NATALIE BRASWELL
Connecticut State Comptroller

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COMPTROLLER BRASWELL PROJECTS $494.2 MILLION SURPLUS AS ROBUST LABOR MARKET, HIGH INFLATION PERSIST

Comptroller Natalie Braswell today, in her monthly financial and economic update, projected a Fiscal Year 2023 General Fund surplus of $494.2 million while noting the continuation of recent economic trends including high costs and a strong market for jobseekers.

"Despite the national and global economic unpredictability that has marked the pandemic recovery, Connecticut's budget has proven resilient," said Braswell. "While it's still early in the fiscal year, we are on pace to record another surplus, building on recent successes in stabilizing state finances and guarding against future downturns in the economy."

The national Gross Domestic Product (GDP) was up this quarter after two quarters of negative growth, a positive sign for America's economy. Consumer confidence was down slightly, however, due to fears of a possible recession and the prolonged effects of inflation.

Connecticut added 4,400 jobs in September and, like the country overall, has more job openings than jobseekers. This is resulting in a strong labor market for workers. The state has now recovered 89.2% of the jobs lost during the COVID-19 lockdown, nearly 92% in the private sector.

Elevated interest rates have compounded issues with housing costs. Low inventory and increased demand have been pushing prices upward for months. With rates climbing, applications for new mortgages are down 40% nationally, reaching the lowest level in 25 years.

Consumer spending has risen, and personal savings rates have declined, as people struggle with high costs due to inflation. Overall, consumer sentiment has been closely aligned with the cost of gasoline, which has been volatile and influenced by several factors including the ongoing war in Ukraine.

In a letter to Gov. Ned Lamont, Braswell noted that Connecticut's income tax withholding receipts have been strong but cautioned that it is still early in the fiscal year. The surplus projection grew by nearly $50 million this month due to increased federal aid and savings from a new retiree health contract negotiated by Braswell's office.

"Much of what happens in the global economy is out of our control here in Connecticut," said Braswell. "It's our responsibility to be prepared for all possible outcomes. By filling the Rainy Day Fund and addressing long-term costs, the state can spare taxpayers from reliving the era of tax hikes, punishing service cuts and endless budgetary warfare in the Capitol that followed the Great Recession."

Braswell pointed to economic indicators in Connecticut and across the nation:

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 labor market remains strong with plenty of job openings both nationally and in Connecticut. The U.S. added 263,000 jobs while the unemployment rate fell to 3.5% in September. Connecticut added 4,400 jobs while the state's unemployment rate fell to 4%. The U.S. has recovered 100% of the jobs lost during the Covid-19 recession and Connecticut has recovered 89.2%. Inflation remains elevated and high prices for necessities such as groceries, gasoline, and rent continue to burden households. The Federal Open Market Committee is meeting in November and is expected to increase interest rates again in order to reduce consumer demand and bring down inflation. The stock market rallied in October amid strong earnings reports. Following two consecutive quarters of decline, third quarter GDP increased by 2.6% driven by an improvement in the trade deficit as consumer spending shifted toward services away from goods, and an increase in government spending. Consumer confidence declined in October indicating consumers are pessimistic about current conditions are concerned about a looming recession.

