



NATALIE BRASWELL
Connecticut State Comptroller

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**COMPTROLLER BRASWELL PROJECTS \$956.4 MILLION SURPLUS
IN FIRST ESTIMATE SINCE UPDATED BUDGET PASSAGE**

Comptroller Natalie Braswell today, in her monthly financial and economic update, projected a General Fund surplus of \$956.4 million for Fiscal Year 2022, the first since adjustments to the biennial state budget were passed into law last month.

Braswell noted that the legislation, which was signed into law by Governor Ned Lamont, reduces reliance on federal funds, carries certain funds over into the next fiscal year and funds certain tax relief measures including the new Child Tax Credit.

Connecticut's economic outlook continues to trend positive, said Braswell. The state added an estimated 1,600 jobs in April and has now recovered 82.1% of jobs lost at the onset of the pandemic. While some month-to-month volatility remains, every sector has added jobs in the last year.

"Competition for labor remains intense, creating new opportunities for workers and driving up wages," said Braswell. "Nationally, there are about two job openings for each unemployed worker. However, persistent inflation is keeping prices high and preventing those workers from feeling the full benefits of the strong job market."

Housing and rental prices also remain high, a concern of Braswell's in recent months. Low inventory of single-family homes has pushed prices up and rental costs have followed.

In a letter to Governor Lamont, Braswell noted that several revenue categories continue to perform well including income tax withholdings which are up 9.6% from the same period in Fiscal Year 2021. Another large deposit into the state's Budget Reserve Fund ("Rainy Day Fund") is also anticipated. The fund has already reached its statutory maximum of 15% of General Fund appropriations. If current projections hold, that will leave approximately \$3.6 billion available to pay down pension debt and other liabilities.

“Connecticut’s big picture economic position remains strong,” said Braswell. “Our substantial reserves, and the additional funding to pay down debt, will be a tremendous advantage to our state should the nation suffer another economic downturn. However, there is still a need to help residents overcome high prices and navigate the lingering volatility from the pandemic.”

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.

Economic Summary

The U.S. added 428,000 jobs in April while the unemployment rate remained at 3.6%. A record 4.5 million Americans quit their job amid a record 11.5 million job openings—there are approximately two job openings for every one unemployed person nationally. Due to increased demand for labor, nominal wages continue to rise, however due to high inflation, real earnings have declined. National unemployment claims ticked up from their 53-year low of 166,000 in March but remain historically low. Connecticut added 1,600 jobs in April while the state’s unemployment rate fell to 4.4%. The state has recovered 82.1% of the jobs lost during Covid-19 while the labor force participation rate grew. Inflation grew at a slower rate in April, coming in at an annual rate of 8.3%. The Federal Reserve increased rates for a second time in May by 50 basis points and are expected to continue to raise rates steadily throughout the year in an attempt to quell inflation and avoid triggering a recession. The stock market plummeted in May with the S&P briefly entering a bear market before rebounding. Investors are concerned about a looming recession, inflation and shifting monetary policy. However, consumer spending increased this month, not solely due to inflation as demand for both goods and services remained strong. Households dipped into savings as the personal saving rate declined to the lowest rate since 2008.

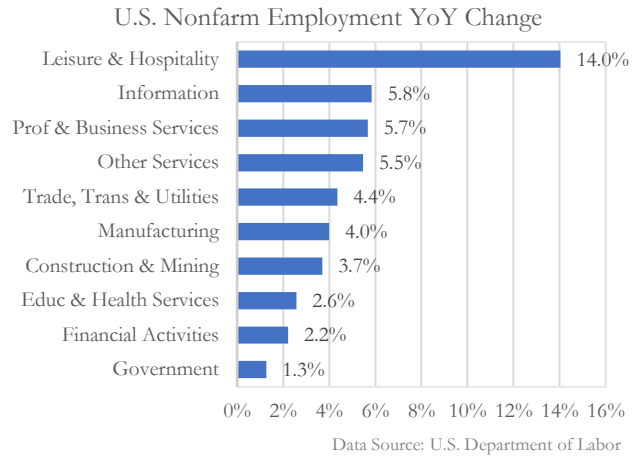
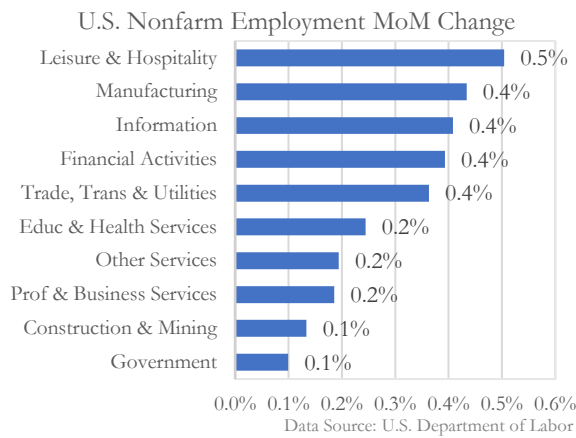
Labor Market Statistical Summary

United States	April 2022	March 2022	April 2021
Unemployment Rate	3.6%	3.6%	6.0%
Total Unemployed	5,941,000	5,952,000	9,719,000
Total Nonfarm Employment	151,314,000	150,886,000	144,694,000
Job Growth	+428,000	+428,000	+263,000
Covid Job Recovery	94.6%	92.6%	64.5%
Job Openings to Unemployed Ratio	-	1.94	0.95
Quit Rate	-	3.0%	2.8%
Average Monthly Initial Unemployment Claims	184,400	178,000	589,000
Labor Force Participation Rate	62.2%	62.4%	61.7%
Average Hourly Wage	\$31.85	\$31.75	\$30.20

