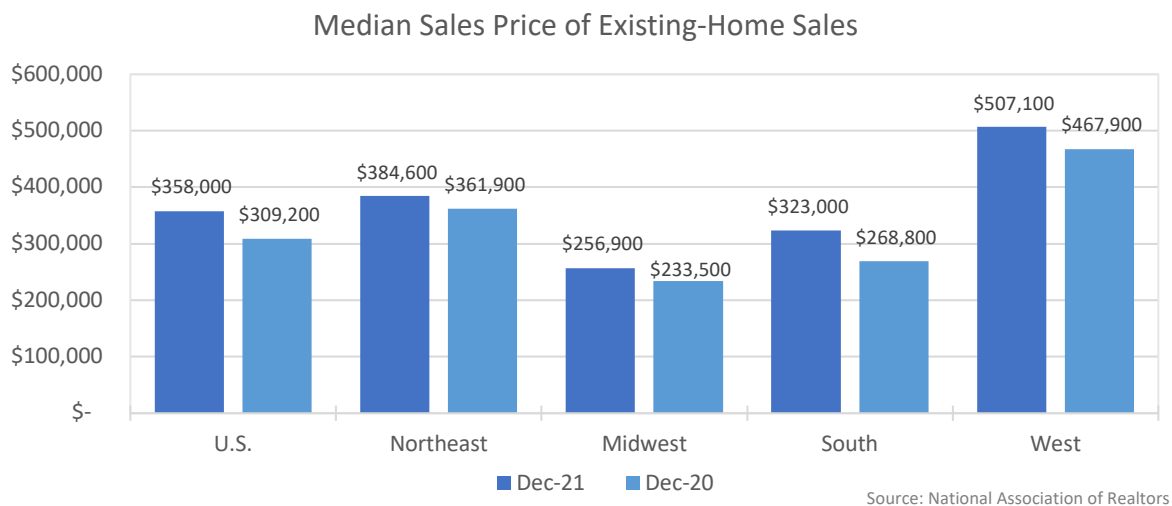
On January 10th, Chairman Powell said, "We know that high inflation exacts a toll, particularly for those less able to meet the higher costs of essentials like food, housing, and transportation. We are strongly committed to achieving our statutory goals of maximum employment and price stability. We will use our tools to support the economy and a strong labor market and to prevent higher inflation from becoming entrenched."

National Housing Market – Existing Home Sales Decrease in December

The National Association of Realtors (NAR) reported existing-home sales decreased 4.6 percent to a seasonally adjusted annual rate of 6.18 million in December. All four major U.S. regions had month-over-month and year-over-year decreases in sales. Year-over-year sales decreased 7.1 percent from December 2020 (6.65 million). However, for calendar year 2021, existing-home sales totaled 6.12 million, an increase of 8.5% from 2020 and the highest annual level since 2006.

NAR reported the median existing-home price for all housing types was \$358,000, up 15.8 percent from last year as prices increased in every region. This price growth marks 118 straight months of year-over-year gains dating back to March 2012, the longest-running streak on record. All regions of the country experienced price growth from a year ago. The largest regional gains on a percentage basis were in the South (+20.2%), followed by the Midwest (+10%), the West (+8.4%), and the Northeast (+6.3%).

December's inventory totaled 910,000 units, down 18 percent from November and down 14.2 percent from one year ago. Unsold inventory sits at a 1.8-month supply at the current sales pace, below the desired pace of six months. "December saw sales retreat, but the pullback was more a sign of supply constraints than an indication of a weakened demand for housing. Sales for the entire year finished strong, reaching the highest annual level since 2006," said Lawrence Yun, NAR's chief economist.