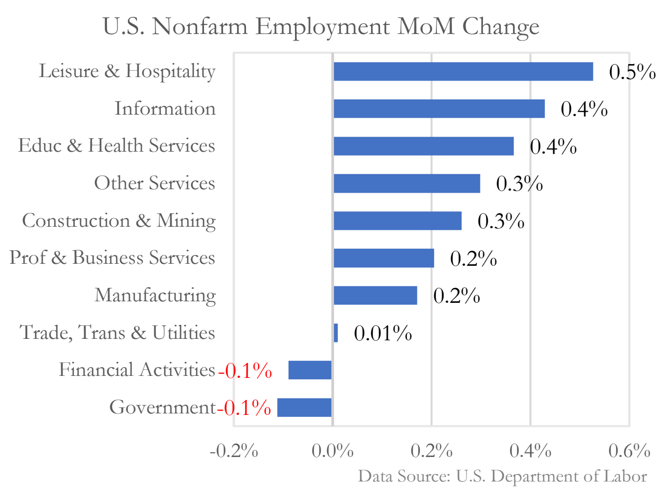
Labor Market Statistical Summary

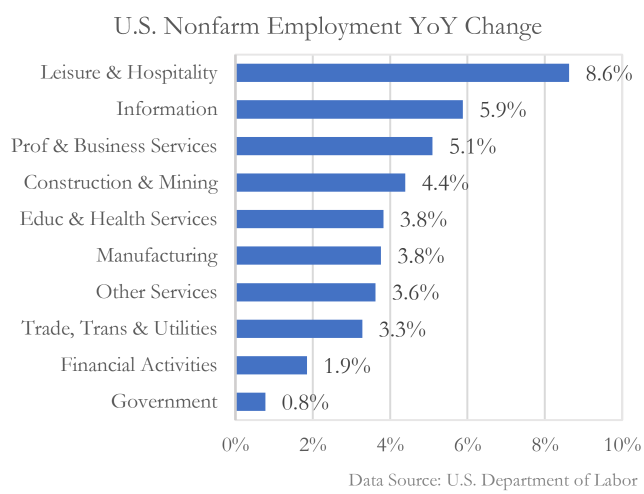
United States	September 2022	August 2022	September 2021
Unemployment Rate	3.5%	3.7%	4.7%
Total Unemployed	5,753,000	6,014,000	7,666,000
Total Nonfarm Employment	153,018,000	152,755,000	147,328,000
Job Growth	+263,000	+315,000	+424,000
Covid Job Recovery	100.0%	100.0%	76.5%
Job Openings to Unemployed Ratio	-	1.67	1.39
Quit Rate	-	2.7%	2.9%
Average Monthly Initial Unemployment Claims	206,250	240,500	370,000
Labor Force Participation Rate	62.3%	62.4%	61.7%
Average Hourly Wage	$32.46	$32.36	$30.92

Connecticut	September 2022	August 2022	September 2021
Unemployment Rate	4.0%	4.1%	5.6%
Total Unemployed	77,000	77,700	104,600
Total Nonfarm Employment	1,667,800	1,663,400	1,622,900
Job Growth	+4,400	+2,400	-1,800
Covid Job Recovery	89.2%	87.7%	73.7%
Job Openings to Unemployed Ratio	-	1.47	0.9
Quit Rate	-	2.1%	2.5%
Average Monthly Initial Unemployment Claims	4,553	6,103	2,602
Labor Force Participation Rate	64.6%	64.7%	63.5%
Average Hourly Wage	$35.20	$34.62	$33.86

National Job Growth

The Bureau of Labor Statistics reported the U.S. added 263,000 jobs in September after adding 315,000 in August and 537,000 in July. This growth marks twenty-one straight months of job gains. Month over month, eight sectors saw improvement while two declined. Year over year, all sectors saw improvement. Month over month, the largest job gains occurred in education and health services (+90,000), leisure and hospitality (+83,000), and professional and business services (+46,000). Financial activities lost 8,000 jobs and the government sector lost 25,000 jobs particularly in local government education. 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.





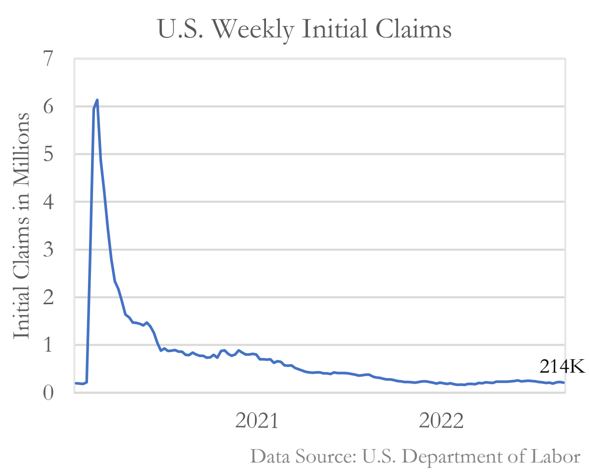
Seven industry sectors have gained jobs above their pre-pandemic levels: construction, trade transportation and utilities, professional and business services, information, financial activities, manufacturing, and education and health services. The U.S. has recovered 100% of the 21,991,000 jobs lost in March and April 2020 due to the COVID-19 lockdown, and 25 states have recovered 100% of the jobs lost.

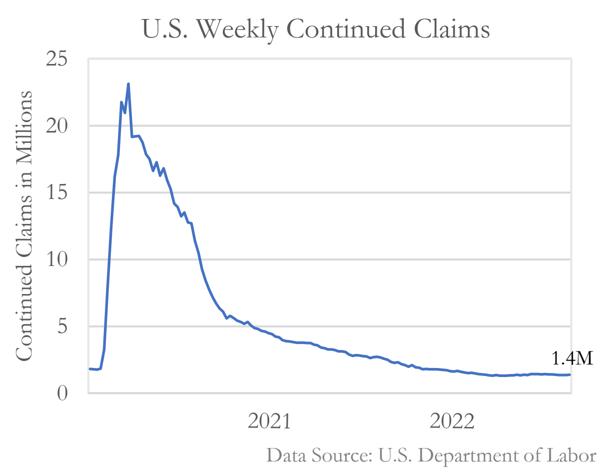
There were 10 million job openings in August and the quit rate remained at 2.7%. Nationally there are 1.47 jobs for every unemployed person with the greatest number of job openings in health care and social assistance, accommodation and food services, state and local government, and retail trade. Demand for labor remains high alongside strong wage growth which is encouraging for employees.