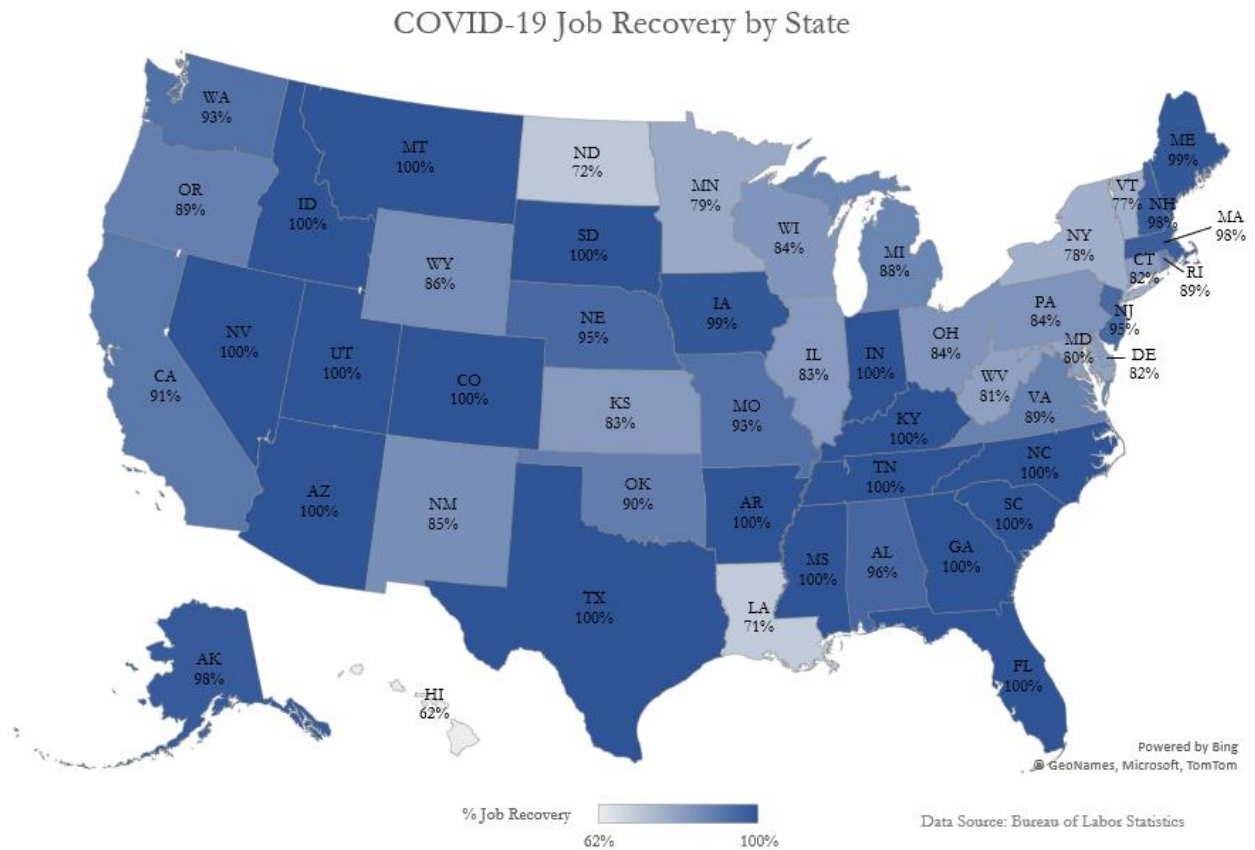
Connecticut	April 2022	March 2022	April 2021
Unemployment Rate	4.4%	4.6%	7.0%
Total Unemployed	83,900	86,100	129,500
Total Nonfarm Employment	1,647,100	1,645,500	1,599,800
Job Growth	+1,600	+3,700	+1,100
Covid Job Recovery	82.1%	81.8%	65.7%
Job Openings to Unemployed Ratio	-	1.28	0.8
Quit Rate	-	2.2%	1.8%
Average Monthly Initial Unemployment Claims	3,090	2,328	6,197
Labor Force Participation Rate	64.2%	64.0%	63.5%
Average Hourly Wage	\$34.34	\$34.15	\$33.70

National Job Growth

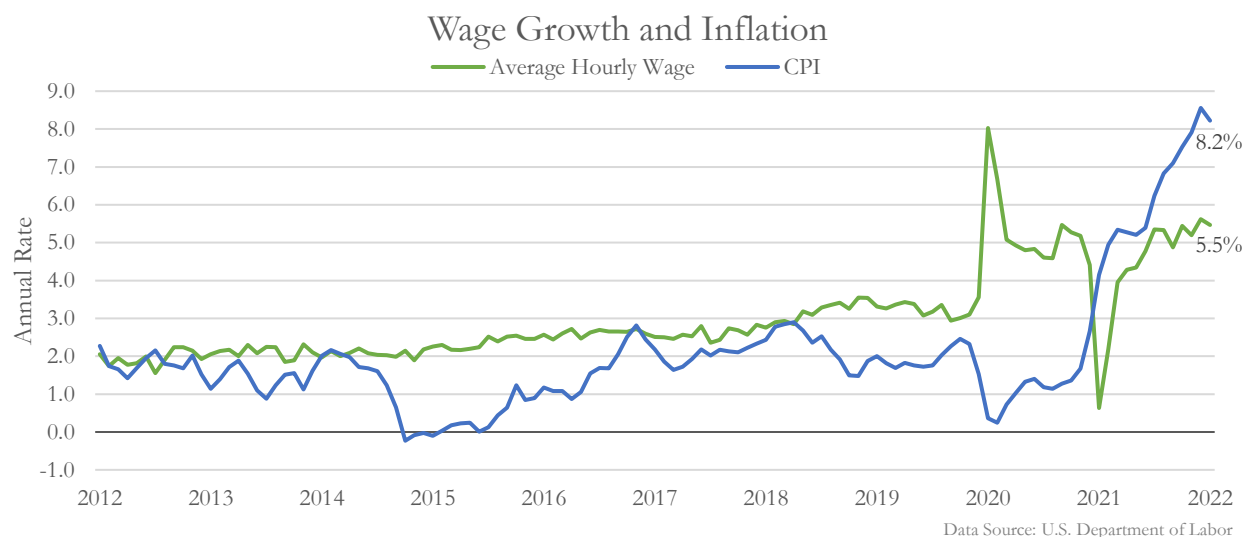
The Bureau of Labor Statistics reported the U.S. added 428,000 jobs in April after adding 428,000 in March and 714,000 in February. This growth marks sixteen straight months of job gains. Total nonfarm payroll was 151,314,000 in April, which is up by 20.8 million since April 2020, but is down by 1.19 million from its pre-pandemic level in February 2020. Job gains occurred in trade, transportation, and utilities (+104,000), leisure and hospitality (+78,000), and education and health services (+59,000). The following graphs display the month over month and year over year net change in nonfarm employment by sector. See Appendix 1 for detailed industry sector data.