Connecticut Housing Market – Sales Down, Prices Up

Connecticut's housing market experienced mixed results in December as sales and new listings declined while prices increased across the board. Berkshire Hathaway HomeServices reported year over year sales of all property types decreased 18.66 percent and new listings were down 17.87 percent. Median sales price increased by 7.08 percent and median list price increased by 6.67 percent. Average sales price increased 3.66 percent and average list price increased 2.51 percent. Average days on the market decreased to 46 days from 55 a year ago. On average, sales prices came in above list prices, with a list/sell price ratio of 100.7 percent. Inventory sits at a 1-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						
	Dec 2021	Dec 2020	% Change	YTD 2021	YTD 2020	% Change
New Listings	2,353	2,865	-17.87%	62,875	66,571	-5.55%
Sold Listings	4,450	5,471	-18.66%	55,800	54,510	2.37%
Median List Price	\$319,900	\$299,900	6.67%	\$319,900	\$292,500	9.37%
Median Selling Price	\$321,250	\$300,000	7.08%	\$323,527	\$290,000	11.56%
Median Days on the Market	28	34	-18%	24	41	-41.46%
Average Listing Price	\$501,824	\$489,556	2.51%	\$507,124	\$460,287	10.18%
Average Selling Price	\$497,515	\$479,934	3.66%	\$507,449	\$448,589	13.12%
Average Days on the Market	46	55	-16.36%	44	69	-36.23%
List/Sell Price Ratio	100.7%	99.4%	1.33%	101.2%	98.6%	2.62%

Source: Berkshire Hathaway HomeServices

Rental Market

According to Apartment Guide's December 2021 Rent Report, the national average rent price for a one-bedroom apartment was \$1,680, up 0.6 percent from last month and up 21.3 percent from last year. Every state saw rent prices increase year over year for one-bedroom apartments except Nebraska. In Connecticut, average rent increased 9.24 percent year over year, from \$1,647 to \$1,800.

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, 107,319 Connecticut tenants reported they were not caught up on rent and 166,653 Connecticut tenants reported low confidence in their ability to make next month's rent payment.

"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 26%" says Nadia Evangelou, Senior Economist and Director of Forecasting for the National Association of Realtors.

Stock Market

January proved to be an incredibly volatile month for investors as the stock market posted its largest dip in months. The Omicron COVID-19 variant, geopolitical pressure, persistent high inflation, and the Fed's shifting monetary policy all contributed to high uncertainty this month. Some analysts point to this volatility as an overdue correction in the market after two years of remarkable growth. As of this writing, over the month, the Dow Jones Industrial Average dropped 1,206 points or 3.32%. The S&P 500 dropped 251 points or 5.26% and the NASDAQ dropped 1,205 points or 8.98%.

Almost two years ago, in 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:

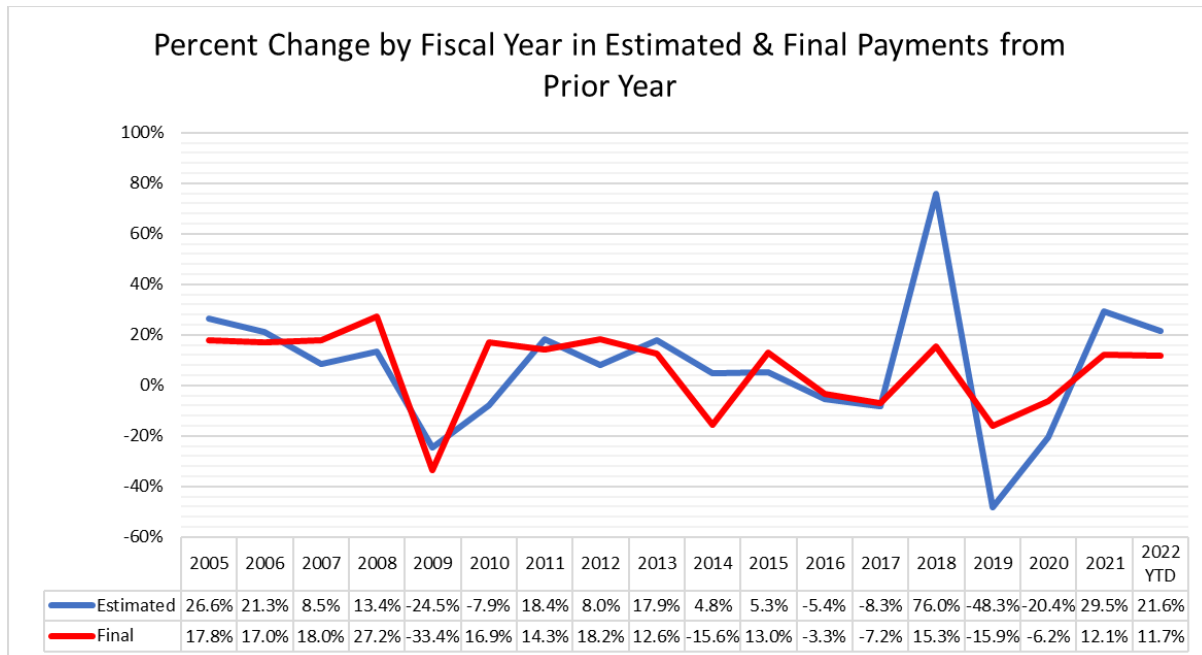


NASDAQ Composite Index:



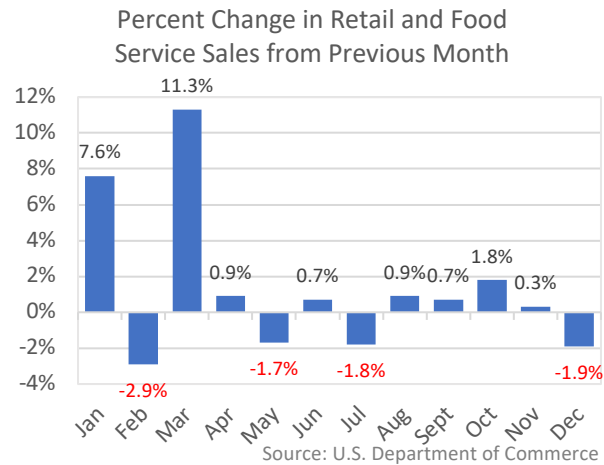
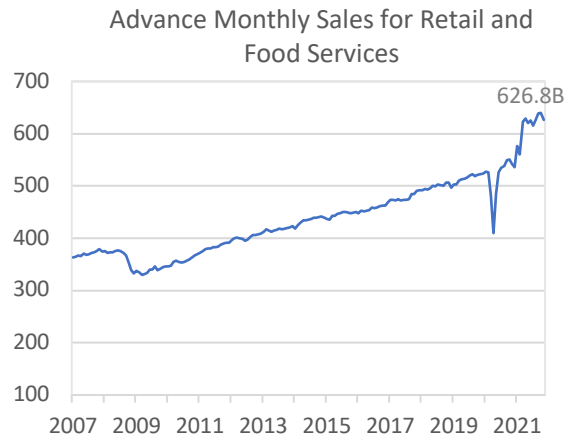
The performance of the stock market has a significant impact on the State of Connecticut's revenues. In a typical year, estimated and final income tax payments account for approximately 30 percent of total state income tax receipts, but can be an extremely volatile revenue source.

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 18.9 percent over year-to-date results in the previous fiscal year.



Consumer Spending Decreases in December

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 \$626.8 billion in December, down 1.9 percent from November, and up 16.9 from December of last year. This month over month decrease was higher than analysts expected due to the holiday shopping season. Sectors with the largest gains include miscellaneous store retailers (+1.8%), building material and garden equipment (+0.9%), and health and personal care stores (+0.5%). Most sectors experienced a step back including nonstore retailers (-8.7%), furniture stores (-5.5%), and sporting goods, hobby, musical instrument and bookstores (-4.3%). Core retail sales decreased 2.1 percent 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.