National Unemployment

The Bureau of Labor Statistics reported the U.S. unemployment rate was 3.5% in September, down by 0.2 percentage points from August's level (3.7%). The total number of unemployed people in September was 5.75 million, a decrease of 261,000 from last month. Due to the abundance of job openings and other factors, the duration of unemployment has decreased since the height of the pandemic. The number of long-term unemployed people, those jobless for 27 weeks or more, decreased by 70,000 to 1 million, and account for only 18.5% of the total unemployed in September.

For the week ending October 15, seasonally adjusted initial claims totaled 214,000, while average weekly initial claims were 212,250. This level of jobless claims has increased slowly from the lows in March and is expected to rise as the economy cools down. For the week ending October 8, seasonally adjusted continued claims totaled 1,385,000, while average weekly continued claims were 1,365,000.



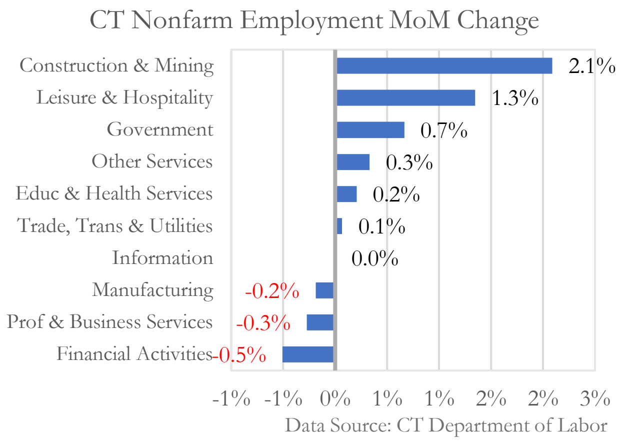


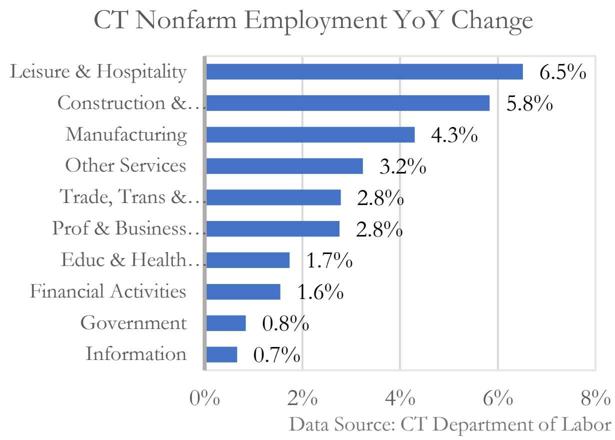
Connecticut Job Growth

The Connecticut Department of Labor reported the state added 4,400 jobs in September after adding 2,400 in August and 8,700 in July. This marks nine straight months of job gains. Job growth averaged more than 3,500 per month in 2022, which is faster than any pre-pandemic year.

Total nonfarm payroll was 1,667,800, which is up 258,200 since April 2020 but is down by 31,200 from its pre-pandemic level in February 2020. Six industry sectors increased month over month, while three declined and information remained unchanged. The largest job gains occurred in leisure and hospitality (+2,000), government (+1,500), and construction and mining (+1,300). Job declines occurred in financial activities (-600), professional and business services (-600), and manufacturing (-

300). The following graphs display the month over month and year over year net change in nonfarm employment by sector.