Five industry sectors have gained jobs above their pre-pandemic levels: construction, trade transportation and utilities, professional and business services, information, and financial activities. The U.S. has recovered 94.6% of the 21,991,000 jobs lost in March and April 2020 due to the COVID-19 lockdown, and seventeen states have recovered 100% of the jobs lost. The map below depicts the percent of jobs recovered from COVID-19.



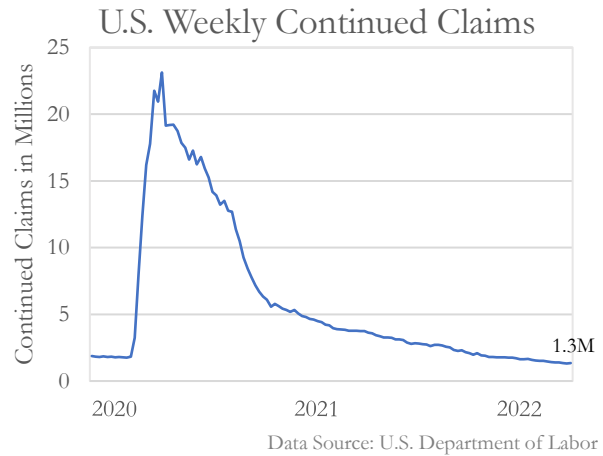
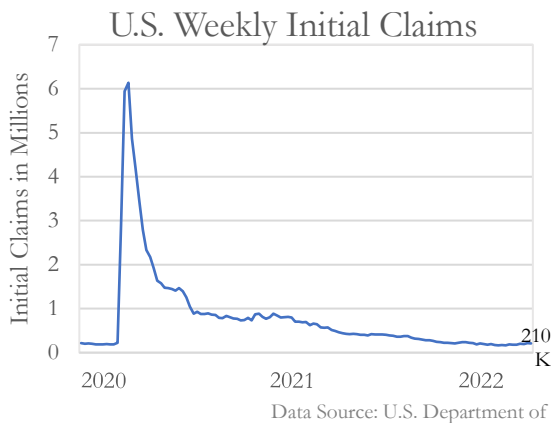
The labor market remains tight with high demand for labor amid low unemployment and increased wages. A record 4.5 million Americans quit their jobs in March while there were a record 11.5 million job openings. For every one unemployed person there are almost two job openings. Accommodation and food services and retail trade were subsectors with the highest number of employees quitting. Over the last year, average private hourly nominal wages have risen 5.5% outpaced by the consumer price index at 8.2%. Only the leisure and hospitality sector, most affected by the pandemic and the lowest wage sector, saw wages grow 11% over the year to an average of \$19.75.



National Unemployment

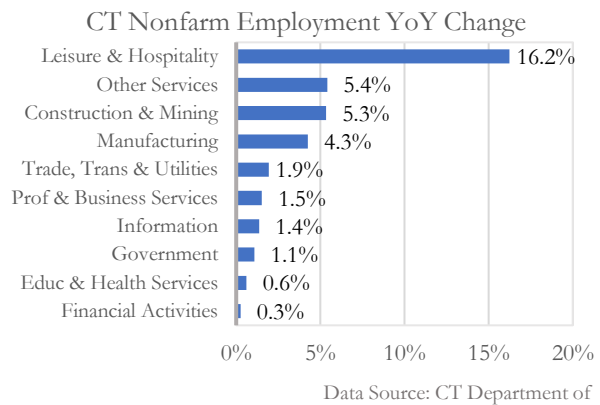
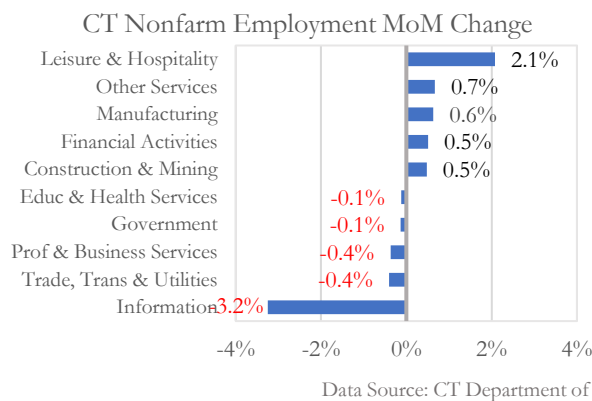
The Bureau of Labor Statistics reported the U.S. unemployment rate was 3.6% in April, remaining unchanged from March. The national unemployment rate is now just 0.1 higher than pre-pandemic levels (3.5%), just two years later. The total number of unemployed people was 5.9 million, edging closer to pre-pandemic levels (5.7 million). The number of long-term unemployed people, those jobless for 27 weeks or more, remained unchanged at 1.5 million, and account for 25.2% of the total unemployed in April.

For the week ending May 21st, seasonally adjusted initial claims totaled 210,000, while average weekly initial claims were 206,750. For the week ending May 14th, seasonally adjusted continued claims totaled 1,346,000, while average weekly continued claims were 1,347,500.



