NATALIE BRASWELL
Connecticut State Comptroller

FOR IMMEDIATE RELEASE
MONDAY, OCTOBER 3, 2022

Contact: Tyler Van Buren
tyler.vanburen@ct.gov | (860) 702-3325

COMPTROLLER BRASWELL PROJECTS $444.6 MILLION SURPLUS AS NATIONAL ECONOMIC UNCERTAINTY LINGERS

Comptroller Natalie Braswell today, in her monthly financial and economic update, projected a Fiscal Year 2023 General Fund surplus of $444.6 million, noting Connecticut's budget continues to perform well as economic trends cloud future forecasts.

"Though uncertainty and recurrent concerns remain on the national level, Connecticut's financial standing is stable and well prepared for the future," said Braswell. "The labor market remains incredibly strong for jobseekers, and recent efforts to save on long-term costs and grow the Rainy Day Fund will guard against budgetary impacts from factors outside of our control. However, high costs for essentials like food and housing continue, as families wrestle with persistent inflation."

Connecticut added 2,900 jobs in August, the eighth consecutive month of gains. The private sector is nearing a full recovery of the jobs lost during the onset of the pandemic, but only 50.8% of public sector jobs have returned. Overall, the labor market remains tight, with far more job openings than jobseekers.

Despite the strong job market, several negative trends are also persisting. The housing market continues to suffer from low inventory, driving up prices — and squeezing out would-be first-time homebuyers — both nationally and in Connecticut. Rising interest rates are resulting in fewer new mortgages. Rental costs in the state dropped slightly this month, though it is too soon to know if that will continue in future months.

Falling gas prices have provided taxpayers a much-needed reprieve, though inflation persists in other key areas, including food and basic necessities. Gross Domestic Product (GDP) declined for two consecutive quarters, elevating concerns of an impending recession. However, consumer confidence increased this month as did consumer spending and personal income rates.

In a letter to Gov. Ned Lamont, Braswell noted that the effects of a new Medicare Advantage contract for retiree health coverage, which she announced in June, are now appearing in expenditure forecasts. A lapse of $131M is expected in the retiree health account for FY23 because of the contract savings and many new retirees immediately enrolling in Medicare coverage.

In September, Braswell certified a $2.8 billion volatility transfer that has been used to pay down pension debt. The FY22 budget surplus of $1.26 billion will also be available to pay down debt after audited year-end findings are completed in December.

"The long-term planning and fiscal discipline in recent years will help protect Connecticut residents from national — and global — turmoil," said Braswell. "But there is no doubt that families in our state are also struggling right now. As always, policymakers should collaborate to help those who need it most while maintaining the culture of fiscal sustainability that has helped stabilize state finances."

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 U.S. added 315,000 jobs while the unemployment rate rose to 3.7% in August. Connecticut added 2,900 jobs while the state's unemployment rate rose to 4.1%. The U.S. has recovered 100% of the jobs lost during the Covid-19 recession and Connecticut has recovered 88%. Inflation increased slightly in August, adding uncertainty to the economy. While gas prices have come down, prices of food, shelter, and basic necessities continue to rise. The Federal Reserve made its 5th rate increase in September as they aggressively try to tame inflation. The housing market has started to feel the effects as mortgage rates climbed to over 6%. GDP has officially declined for two consecutive quarters increasing fears of recession. All three major stock market indices have entered bear market territory—down at least 20% from their previous peak as the market continues its decline. However, consumer confidence has increased for the second month in a row due to falling gas prices and easing concerns over inflation.