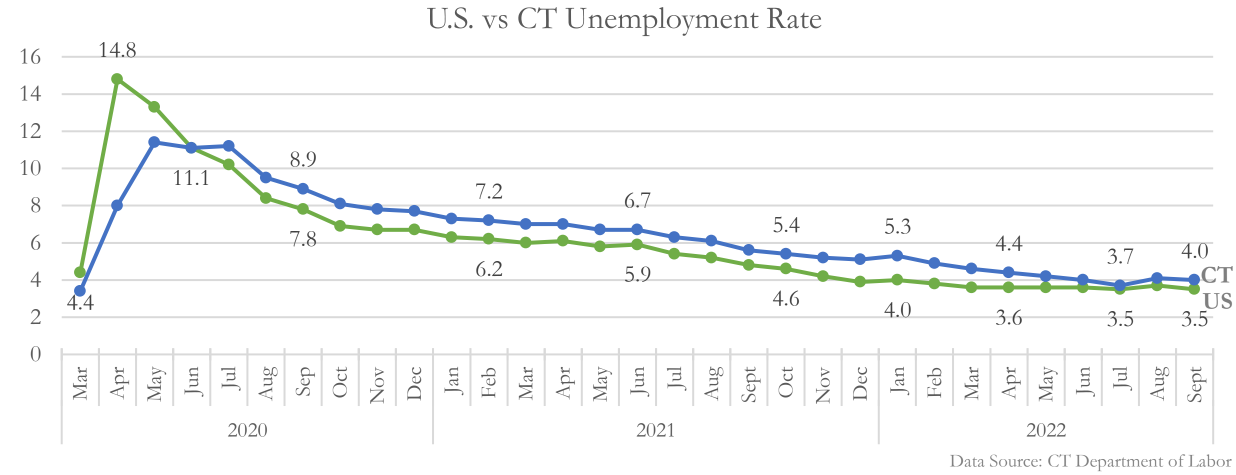


Overall, Connecticut has recovered 89.2% of the 289,400 nonfarm jobs lost in March and April 2020 due to the COVID-19 lockdown. The private sector has recovered 91.9% of jobs lost while the public sector has only recovered 59.3%. Three industry sectors have gained jobs above their pre-pandemic levels: construction, professional and business services, and trade, transportation, and utilities. See Appendix 2 for detailed industry sector data.

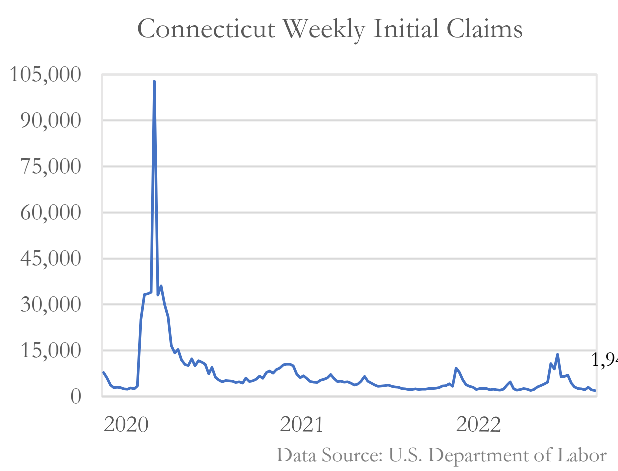
In Connecticut, there were 114,000 job openings in August and 77,700 people actively looking for work. If every unemployed person got a job, there would still be 36,300 open jobs. This trend is not unique to Connecticut but represents the strong national demand for labor, especially low-wage service sector and healthcare jobs.

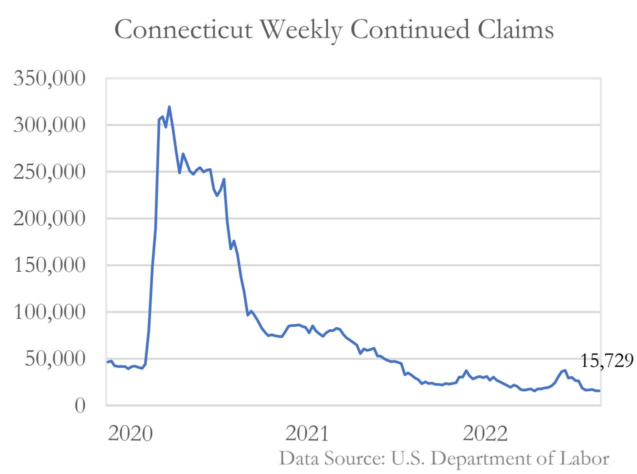
Connecticut Unemployment

The Connecticut Department of Labor reported the state unemployment rate was 4% in September, down from 4.1% in August. The total number of unemployed people was 77,000 in September, a decrease of 700 from last month. Connecticut's unemployment rate ranks 38 in the nation and is just 2 percentage points higher than Minnesota's (#1 rank) 2% unemployment rate and is 0.5 percentage points lower than Illinois's 4.5% (#50 rank).



Unemployment claims for first-time filers were an average of 4,170 per week in September, down by 1,745 claims from last month. This level of average weekly initial claims has reached pre-pandemic levels but is expected to rise as the econonmy cools down.





National Housing Market

The National Association of Realtors (NAR) reported existing-home sales decreased for the eighth month in a row, down 1.5% from August and 23.8% from last year. The median existing-home sales price was $384,800 in September, down by $4,700 from last month, but up 8.4% from last year. First-time buyers were responsible for 29% of sales, remaining flat from last month and year. For the second month in a row, housing inventory decreased to 1.25 million, well below necessary levels. 70% of homes sold were on the market for less than a month with an average of 19 days.