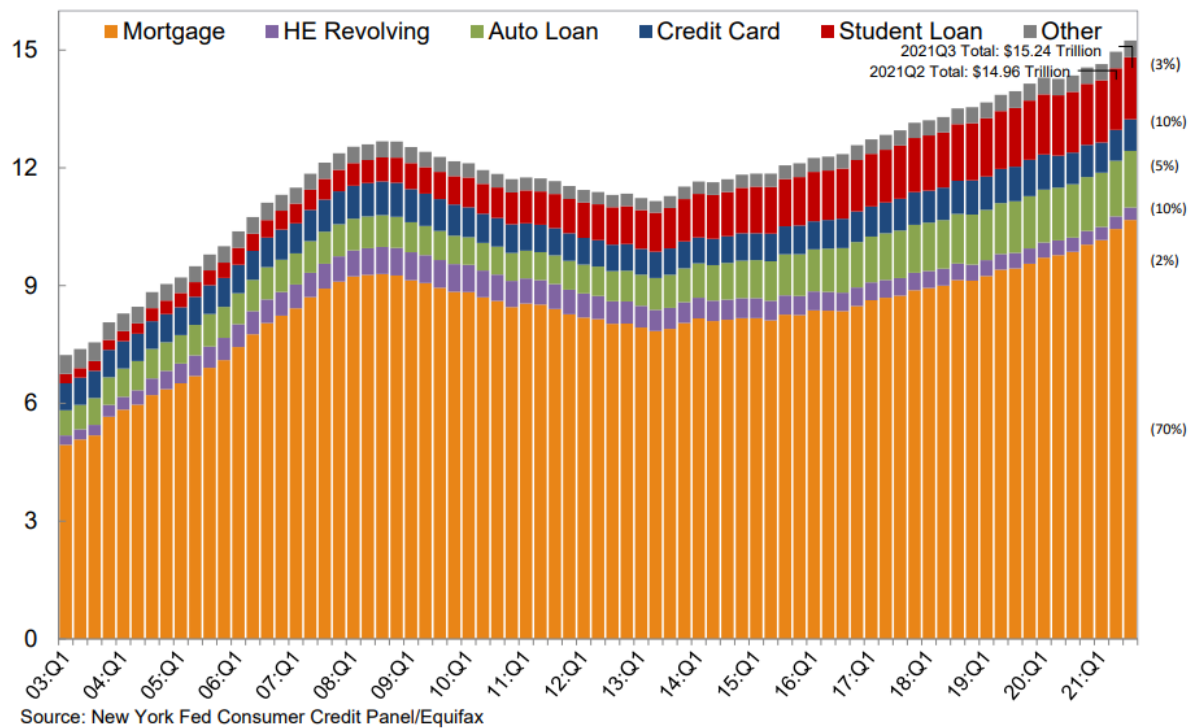
Mortgage balances, the largest component of household debt, increased by \$230 billion to \$10.67 trillion at the end of September. Student loans, the second largest category of household debt, increased by \$14 billion to 1.58 trillion as the school year started. Auto loan balances increased by \$28 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.