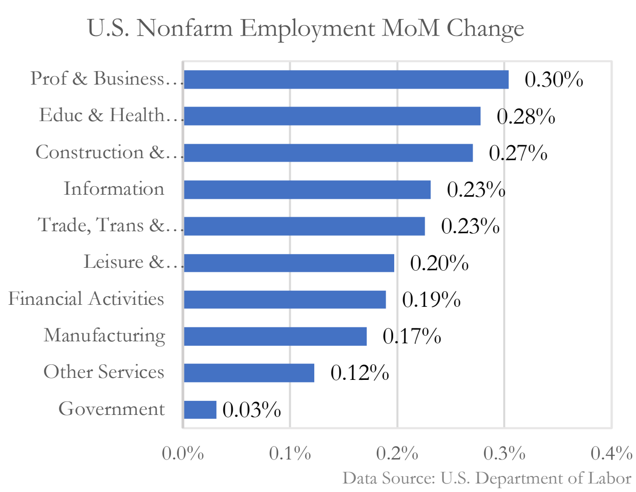
Labor Market Statistical Summary

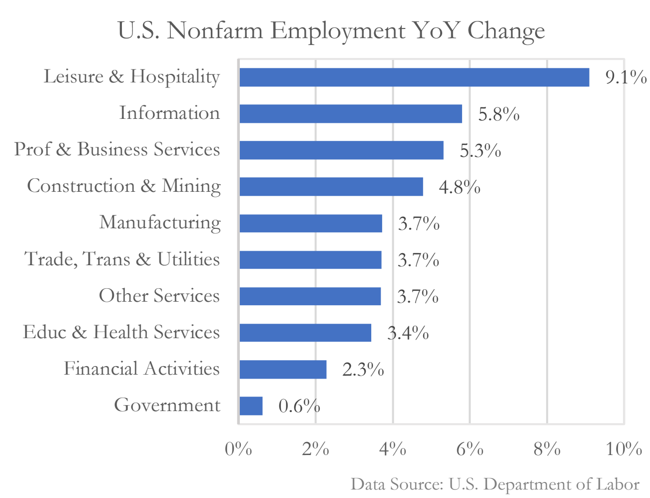
United States	August 2022	July 2022	August 2021
Unemployment Rate	3.7%	3.5%	5.2%
Total Unemployed	6,014,000	5,670,000	8,339,000
Total Nonfarm Employment	152,744,000	152,29,000	146,904,000
Job Growth	+315,000	+526,000	+517,000
Covid Job Recovery	101.1%	99.7%	74.5%
Job Openings to Unemployed Ratio	-	1.98	1.27
Quit Rate	-	2.7%	2.8%
Average Monthly Initial Unemployment Claims	240,500	245,200	399,250
Labor Force Participation Rate	62.4%	62.1%	61.7%
Average Hourly Wage	$32.36	$32.26	$30.76

Connecticut	August 2022	July 2022	August 2021
Unemployment Rate	4.1%	3.7%	6.1%
Total Unemployed	77,800	71,200	112,700
Total Nonfarm Employment	1,663,900	1,661,000	1,624,700
Job Growth	2,900	8,700	-1,900
Covid Job Recovery	87.9%	86.9%	74.3%
Job Openings to Unemployed Ratio	-	1.59	0.94
Quit Rate	-	2.2%	2.2%
Average Monthly Initial Unemployment Claims	6,103	8,436	3,409
Labor Force Participation Rate	64.7%	64.5%	63.6%
Average Hourly Wage	$34.65	$34.59	$33.93

National Job Growth

The Bureau of Labor Statistics reported the U.S. added 315,000 jobs in August after adding 526,000 in July and 293,000 in June. This growth marks twenty straight months of job gains and represents a much faster recovery than previous recessions. Both month over month and year over year, all sectors saw improvement. Month over month, the largest job gains occurred in education and health services (+68,000), professional and business services (+68,000), and trade, transportation, and utilities (+65,000). 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.





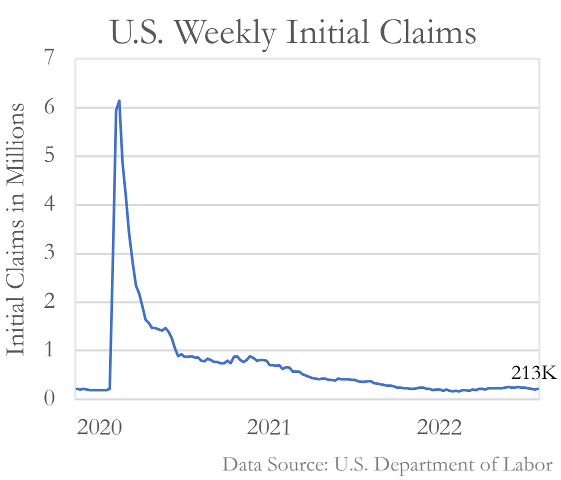
Six industry sectors have gained jobs above their pre-pandemic levels: construction, trade transportation and utilities, professional and business services, information, financial activities, and manufacturing. The U.S. has recovered 100% of the 21,991,000 jobs lost in March and April 2020 due to the COVID-19 lockdown, and 24 states have recovered 100% of the jobs lost.