According to NAR, housing affordability improved slightly in August compared to last month but is down significantly from a year ago. Year over year, monthly mortgage payments increased 43.7% from $1,224 to $1,759 while median family income rose by 3.1%. The effective 30-year fixed mortgage rate was 5.29% in August compared to 2.89% one year ago, and the median existing-home sales price rose 7.6% from one year ago. Due to rising mortgage rates, mortgage applications are down 40% from a year ago according to the Mortgage Bankers Association (MBA) and are at the lowest levels since the late 1990s.

Connecticut Housing & Rental Market

Berkshire Hathaway HomeServices reported year over year sales of single-family homes decreased 22% and new listings were down 22% in September. Median sales price increased by 9% and median list price increased by 10%. Average days on the market decreased to 33 days from 38 a year ago. On average, sales prices came in above list prices, with a list/sell price ratio of 101.3%. Inventory sits at a 1.8-month supply at the current sales pace, up slightly from last month but down from last year. See Appendix 3 for detailed Connecticut Housing Market data.

September 2022 Connecticut Housing Market

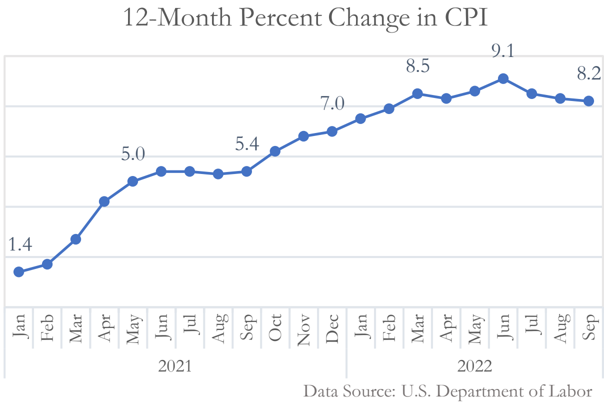
Sales	New Listings	Median Sales Price	Avg Days on Market
3,057	**3,337**	**$382,888**	**33**
-22%	-22%	+9%	-13%

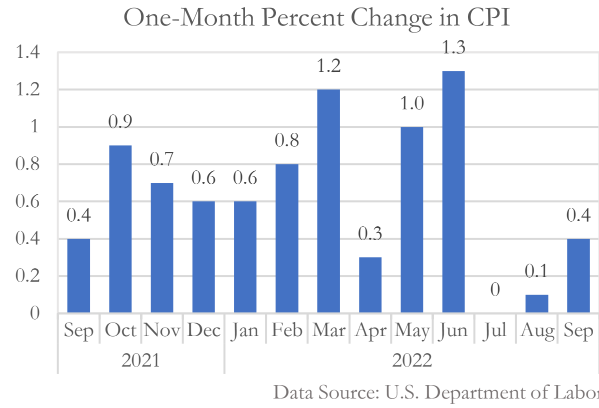
Data Source: Berkshire Hathaway HomeServices

National median rent declined for the first time this year according to Apartment List but is in line with pre-pandemic seasonal trends. National average rent was $1,383 in September, down slightly from last month and up 7.5% from last year. Every state except Hawaii, saw rent prices increase year over year. Rents are growing more slowly than last year, but much greater than before the pandemic. In Connecticut, average rent increased 6% year over year, from $1,515 to $1,608 but dipped slightly from last month. 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