Total Debt Balance and its Composition

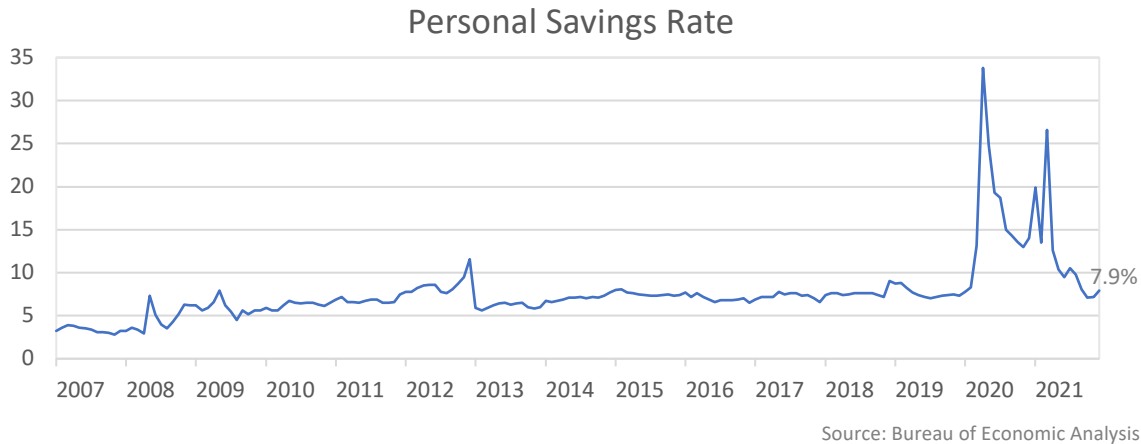
Trillions of Dollars



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 Increases in December

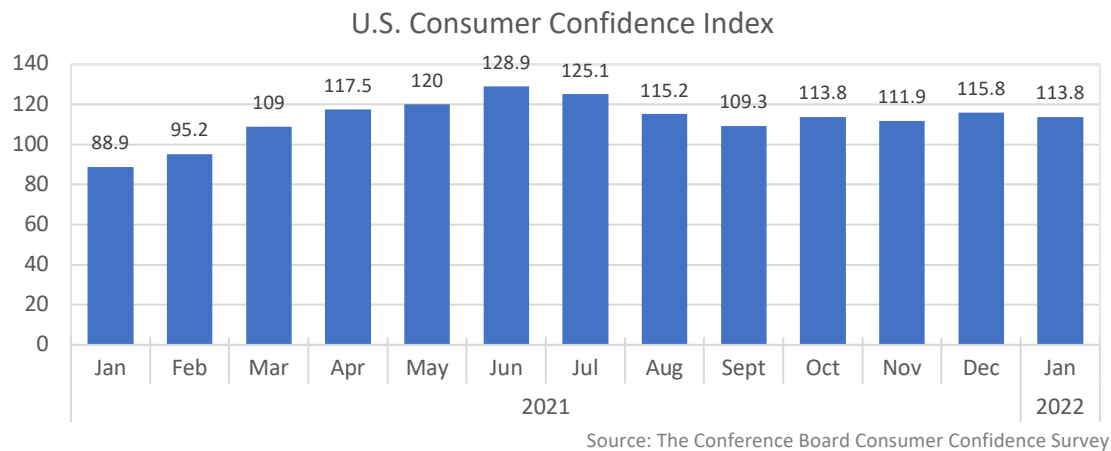
The Bureau of Economic Analysis (BEA) reported the personal-saving rate was 7.9 percent in December, up from 7.2 percent in November. Personal income increased \$70.7 billion (0.3 percent) while personal consumption expenditures (PCE) decreased \$95.2 billion (0.6 percent). As a result, disposable personal income (DPI) increased \$39.9 billion (0.2 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 2 years, 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 January

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 113.8, down from December's revised reading of 115.2.



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 January survey, the Present Situation Index

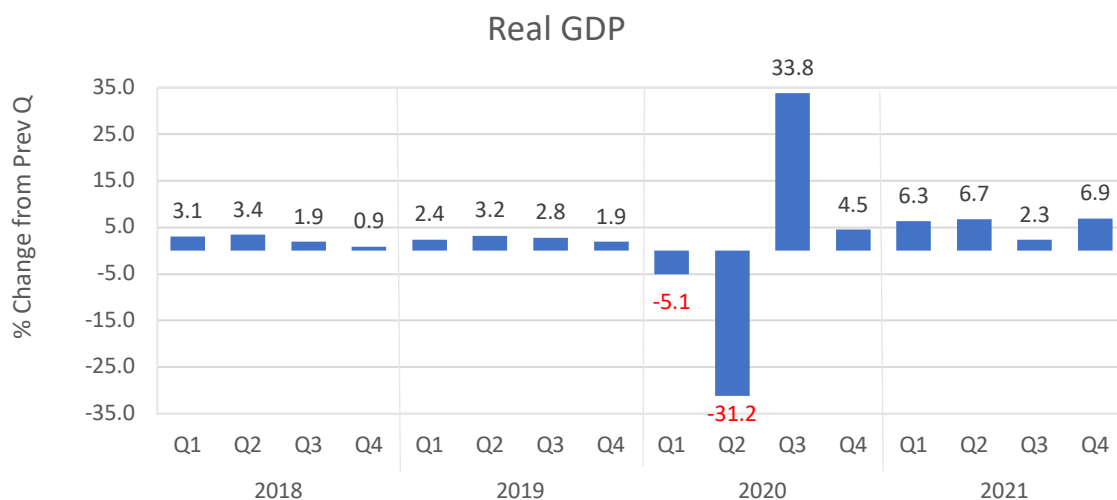
increased from 144.8 to 148.2. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, decreased from 95.4 to 90.8.