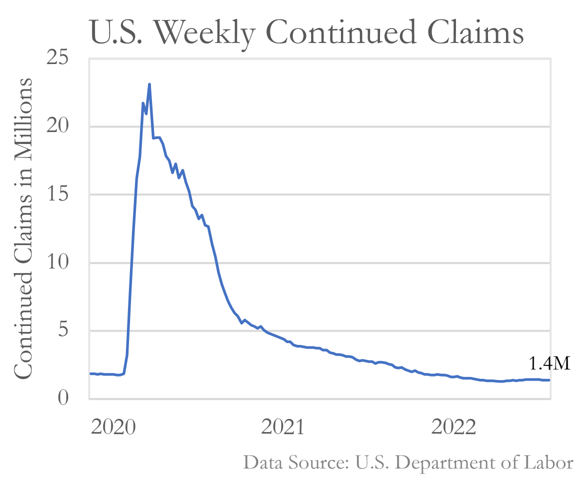
There were 11.2 million job openings in July and the quit rate has dropped to 2.7%. Some economists attribute these shifts to fear of economic downturn driving people to take jobs while they are still plentiful. Nationally there are 1.98 jobs for every unemployed person with the greatest number of job openings in health care and social assistance, accommodation and food services, professional and business services, 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 3.7% in August, up by 0.2 percentage points from July's level (3.5%). Unemployment has fully recovered from the Covid-19 pandemic, but as monetary policy shifts, it is expected to increase by the end of the year. The total number of unemployed people in August was 6 million, an increase of 344,000 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, increased by 70,000 to 1.1 million, and account for only 18.8% of the total unemployed in August.

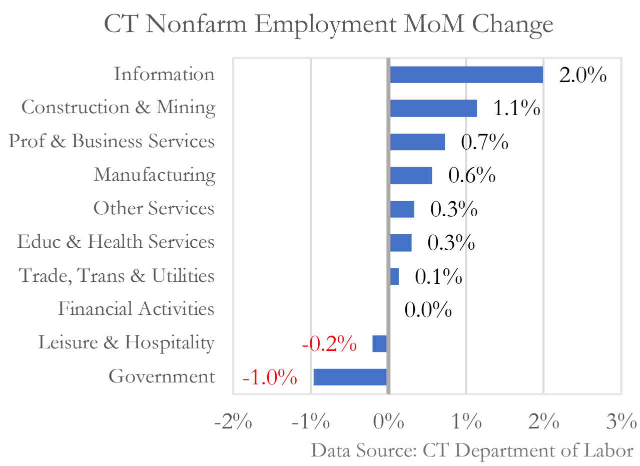
For the week ending September 17, seasonally adjusted initial claims totaled 213,000, while average weekly initial claims were also 213,000. This level of jobless claims has increased slowly from the lows in March and is expected to rise as the economy cools down. For the week ending September 10, seasonally adjusted continued claims totaled 1,379,000, while average weekly continued claims were 1,390,000.