Connecticut Job Growth

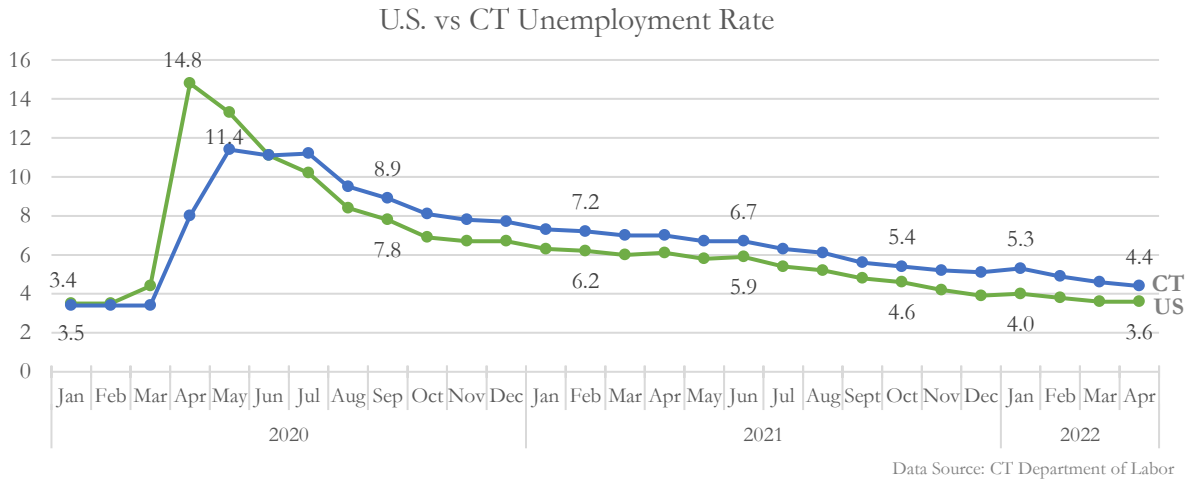
The Connecticut Department of Labor reported the state added 1,600 jobs in April after adding 3,700 in March and 5,400 in February. Total nonfarm payroll was 1,647,100 in April, which is up 237,500 since April 2020, but is down by 51,900, or 3%, from its pre-pandemic level in February 2020. Five industry sectors increased month over month, while five declined. The largest job gains occurred in leisure and hospitality (+3,000), manufacturing (+1,000), and financial activities (+600). The largest job declines occurred in trade, transportation, and utilities (-1,200), information (-1,000), and professional and business services (-800). The following graphs display the month over month and year over year net change in nonfarm employment by sector.



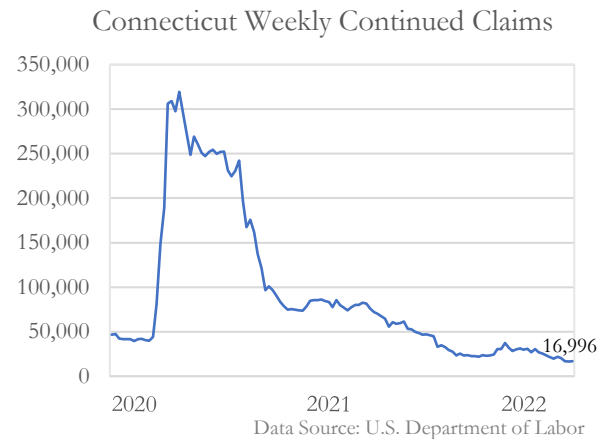
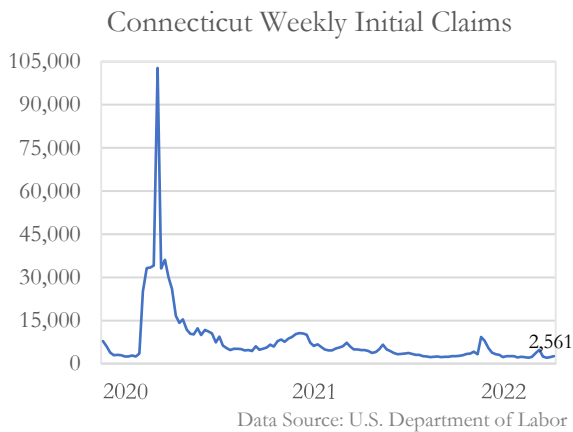
Two industry sectors have gained jobs above their pre-pandemic levels: construction and trade, transportation, and utilities. Connecticut has recovered 82.1% of the 289,400 jobs lost in March and April 2020 due to the COVID-19 lockdown. See Appendix 2 for detailed industry sector data.

Connecticut Unemployment

The Connecticut Department of Labor reported the state unemployment rate was 4.4% in April, down from 4.6% in March. This is still higher than pre-pandemic levels (3.4%) but demonstrates how fast unemployment has recovered compared to previous recessions. The total number of unemployed people was 83,900 in April, edging closer to pre-pandemic levels (71,800).



Unemployment claims for first-time filers were an average of 2,848 per week in April, up by 573 claims from last month's all-time low and down 46.9% (-2,518) from last year. This level of average weekly initial claims is below the February 2020 (2,937) average weekly claims tally and remains historically low.

