



News from:
COMPTROLLER KEVIN LEMBO

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**COMPTROLLER LEMBO SAYS FISCAL YEAR 2014 ON
PATH TO \$4.4-MILLION SURPLUS; HIGHLIGHTS AREAS
WORTH WATCHING**

Comptroller Kevin Lembo today announced that, while the fiscal year is still young, the state is currently on track for a \$4.4 million surplus on the basis of Generally Accepted Accounting Principles (GAAP).

In a letter to Gov. Dannel P. Malloy, Lembo said he shares concerns identified by the Office of Policy and Management (OPM) regarding several items that could impact the current budget estimates.

Those areas include the historically volatile nature of Medicaid spending and the unknown impact of the Affordable Care Act on Medicaid reimbursements and enrollment in 2014, Lembo said.

OPM is also in the process of collecting agency data to determine what impact the federal shutdown might have on the state economy and budget.

“To this list of concerns, I would add a collection trend that is showing sales tax revenues falling short of projections,” Lembo wrote. “At this point in time, the trend is not sufficiently established to result in a revenue revision. However, I will be closely monitoring this and other revenue sources and will make adjustments to my projections as required.

“The state economy continues to post moderate monthly growth,” Lembo said.

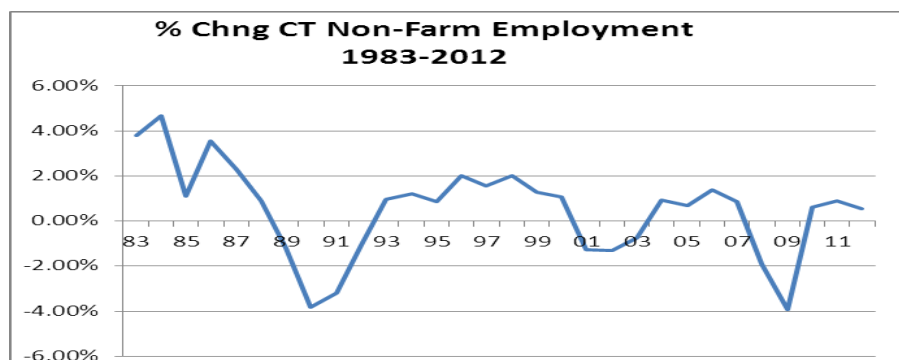
Economic data from federal and state Departments of Labor and other sources show:

Employment

- The state lost 6,000 payroll jobs in August. This is the first monthly employment loss following five consecutive months of gains. Connecticut was one of 17 states that saw a decline in August employment.
- Over the 12-month period ending in August, the state's employment has increased by 15,400 non-farm positions.
- Connecticut's unemployment rate remained unchanged at 8.1 percent. This compares to a national rate of 7.3 percent.



- This recovery, like the past two recoveries, has seen Connecticut's rate of job growth decelerate.



- According to the Connecticut Department of Labor, the state has recovered 51.3 percent or 62,200 of the 121,200 jobs lost during the recession. Private sector job gains have outperformed the public sector gains. The recovery is now in its 42nd month.
- The strongest job sectors have remained fairly consistent throughout the recovery. Over the past 12 months the leisure and hospitality sector and the education and health services sector have each added more than 6,000 jobs. Professional and business services as well as trade, transportation and public utilities have each added 4,000 jobs. The largest losses are in financial activities and manufacturing with the loss of 3,000 jobs in each sector.

Wage and **\$**Salary income

- Personal income in Connecticut grew at a rate of 0.9 percent between the first and second quarters of 2013. This ranked Connecticut 30th nationally in income growth. On an annualized basis, the state's income gain is running well above the 1.3-percent growth that was posted for 2012.
- Looking at the growth in Connecticut personal income since the depression, the trend has been toward slower rates of gain.