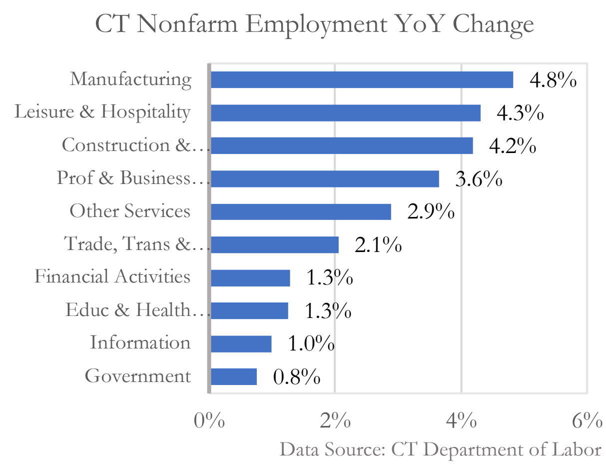




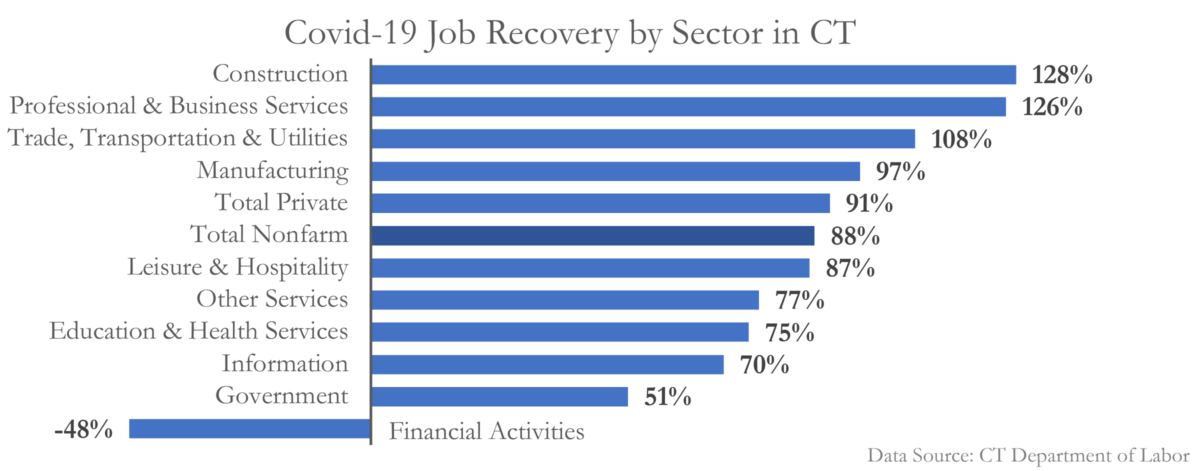
Connecticut Job Growth

The Connecticut Department of Labor reported the state added 2,900 jobs in August after adding 8,700 in July and 3,000 in June. This marks eight straight months of job gains. Total nonfarm payroll was 1,663,900, which is up 254,300 since April 2020 but is down by 35,100 from its pre-pandemic level in February 2020. Seven industry sectors increased month over month, while two declined and financial activities remained unchanged. The largest job gains occurred in professional and business services (+1,600), education and health services (+1,000), and manufacturing (+900). Job declines occurred in government (-2,200) and leisure and hospitality (-300). The following graphs display the month over month and year over year net change in nonfarm employment by sector.





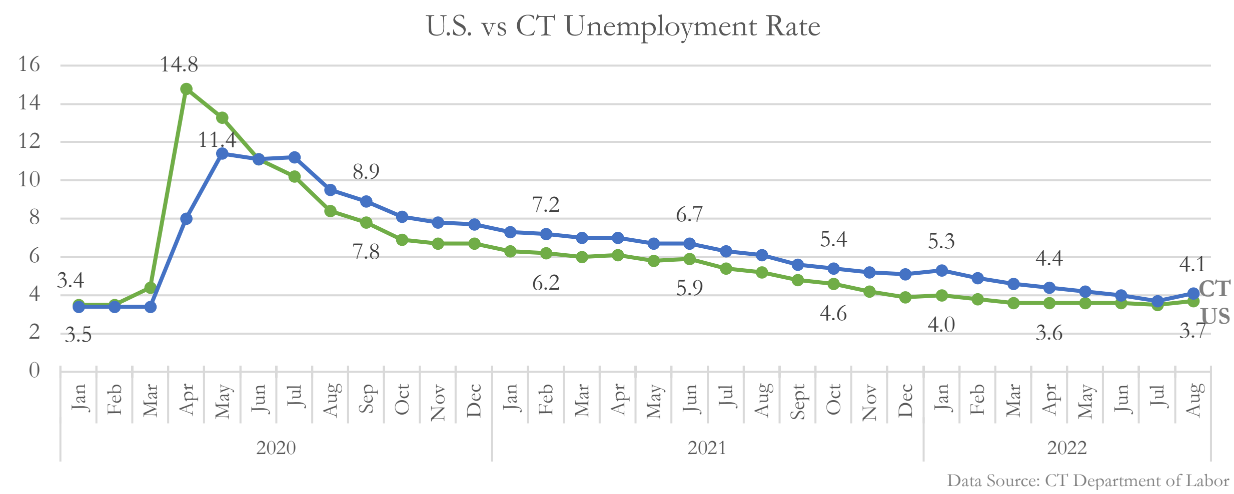
Overall, Connecticut has recovered 87.9% of the 289,400 nonfarm jobs lost in March and April 2020 due to the COVID-19 lockdown. The private sector has recovered 91.2% of jobs lost while the public sector has only recovered 50.8%. Three industry sectors have gained jobs above their pre-pandemic levels: construction, professional and business services, and trade, transportation, and utilities. See Appendix 2 for detailed industry sector data. The following graph displays job recovery by sector in Connecticut.