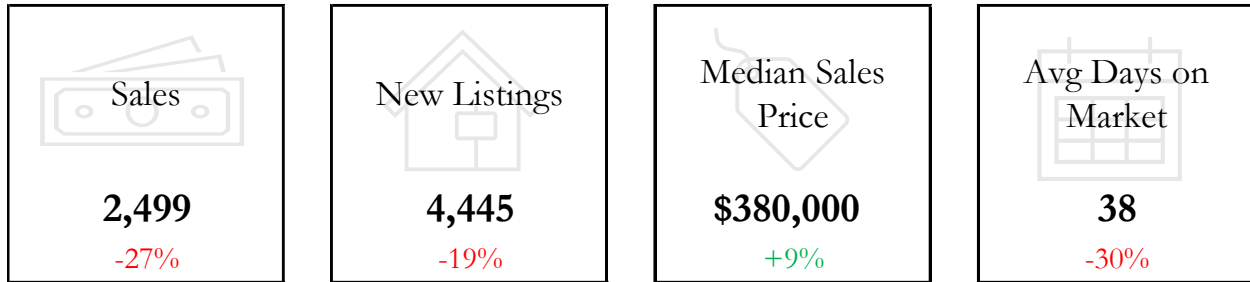


Connecticut Housing & Rental Market

Berkshire Hathaway HomeServices reported year over year sales of single-family homes decreased 27% and new listings were down 19% in April. Median sales price increased by 9% and median list price increased by 7%. Average days on the market decreased to 38 days from 54 a year ago. On average, sales prices came in above list prices, with a list/sell price ratio of 104.1%. Inventory sits at

a 1.5-month supply at the current sales pace, down from last month and last year. See Appendix 3 for detailed Connecticut Housing Market data.

April 2022 Connecticut Housing Market

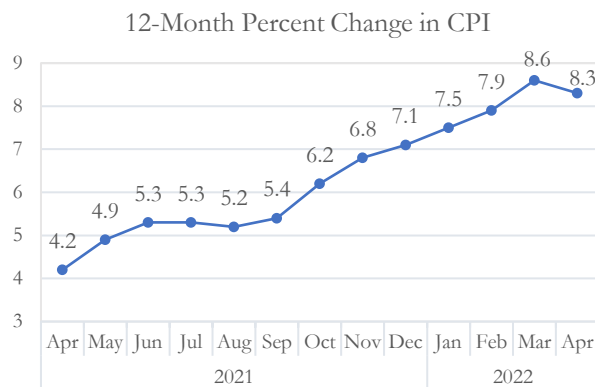


Data Source: Berkshire Hathaway HomeServices

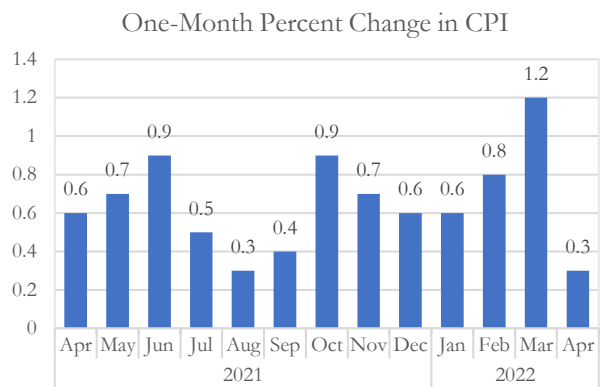
Apartment List reported national average rent was \$1,326 in April, down 0.5% from last month and up 16% from last year. Every state saw rent prices increase year over year. In Connecticut, average rent increased 12% year over year, from \$1,355 to \$1,517. 35% of households in Connecticut rent their homes, and approximately 52% of Connecticut renters are cost burdened, meaning they spend more than 30% of household income on housing costs.

Inflation

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) increased 0.3% in April for an annual rate of 8.3%. This is a deceleration in growth from previous months, but the statistic is now being calculated against elevated levels from 2021, shifting the severity.

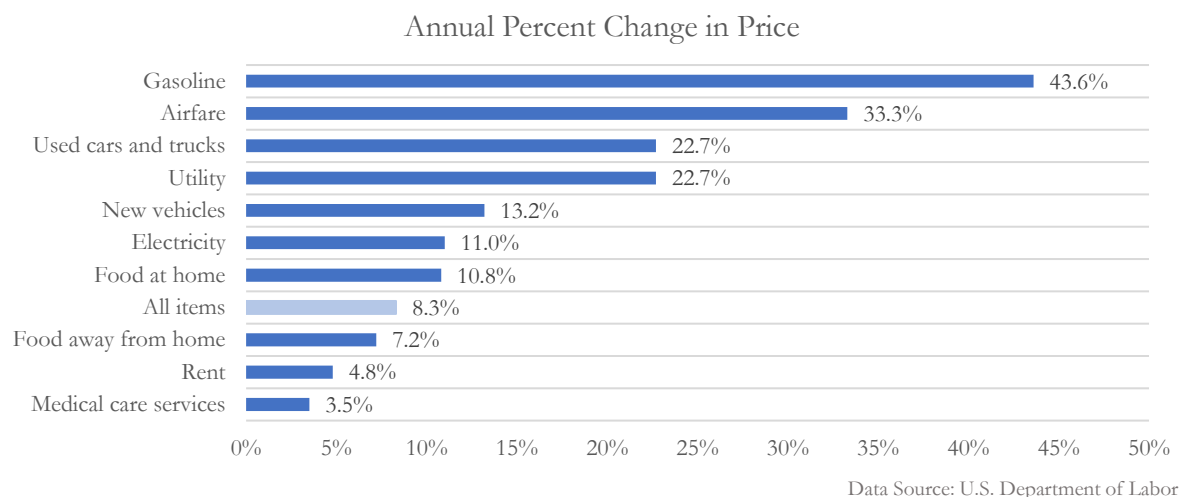


Data Source: U.S. Department of Labor



Data Source: U.S. Department of Labor

Shelter, food, airline fare, and new vehicles were the largest contributors to this month's increase. The energy index declined over the month in April but rose 30.3% over the last year. Core CPI, which excludes food and energy, rose 0.6% in April for an annual rate of 6.2%. This growth indicates underlying inflation remains strong, even if it is peaking.