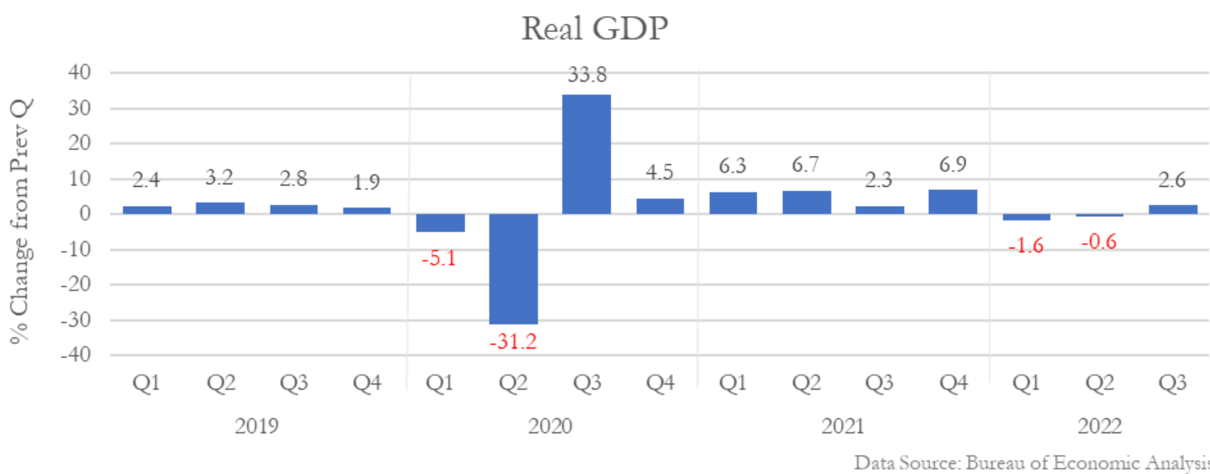
The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.4% in September for an annual rate of 8.2%. Core CPI, which excludes food and energy, rose 0.6% in September for an annual rate of 6.6%. Increases in shelter, food, and medical care were the largest of many contributors to the broad-based monthly all items increase. These increases were mostly offset by a 4.9% decline in the gasoline index. Commodity prices have since risen due to the OPEC (Organization of the Petroleum Exporting Countries) alliance cutting production by two million barrels a day which is the largest cut in production since the beginning of the pandemic. President Biden has announced his administration will release 15 million barrels of oil from the Strategic Petroleum Reserve in December to help bring prices down.





GDP

The Bureau of Economic Analysis reported the preliminary estimate of U.S. real gross domestic product (GDP) increased at an annual rate of 2.6% in the third quarter of 2022. This follows a 0.6% real GDP decrease in the second quarter of 2022.

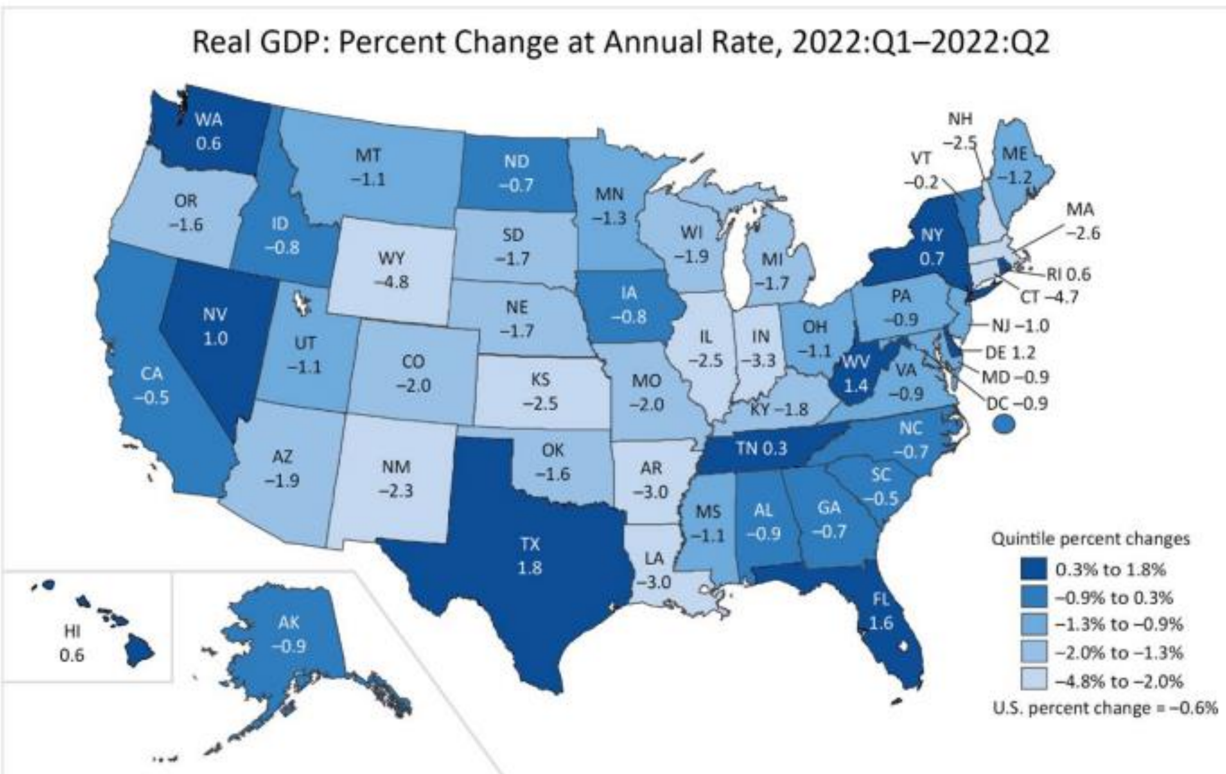


GDP is calculated by adding public consumption, private investment, government spending, and the difference between exports and imports. The preliminary report reflects an increase in exports, a decrease in imports, an increase in consumer spending, nonresidential fixed investment, federal government spending, and state and local government spending, that were offset by decreases in residential fixed investment and private inventory investment.