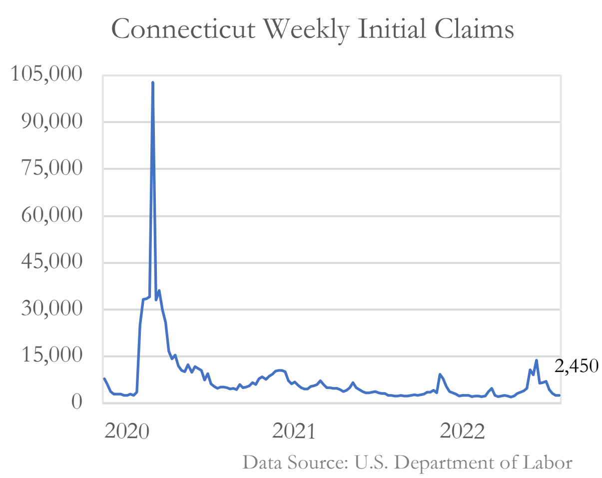
In Connecticut, there were 113,000 job openings in July and 71,200 people actively looking for work. If every unemployed person got a job, there would still be 41,800 open jobs. This trend is not unique to Connecticut but represents the strong national demand for labor, especially low-wage service sector and healthcare jobs. Nationally, industries with the greatest number of job openings include health care and social assistance, accommodation and food services, professional and business services, and retail trade.

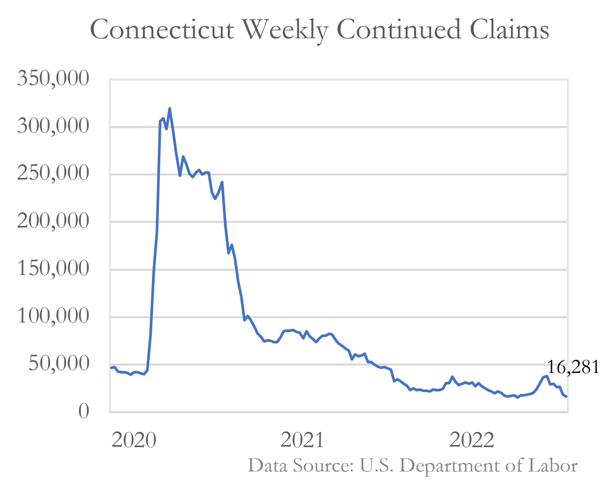
Connecticut Unemployment

The Connecticut Department of Labor reported the state unemployment rate was 4.1% in August, up from 3.7% in July. Connecticut's unemployment rate dropped to a healthy 3.7% in July just two years after the Covid-19 recession and is now starting to increase. This can be attributed to more people entering the labor force (5,700) to search for jobs; most people entering the labor force start off as unemployed. The total number of unemployed people was 77,800 in August, an increase of 6,600 from July. Connecticut's unemployment rate ranks 38 in the nation and is just 2.2 percentage points higher than Minnesota's 1.9% unemployment rate, and is 0.6 percentage points lower than New York's 4.7%



Unemployment claims for first-time filers were an average of 5,915 per week in August, down by 4,209 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.