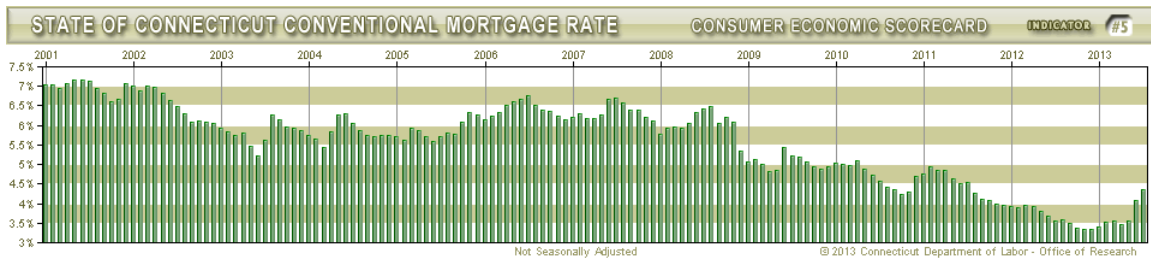


- According to the Department of Labor, average hourly earnings at \$27.71, not seasonally adjusted, were down a slight two cents, or just -0.07 percent from the August 2012 hourly pay estimate. The resulting average private sector weekly pay was estimated at \$931.06, down \$8.99, or -1.0 percent over the year. The year-to-year change in the Consumer Price Index for All Urban Consumers (CPI-U, U.S. City Average) in August 2013 was 1.5 percent.



Housing

- The Census Bureau reported that U.S. new home sales increased 12.6 percent from August of last year. Sales in the Northeast were up 27.6 percent for the same period.
- Results for the larger existing home sales market were as follows based on numbers from to the National Association of Realtors (NAR): Nationally, August sales were up 1.7 percent from the previous month, and sales were up 13.2 percent from last August. Home prices at \$212,100 were up a solid 14.7 percent from one year ago.
- Regionally, existing-home sales in the Northeast were flat in August, but were up 12.7 percent from last August. The median price in the Northeast was \$268,800, up 7.6 percent from a year ago.
- Conventional mortgage rates are showing some upward movement, but remain at historically low levels.



Business Activity and Consumer Spending

- At this writing, the Dow was advancing at a double-digit rate over last year. Most major indices were following a similar trend.



Consumers

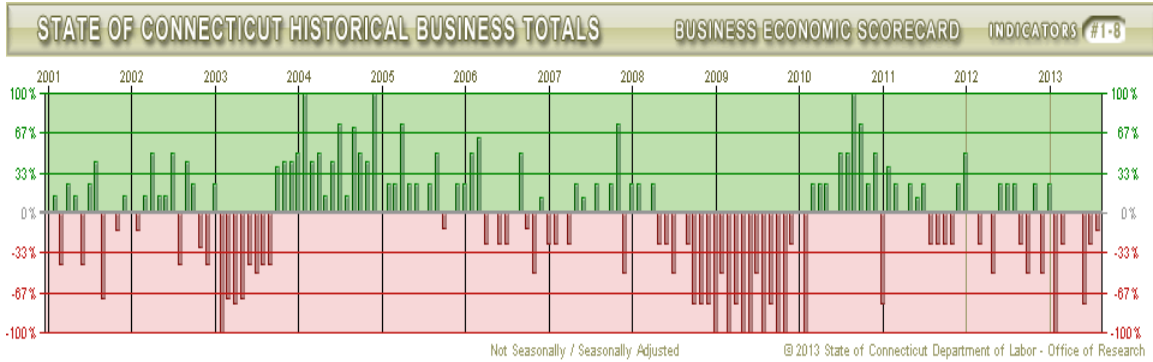
- In August, advance retail sales were up 4.7 percent from the same period last year. Double-digit growth was posted in the motor vehicle sales and non-store retailers. Department store sales were down 5.5 percent.
- The Conference Board reported that after edging up slightly in August, consumer confidence fell in September. Consumers are again concerned about the slow rate of job growth and stagnant or declining wages. The long-term outlook of consumers was better than their short-term.
- Consumer credit increased at an annual rate of 4.5 percent in July. Revolving credit decreased at an annual rate of 2.5 percent, while non-revolving credit increased at an annual rate of 7.5 percent.

Business and Economic Growth

- Based on the current estimates, real GDP increased at a rate of 2.5 percent in the second quarter of 2013. This follows growth of 1.1 percent in the first quarter. According to the Bureau of Economic Analysis, the acceleration in real GDP in the second quarter primarily reflected upturns in non-residential fixed investment and in exports, a smaller decrease in federal government spending, and an upturn in state

and local government spending that were partly offset by an acceleration in imports and decelerations in private inventory investment and in personal consumption expenditures.

- Corporate profits advanced 7.0 percent in 2012 after growth of 7.9 percent in 2011. Corporate profits rebounded in the 2nd quarter after a weak 1st quarter showing. Profits are running 4.5 percent above the second quarter of last year.
- The Labor Department's scorecard of business activity was mixed in 2012 and been down in 2013.



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