The increase in exports reflected increases in both goods and services (notably travel and financial services). Public consumption, or consumer spending, increased due to an increase in services for health care and "other" services, partly offset by a decrease in goods, led by motor vehicles as well as food and beverages. The increase in federal government spending was led by defense spending, and the increase in state and local spending was primarily due to compensation increases. Nonresidential fixed investment was also higher, but residential fixed investment decreased. Imports, which are a subtraction in the calculation, decreased primarily due to a reduction in imports of goods (notably consumer goods), partly offset by an increase in imports of services (mainly travel).

State GDP

The Bureau of Economic Analysis reported real gross domestic product decreased in 40 states and the District of Columbia in the second quarter of 2022. The percent change in real GDP in the second quarter ranged from 1.8% in Texas to -4.8% in Wyoming. Construction, nondurable goods manufacturing, and wholesale trade were the leading contributors to the decrease across the nation.

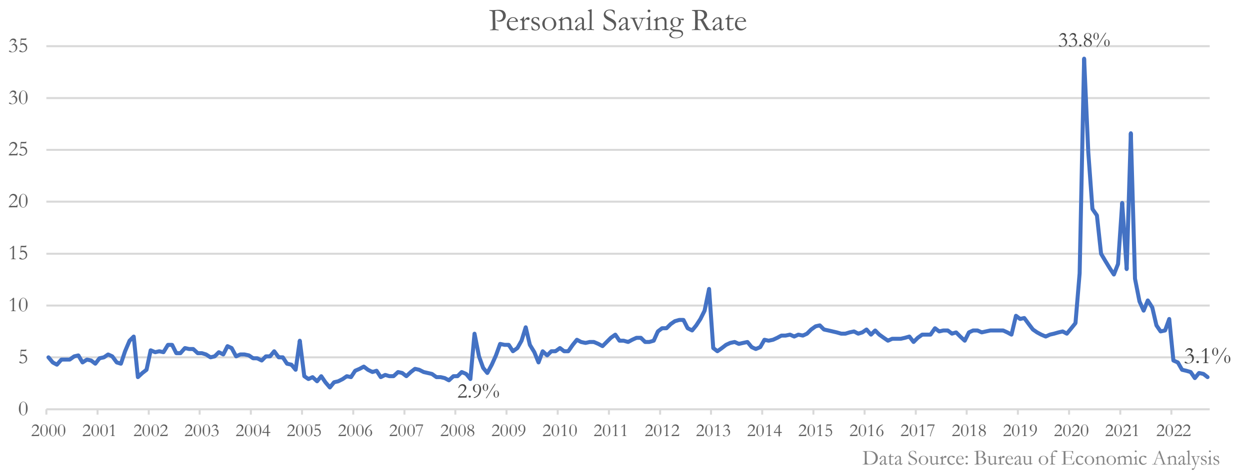


U.S. Bureau of Economic Analysis

Connecticut's second quarter GDP growth rate of -4.7% ranked 49th in the nation, coming in below the New England regional average of -2.8% after increasing 5.5% in the first quarter of 2022. Connecticut industries contributing to the decrease included durable goods manufacturing (-1.66%) and finance and insurance (-1.77%). Connecticut's annualized GDP came in at $317.9 billion for the second quarter. Third quarter state GDP results will be released on December 23, along with revised second quarter results.

Consumer Spending & Saving

The Bureau of Economic Analysis reported consumer spending increased $113.0 billion (0.6%) in September. Spending on services increased by $94.7 billion driven by housing and utilities, "other" services (mainly international travel), and transportation. Spending on goods increased by $18.3 billion, driven by "other" nondurable goods (mainly prescription drugs) and motor vehicles and parts. Personal income increased $78.9 billion (0.4%) primarily due to an increase in private wages and salaries. The personal-saving rate was 3.1% in September, down from 3.4% last month and the lowest level since 2007.



Stock Market and State Revenue

The first half of calendar year 2022 marked a steady decline in the stock market which continued into the third quarter. Negative GDP, high inflation, shifting monetary policy, and geopolitical issues created persistent volatility. Investors were, and continue to be, increasingly pessimistic about the economic future as recession concerns arise. However, the market rallied in October due to strong corporate earnings reports. As of October 31, over the month, the Dow Jones Industrial Average rose 4,007 points or 14%, the S&P 500 rose 286 points or 8%, and the NASDAQ rose 413 points or 4%.