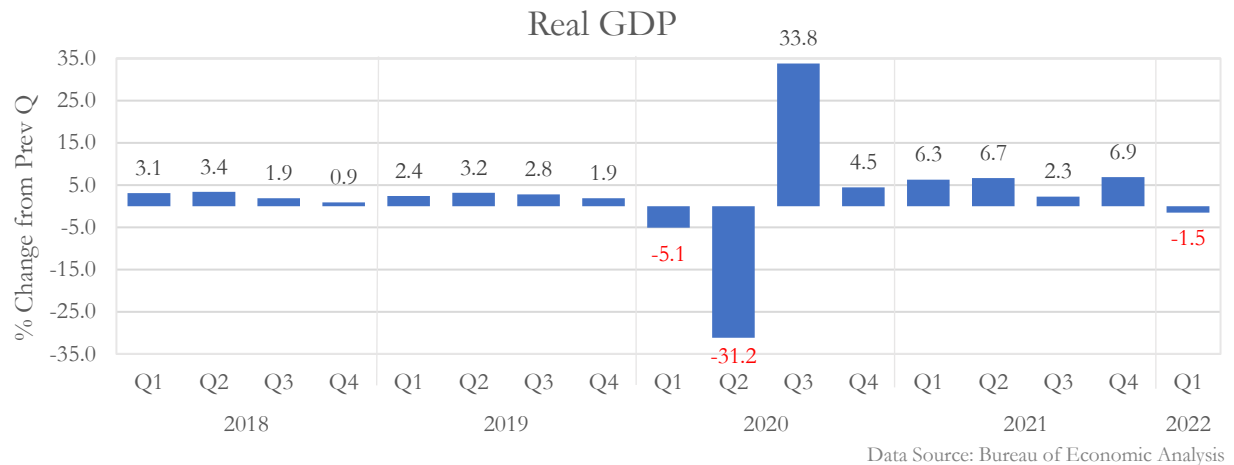
Factors driving inflation include global supply-chain disruptions intensified by lockdowns in China, and the Russian invasion of Ukraine, labor shortages and strong consumer demand. In response, the Federal Reserve increased the Federal Funds Rate twice—0.25% in March and 0.5% in May for a target range between 0.75% and 1%. Federal Open Market Committee (FOMC) members indicated they plan multiple 50 basis rate hikes this year and may shift to restrictive policy in order to tame inflation.

GDP

The Bureau of Economic Analysis reported the second estimate of U.S. real gross domestic product (GDP) decreased at an annual rate of 1.5% in the first quarter of 2022. This follows a 6.9% real GDP increase in the fourth quarter of 2021. Real GDP increased 5.7% in 2021, following a decrease of 3.4% in 2020.

GDP is calculated by adding public consumption, private investment, government spending, and the difference between exports and imports. In the first quarter of 2022, public consumption, or consumer spending, remained strong as spending on services outweighed spending on goods. Private investment decreased mainly due to weakened wholesale and retail trade. Government spending decreased primarily due to a decrease in defense spending and a reduction in government assistance payments as federal programs expired. The U.S. is currently in a trade deficit, importing more than it exports which greatly contributed to the Q1 decrease despite U.S. exports hitting a record high in March.

In the first quarter of 2022, an increase in COVID-19 cases related to the Omicron variant, high inflation, and the Russian invasion of Ukraine likely contributed to decreased activity. However, consumer and business spending remains strong indicating continued high demand.

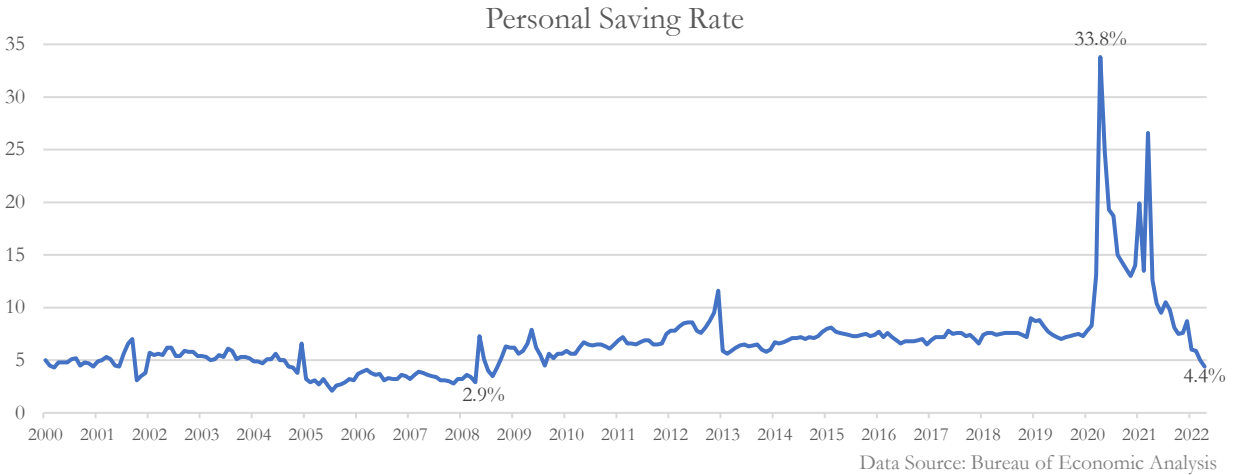


The Bureau of Economic Analysis reported real gross domestic product increased in 47 states and the District of Columbia in the fourth quarter of 2021. The percent change in real GDP in the fourth quarter ranged from 10.1% in Texas to -2.3% in Iowa. Information services increased 20.1% nationally and contributed increases in all 50 states and the District of Columbia.