Lynn Franco, Senior Director of Economic Indicators at The Conference Board noted, "Consumer confidence moderated in January, following gains in the final three months of 2021. The Present Situation Index improved, suggesting the economy entered the new year on solid footing. However, expectations about short-term growth prospects weakened, pointing to a likely moderation in growth during the first quarter of 2022. Nevertheless, the proportion of consumers planning to purchase homes, automobiles, and major appliances over the next six months all increased. Meanwhile, concerns about inflation declined for the second straight month, but remain elevated after hitting a 13-year high in November 2021. Concerns about the pandemic increased slightly, amid the ongoing Omicron surge. Looking ahead, both confidence and consumer spending may continue to be challenged by rising prices and the ongoing pandemic."

Business and Economic Growth – GDP Fourth Quarter Estimate

According to the Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 6.9 percent in the fourth quarter of 2021. This follows a 2.3 percent real GDP increase in the third quarter. The update primarily reflects increases in private inventory investment, exports, personal consumption expenditures (PCE), and nonresidential fixed investment that were offset by decreases in both federal and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased. Real GDP increased 5.7 percent in 2021, following a decrease of 3.4 percent in 2020.

BEA noted the fourth quarter results reflected the continued economic impact of the COVID-19 pandemic. In the fourth quarter, COVID-19 cases resulted in continued restrictions and disruptions in the operations 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 as provisions of several federal programs expired or tapered off.