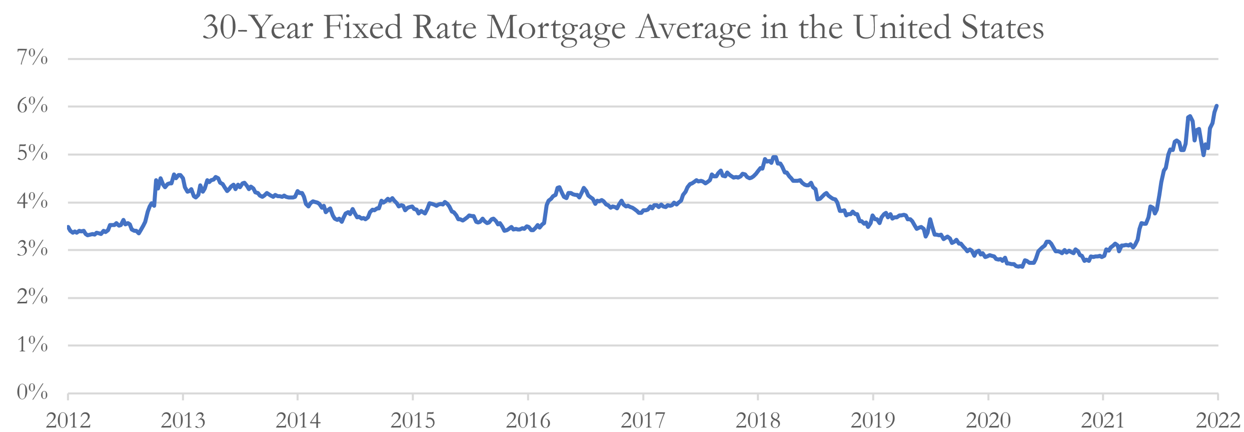




National Housing Market

The National Association of Realtors (NAR) reported existing-home sales decreased for the seventh month in a row, down 0.4% from July and 19.9% from last year. The median existing-home sales price was $389,500 in August, down by $14,300 from last month, but up 7.7% from last year. First-time buyers were responsible for 29% of sales, remaining flat from last month and year. After five months of increases, housing inventory decreased to 1.28 million this month, well below necessary levels. 81% of homes sold were on the market for less than a month with an average of 16 days.

Mortgage rates have climbed to their highest levels since 2008 as the Federal Reserve aggressively raises rates to combat inflation. The average rate on a 30-year fixed mortgage increased by 27 points to 6.52% in the last week of September. In response, mortgage applications and refinance applications have dropped.



Data Source: Freddie Mac

Connecticut Housing & Rental Market

Berkshire Hathaway HomeServices reported year over year sales of single-family homes decreased 16% and new listings were down 22% in August. Median sales price increased by 10% and median list price increased by 11%. Average days on the market decreased to 30 days from 35 a year ago. On average, sales prices came in above list prices, with a list/sell price ratio of 102.5%. Inventory sits at a 1.4-month supply at the current sales pace, down from last month and least year. See Appendix 3 for detailed Connecticut Housing Market data.

August 2022 Connecticut Housing Market

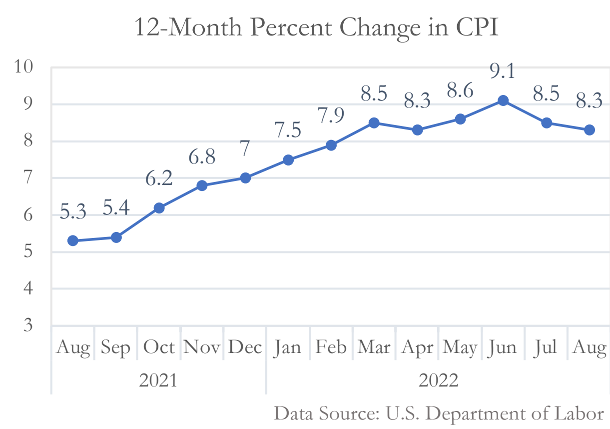
Sales	New Listings	Median Sales Price	Avg Days on Market
3,699	**3,553**	**$405,000**	**30**
-16%	-22%	+10%	-14%

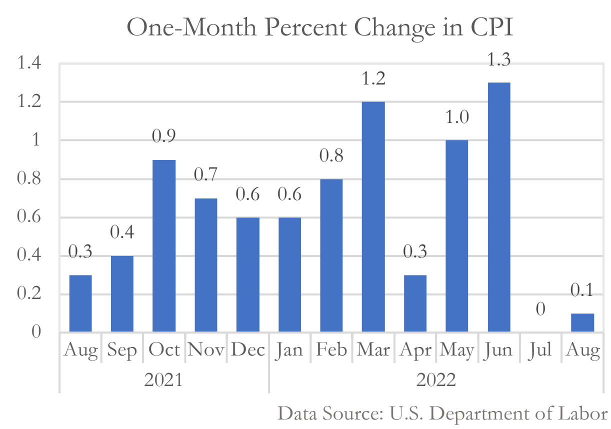
Data Source: Berkshire Hathaway HomeServices

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 0.1% in August for an annual rate of 8.3%. Core CPI, which excludes food and energy, rose 0.6% in August for an annual rate of 6.3%. 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 10.6% decline in the gasoline index. According to the Bureau of Economic Analysis, the Personal Consumption Expenditures (PCE) price index excluding food and energy increased 0.6% from last month and now stands at an annual rate of 4.9%. Inflation is still elevated and continues to burden households across the country and globe.