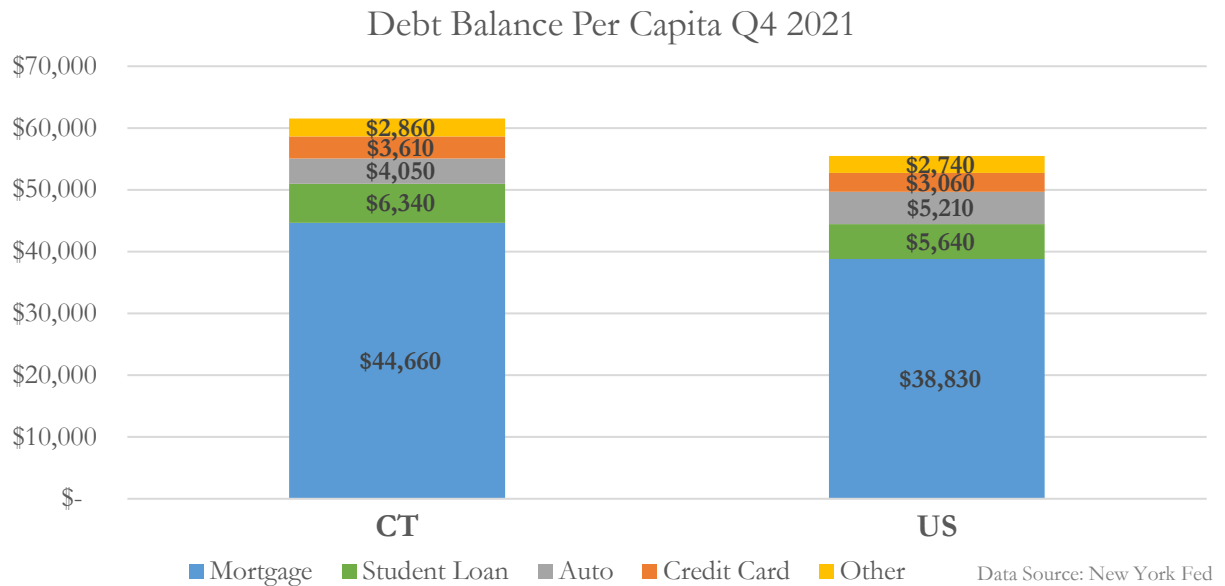
Connecticut’s GDP growth rate of 7.7% ranked 12th in the nation, coming in above national growth and the New England regional average of 7.6%. Connecticut industries experiencing the largest gains on a percentage basis were accommodation and food services (+1.24%), information services (+1.13%), and professional, scientific, and technical services (+0.91%). Connecticut’s annualized GDP came in at \$308.7 billion for the fourth quarter.

Consumer Spending, Saving and Debt

The Bureau of Economic Analysis reported consumer spending increased \$152.3 billion (0.9%) in April. Spending on both goods and services increased with the largest increases being motor vehicles and parts, food services and accommodation, and housing and utilities. Adjusted for inflation, real spending rose 0.7% from last month indicating strong consumer demand despite higher prices. This is in part due to strong job growth and increased wages. Personal income increased \$89.3 billion (0.4%) due to an increase in both private and government compensation and personal dividend income. The personal-saving rate was 4.4% in April, down from 5% in March. This is the lowest rate since 2008 and indicates households may also be dipping into savings to keep up with rising prices.



The Federal Reserve Bank of New York reported total household debt increased by \$266 billion in the first quarter of 2022, a 1.7% rise from the previous quarter. Balances now stand at \$15.84 trillion and are \$1.7 trillion higher than at the end of 2019. Mortgage and auto loans increased while credit card debt decreased. Mortgages now comprise 71% of outstanding household debt balances, boosted by increased prices, even as refinancing slowed in the first quarter. Delinquency rates remain at record lows due to forbearance programs and higher savings throughout the pandemic.



Stock Market and State Revenue

May was a tough month for investors as the stock market continued its decline from April but rebounded slightly by the end of the month. The NASDAQ Composite entered bear market territory in May and the S&P briefly joined then recovered. Many factors are contributing to volatility including shifting monetary policy, the Russian Invasion of Ukraine, and inflation. As of

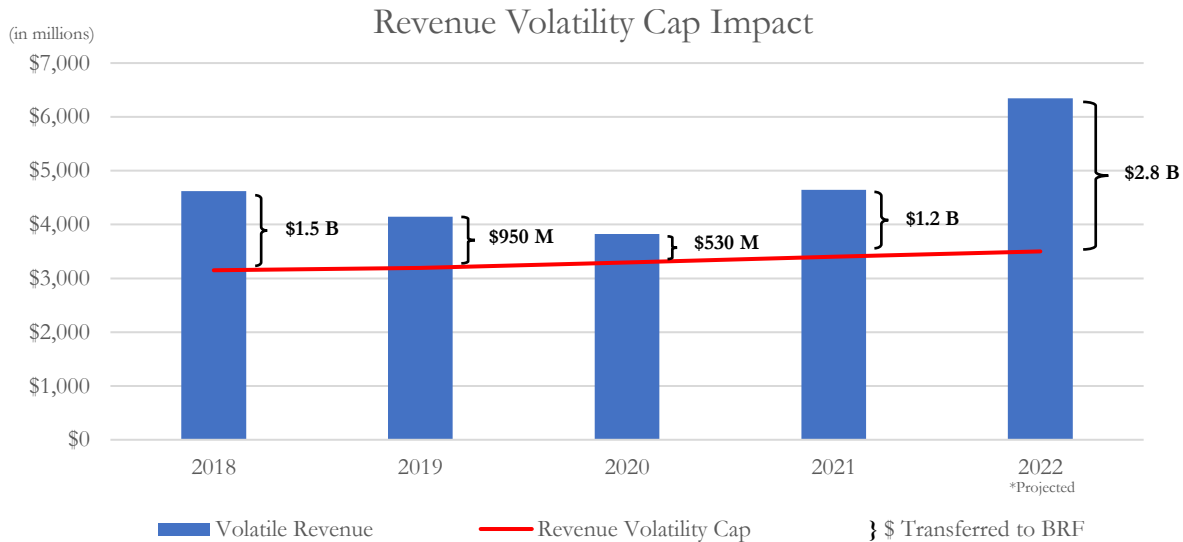
May 31st, over the month, the Dow Jones Industrial Average gained 12.91 points or 0.04%, the S&P 500 gained 0.22 points or 0.01%, and the NASDAQ dropped 253 points or 2.05%. All three indices recouped deeper losses from earlier in the month.