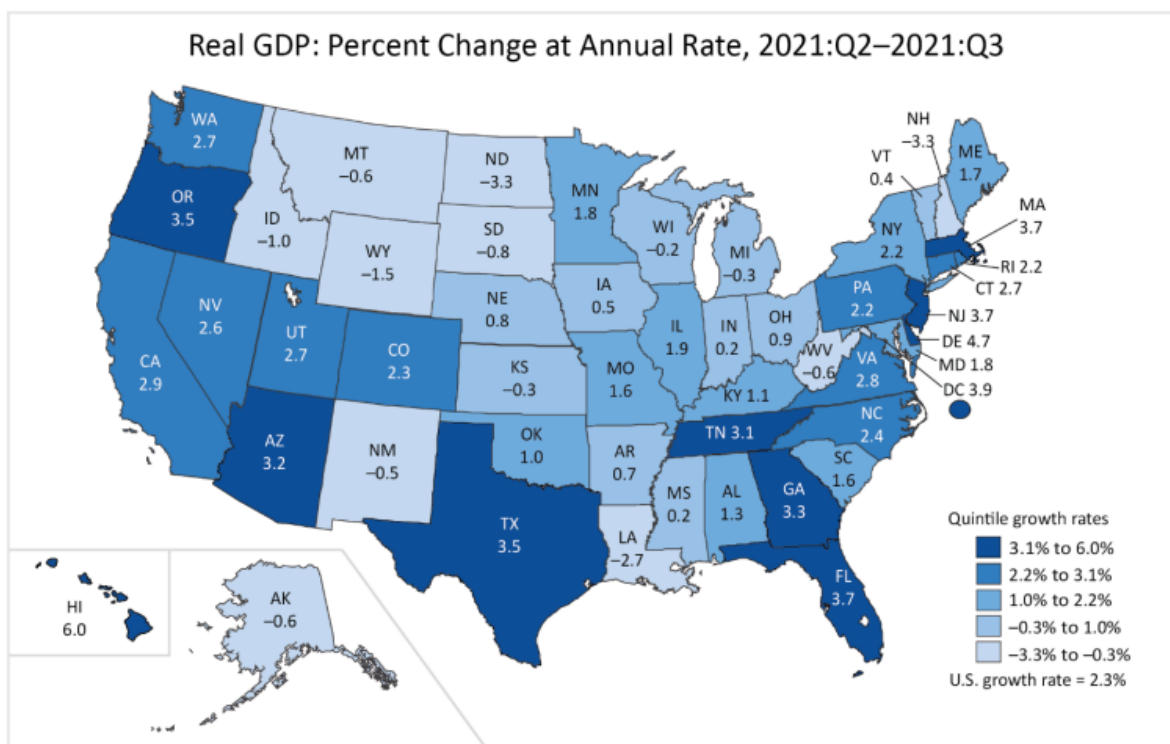


Source: Bureau of Economic Analysis

State Level GDP 3rd Quarter – Connecticut Growth Outpaces National Economy

According to BEA, real gross domestic product (GDP) increased in 37 states and the District of Columbia in the third quarter of 2021, as real GDP for the nation increased at an annual rate of 2.3 percent. The percent change in real GDP in the third quarter ranged from 6 percent in Hawaii to -3.3 percent in New Hampshire.

Connecticut's GDP growth rate of 2.7 percent ranked 15th in the nation, coming in above national growth and the New England regional average of 2.6 percent. Connecticut industries experiencing the largest gains on a percentage basis were finance and insurance (+1.29%), professional, scientific, and technical services (+0.75%), and nondurable goods manufacturing (+0.51%). Connecticut's annualized GDP came in at \$299.8 billion for the third quarter.

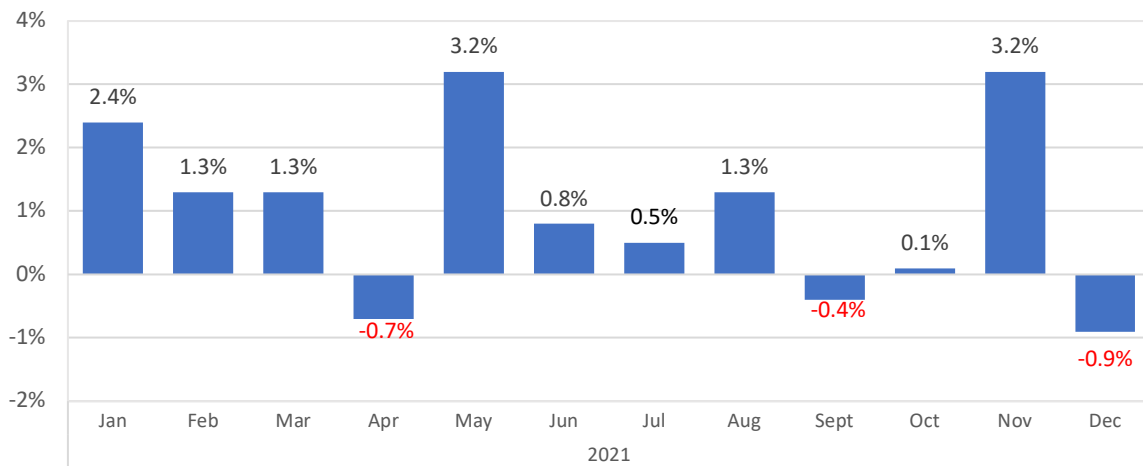


U.S. Bureau of Economic Analysis

Durable Goods

According to the U.S. Department of Commerce, new orders for manufactured durable goods decreased \$2.4 billion or 0.9 percent in December to \$267.6 billion. The decrease follows a 3.2 percent increase in November. Despite December's decrease, year over year durable goods new orders has increased 20.9 percent indicating strong demand.

Durable Goods New Orders
Month-to-Month Percent Change



Source: U.S. Census Bureau

December's decrease was driven by transportation equipment, down 3.9 percent or \$80.1 billion. The largest category in transportation that led the decrease was non-defense aircraft and parts. The largest increases for new orders included primary metals (+2.0%) and fabricated metal products (+1.5%). Orders for core capital goods, considered a proxy for business spending, remained flat, 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. Shipments rose 0.8 percent in December while unfilled orders also rose 0.5 percent—which has increased for eleven consecutive months.

***** END *****