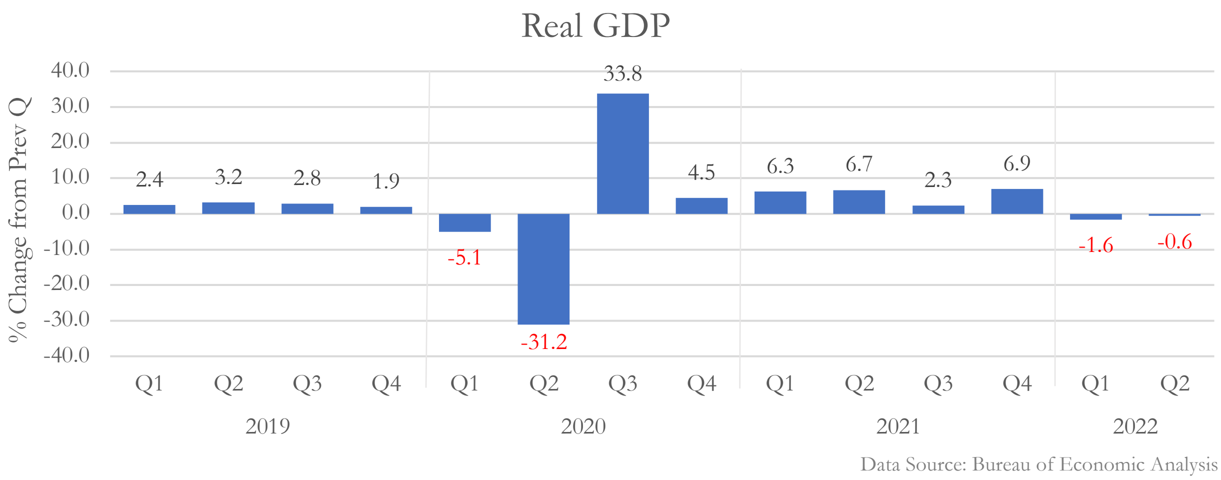


However, several disinflationary factors are at play including global recessions, excess inventory, falling commodity prices, improvements in the supply chain, and company layoffs that may not be captured in PCE and CPI due to their lagging nature. Leading inflation idicators such as money supply growth, input prices, and shipping costs point to faster disinflation ahead.

The Federal Reserve has adjusted monetary policy utilizing interest rate increases to fight inflation. They have raised interest rates 5 times by a total of 3 percentage points to make borrowing money more expensive and hopefully bring inflation down to their 2% long-run target. Due to the unprecedented speed and strength in increasing in rates, some Economists believe that the Federal Reserve has acted too aggressively all but guaranteeing a recession. Whether accurate or not, this month’s inflation reports have caused greater economic uncertainty as the Federal Reserve attempts to tame inflation.

GDP

The Bureau of Economic Analysis reported the third estimate of U.S. real gross domestic product (GDP) decreased at an annual rate of 0.6% in the second quarter of 2022, remaining unchanged from the second estimate. This follows a 1.6% real GDP decrease in the first quarter of 2022.



GDP is calculated by adding public consumption, private investment, government spending, and the difference between exports and imports. Public consumption, or consumer spending, increased due to food services and accommodations and healthcare offset by a decrease in spending on goods led by food and beverages. Private inventory investment decreased due to weakened retail trade mainly in general merchandise stores and car dealerships. Government spending decreased primarily due to a decrease in nondefense spending which reflected the sale of crude oil from the Strategic Petroleum Reserve, which results in a corresponding decrease in consumption expenditures. The U.S. is currently importing more than it is exporting, resulting in the continued trade deficit. The revised estimate included upward revisions to consumer spending, federal government spending, and nonresidential fixed investment which were offset by downward revisions to exports, residential fixed investment, and private inventory investment. Imports, which are a subtraction in the calculation of GDP, were revised down.

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.

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.

Consumer Spending & Saving

The Bureau of Economic Analysis reported consumer spending increased $67.5 billion (0.4%) in August. Spending on goods decreased by $29.4 billion mostly due to a drop in gasoline and energy prices. Spending on services increased by $96.9 billion driven by housing and utilities, transportation, and healthcare. Adjusted for inflation, real spending increased 0.1% from last month. Personal income increased $71.6 billion (0.3%) due to an increase in private wages and salaries. Adjusted for inflation, real personal income increased 0.3% from last month. The personal-saving rate was 3.5% in August, remaining unchanged from last month.

Stock Market and State Revenue

The first half of calendar year 2022 marked a steady decline in the stock market which has continued into the third quarter. Negative GDP, high inflation, shifting monetary policy, and geopolitical issues created persistent volatility. Investors are increasingly pessimistic about the economic future as recession concerns arise. All three major indices (DOW, S&P 500, NASDAQ) have entered bear market territory—down at least 20% from their previous peak. Treasury yields continued to rise as the Federal Reserve and other global central banks increase their fight against inflation.