The performance of the stock market and overall economy has a significant impact on Connecticut tax revenue. In a typical year, estimated and final income tax payments account for approximately 25-30% of total state income tax receipts, but can be an extremely volatile revenue source. FY 2022 results showed estimated and final payments were up a combined 37.1% compared with FY 2021.

The withholding portion of the income tax is the largest single General Fund revenue source. In FY 2022, income tax withholding also performed well. The budget plan called for growth in withholding receipts of 1.8% over FY 2021 realized amounts. FY 2022 results show collections came in 8.9% above the same period in FY 2021. It is still very early in the new fiscal year, however, withholding collections are 6.8% above same period in FY2023. Strong job growth and higher wages particularly in lower wage sectors are contributing to healthy collections.

Consumer Confidence

The Conference Board reported the U.S. consumer confidence index decreased in October after two months of increases from 107.8 to 102.5. In the October survey, the Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, declined sharply from 150.2 to 138.9. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, declined from 79.5 to 78.1. This month's confidence level is the lowest since July and indicates consumers are pessimistic about their current situation and the future. Inflation remained one of the largest concerns as food and gas prices continue to be elevated. However, intentions for items such as homes, cars, and big-ticket appliances all rose.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector

Sector	September 2022 (P)	August 2022 (R)	September 2021 (R)	MoM Change	MoM Rate	YoY Change	YoY Rate
Government	22,282,000	22,307,000	22,111,000	-25,000	-0.1%	171,000	0.8%
Financial Activities	8,957,000	8,965,000	8,794,000	-8,000	-0.1%	163,000	1.9%
Trade, Trans & Utilities	28,822,000	28,819,000	27,907,000	3,000	0.0%	915,000	3.3%
Manufacturing	12,880,000	12,858,000	12,413,000	22,000	0.2%	467,000	3.8%
Prof & Business Services	22,473,000	22,427,000	21,383,000	46,000	0.2%	1,090,000	5.1%
Construction & Mining	8,306,700	8,285,100	7,957,200	21,600	0.3%	349,500	4.4%
Other Services	5,719,000	5,702,000	5,519,000	17,000	0.3%	200,000	3.6%
Educ & Health Services	24,645,000	24,555,000	23,737,000	90,000	0.4%	908,000	3.8%
Information	3,043,000	3,030,000	2,874,000	13,000	0.4%	169,000	5.9%
Leisure & Hospitality	15,845,000	15,762,000	14,587,000	83,000	0.5%	1,258,000	8.6%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector

Sector	September 2022 (P)	August 2022 (R)	September 2021 (R)	MoM Change	MoM Rate	YoY Change	YoY Rate
Financial Activities	117,800	118,400	116,000	-600	-0.5%	1,800	1.6%
Prof & Business Services	219,400	220,000	213,500	-600	-0.3%	5,900	2.8%
Manufacturing	160,200	160,500	153,600	-300	-0.2%	6,600	4.3%
Information	30,300	30,300	30,100	0	0.0%	200	0.7%
Trade, Trans & Utilities	298,700	298,500	290,600	200	0.1%	8,100	2.8%
Educ & Health Services	339,900	339,200	334,100	700	0.2%	5,800	1.7%
Other Services	60,500	60,300	58,600	200	0.3%	1,900	3.2%
Government	227,100	225,600	225,200	1,500	0.7%	1,900	0.8%
Leisure & Hospitality	150,400	148,400	141,200	2,000	1.3%	9,200	6.5%
Construction & Mining	63,500	62,200	60,000	1,300	2.1%	3,500	5.8%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary

	Sept 2022	Sept 2021	% Change	YTD 2022	YTD 2021	% Change
New Listings	3,337	4,258	-21.6%	34,498	41,514	-16.9%
Sold Listings	3,057	3,892	-21.5%	27,358	33,166	-17.5%
Median List Price	$379,000	$346,000	9.5%	$369,961	$349,900	5.7%
Median Selling Price	$382,888	$350,000	9.4%	$380,000	$355,000	7.0%
Median Days on the Market	19	23	-17.4%	16	23	-30.4%
Average Listing Price	$567,543	$538,424	5.4%	$584,675	$584,640	0.0%
Average Selling Price	$570,057	$538,902	5.8%	$597,369	$585,595	2.0%
Average Days on the Market	33	38	-13.2%	36	45	-20.0%
List/Sell Price Ratio	101.3%	101.3%	-0.1%	103.0%	101.7%	1.3%

Data Source: Berkshire Hathaway HomeServices

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