However, over the long-term, the stock market continues to perform well. The last ten years have been characterized by a bull market until the short-lived, yet severe, plunge in March 2020. The S&P 500 dropped over 35% in one month, but thanks to economic stimulus and near-zero interest rates, the S&P 500 rebounded in a matter of months. In FY22 the S&P 500 hit an all-time high in early January but continues to experience increased volatility briefly dropping 20% from this peak but rebounding shortly after. Below is the S&P 500's daily close over the last ten years.



The performance of the stock market and overall economy have a significant impact on the State of Connecticut's revenues. In a typical year, estimated and final income tax payments account for approximately 30% of total state income tax receipts, but can be an extremely volatile revenue source. Both categories of tax receipts grew by a combined 112.9% over year-to-date results in the previous fiscal year. Higher wages and prices, strong job growth, and record corporate profits have contributed to strong tax collections in FY22.

The revenue volatility cap, introduced by former Comptroller Kevin Lembo and passed by the legislature, automatically captures excess revenue in volatile revenue categories and deposits them in the state's Budget Reserve Fund. As a result of that policy, and continued bipartisan support for maintaining it, the state's reserves have reached their statutory cap. Due to increased revenue projections, the projected volatility transfer for FY22 has been revised up from \$1.87 billion to \$2.84 billion. The following graph displays the volatility transfers to the Budget Reserve Fund since the policy's inception in 2018.



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 FY21 \$75.3 million or 1% above its budget target. Compared with prior year realized amounts, FY21 withholding receipts performed even better, growing by \$428.6 million or 6.3% over FY20 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 ten months of FY22, income tax withholding continues to perform well. Third quarter collections were strong, exceeding monthly targets as wages increase, employee bonuses were paid out, and strong job growth continued. The budget plan called for growth in withholding receipts of 1.8% over FY21 realized amounts. To date through April 30th, collections are coming in 9.6% above the same period in FY21.

Consumer Confidence

The Conference Board reported the U.S. consumer confidence index decreased slightly to 106.4 from April's revised reading of 108.6. In the May survey, the Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, decreased from 152.9 to 149.6. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, decreased slightly from 79 to 77.5. Rising interest rates and high prices are a major concern however consumers are less pessimistic about the short-term labor market.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector							
Sector	April	March	April	MoM		YoY	
	2022 (P)	2022 (R)	2021 (R)	Change	Rate	Change	Rate
Government	22,189,000	22,167,000	21,910,000	22,000	0.1%	279,000	1.3%
Construction & Mining	8,241,000	8,230,000	7,947,000	11,000	0.1%	294,000	3.7%
Prof & Business Services	22,131,000	22,090,000	20,943,000	41,000	0.2%	1,188,000	5.7%
Other Services	5,673,000	5,662,000	5,379,000	11,000	0.2%	294,000	5.5%
Educ & Health Services	24,189,000	24,130,000	23,582,000	59,000	0.2%	607,000	2.6%
Trade, Trans & Utilities	28,725,000	28,621,000	27,527,000	104,000	0.4%	1,198,000	4.4%
Financial Activities	8,941,000	8,906,000	8,747,000	35,000	0.4%	194,000	2.2%
Information	2,951,000	2,939,000	2,788,000	12,000	0.4%	163,000	5.8%
Manufacturing	12,729,000	12,674,000	12,240,000	55,000	0.4%	489,000	4.0%
Leisure & Hospitality	15,545,000	15,467,000	13,631,000	78,000	0.5%	1,914,000	14.0%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector							
Sector	April	March	April	MoM		YoY	
	2022 (P)	2022 (R)	2021 (R)	Change	Rate	Change	Rate
Information	29,800	30,800	29,400	-1,000	-3.2%	400	1.4%
Trade, Trans & Utilities	295,100	296,300	289,500	-1,200	-0.4%	5,600	1.9%
Prof & Business Services	215,000	215,800	211,800	-800	-0.4%	3,200	1.5%
Government	224,300	224,600	221,900	-300	-0.1%	2,400	1.1%
Educ & Health Services	334,000	334,400	332,000	-400	-0.1%	2,000	0.6%
Construction & Mining	63,200	62,900	60,000	300	0.5%	3,200	5.3%
Financial Activities	118,500	117,900	118,200	600	0.5%	300	0.3%
Manufacturing	159,300	158,300	152,800	1,000	0.6%	6,500	4.3%
Other Services	60,400	60,000	57,300	400	0.7%	3,100	5.4%
Leisure & Hospitality	147,500	144,500	126,900	3,000	2.1%	20,600	16.2%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary						
	Apr 2022	Apr 2021	% Change	YTD 2022	YTD 2021	% Change
New Listings	4,445	5,503	-19.2%	13,319	16,204	-17.8%
Sold Listings	2,499	3,412	-26.8%	9,668	11,937	-19.0%
Median List Price	\$369,000	\$344,950	7.0%	\$349,000	\$330,000	5.8%
Median Selling Price	\$380,000	\$350,000	8.6%	\$350,000	\$335,000	4.5%
Median Days on the Market	13	22	-40.9%	24	35	-31.4%
Average Listing Price	\$600,188	\$606,022	-1.0%	\$553,832	\$557,912	-0.7%
Average Selling Price	\$616,129	\$602,592	2.3%	\$559,278	\$550,838	1.5%
Average Days on the Market	38	54	-29.6%	46	59	-22.0%
List/Sell Price Ratio	104.1%	101.5%	2.5%	102.1%	100.3%	1.9%

Data Source: Berkshire Hathaway HomeServices

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