As of September 30, over the month, the Dow Jones Industrial Average dropped 2,785 points or -8.84%, the S&P 500 dropped 369 points or 9.34%, and the NASDAQ dropped 1,241 points or -10.5%. After the September CPI report, the 1,275-point plunge in the Dow Jones Industrial Average was the sharpest one-day decline in more than two years.

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. Strong job growth, higher wages, and record corporate profits contributed to strong tax collections.

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. On September 21, a volatility transfer of $3 billion was made to the Budget Reserve Fund. Approximately $2.85 billion of that is over the BRF cap so deposits of $903.6 million and $1.9 billion were made to Teacher's Retirement System (TRS) and State Employee's Retirement System (SERS) respectively to reduce unfunded pension liability.

Consumer Confidence

The Conference Board reported the U.S. consumer confidence index increased in September for the second month in a row from 103.6 to 108. In the September survey, the Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, increased from 145.3 to 149.6. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, increased from 75.8 to 80.3. Confidence was supported by job and wage growth along with falling gas prices. Concerns about inflation fell to their lowest level since the start of the year, however fear of recession still remains. Home purchasing intentions dropped due to rising mortgage rates.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector

Sector	August 2022 (P)	July 2022 (R)	August 2021 (R)	MoM Change	MoM Rate	YoY Change	YoY Rate
Government	22,234,000	22,227,000	22,096,000	7,000	0.0%	138,000	0.6%
Other Services	5,705,000	5,698,000	5,502,000	7,000	0.1%	203,000	3.7%
Manufacturing	12,852,000	12,830,000	12,391,000	22,000	0.2%	461,000	3.7%
Financial Activities	8,981,000	8,964,000	8,781,000	17,000	0.2%	200,000	2.3%
Leisure & Hospitality	15,768,000	15,737,000	14,453,000	31,000	0.2%	1,315,000	9.1%
Trade, Trans & Utilities	28,838,000	28,773,000	27,807,000	65,000	0.2%	1,031,000	3.7%
Information	3,032,000	3,025,000	2,866,000	7,000	0.2%	166,000	5.8%
Construction & Mining	8,303,500	8,281,100	7,924,700	22,400	0.3%	378,800	4.8%
Educ & Health Services	24,544,000	24,476,000	23,728,000	68,000	0.3%	816,000	3.4%
Prof & Business Services	22,441,000	22,373,000	21,309,000	68,000	0.3%	1,132,000	5.3%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector

Sector	August 2022 (P)	July 2022 (R)	August 2021 (R)	MoM Change	MoM Rate	YoY Change	YoY Rate
Government	225,100	227,300	223,400	-2,200	-1.0%	1,700	0.8%
Leisure & Hospitality	147,700	148,000	141,600	-300	-0.2%	6,100	4.3%
Financial Activities	118,600	118,600	117,100	0	0.0%	1,500	1.3%
Trade, Trans & Utilities	297,900	297,500	291,900	400	0.1%	6,000	2.1%
Educ & Health Services	339,100	338,100	334,900	1,000	0.3%	4,200	1.3%
Other Services	60,500	60,300	58,800	200	0.3%	1,700	2.9%
Manufacturing	160,600	159,700	153,200	900	0.6%	7,400	4.8%
Prof & Business Services	221,500	219,900	213,700	1,600	0.7%	7,800	3.6%
Construction & Mining	62,200	61,500	59,700	700	1.1%	2,500	4.2%
Information	30,700	30,100	30,400	600	2.0%	300	1.0%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary

	August 2022	August 2021	% Change	YTD 2022	YTD 2021	% Change
New Listings	3,553	4,575	-22.3%	31,144	37,256	-16.4%
Sold Listings	3,699	4,398	-15.9%	24,180	29,273	-17.4%
Median List Price	$399,000	$360,000	10.8%	$369,900	$349,900	5.7%
Median Selling Price	$405,000	$370,000	9.5%	$380,000	$355,585	6.9%
Median Days on the Market	15	20	-25.0%	16	23	-30.4%
Average Listing Price	$619,923	$586,015	5.8%	$587,567	$590,784	-0.5%
Average Selling Price	$633,080	$589,892	7.3%	$601,594	$591,806	1.7%
Average Days on the Market	30	35	-14.3%	36	46	-21.7%
List/Sell Price Ratio	102.5%	102.0%	0.5%	103.3%	101.7%	1.5%

Data Source: Berkshire Hathaway HomeServices

***** END *****