News from
COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO PROJECTS $879.4 MILLION DEFICIT, RENEWS CALL FOR FEDERAL ASSISTANCE

Comptroller Kevin Lembo today, in his monthly financial and economic update, projected a deficit of $879.4 million for Fiscal Year 2021, and urged Congress to immediately provide financial assistance to stabilize the state and national economies.

Lembo noted progress being made towards a COVID-19 vaccine as a reason for optimism but cautioned that families need help now to navigate ongoing financial hardships including widespread unemployment and food and housing insecurities.

"We can't take our foot off the gas," said Lembo. "With COVID-19 cases increasing, and the effects of previous federal aid programs weakening, there is an urgent need for more assistance to carry folks through to the other side of this pandemic. We can't let joblessness, lengthy lines at food banks and housing insecurity become the new normal. Congress needs to take action now, before it's too late."

Jobs are slowly returning in Connecticut, including over 14,000 in October. The withholding portion of the state income tax is also performing well, reinforced by high-income earners being largely spared by the job losses ravaging the service and hospitality sectors. Sales of single-families homes continue to be strong with continuing increases in both new listings and sales prices. The stock market has recovered entirely with the three main indices currently exceeding their pre-pandemic standings.

Despite these gains, the underlying data shows a roiling crisis. Growing mortgage debt paired with a low rate of foreclosures during the pandemic shows that forbearances and financial assistance have been effective in delaying a housing crisis. However, without continued intervention, foreclosures and evictions could increase dramatically as household income and savings deteriorate.

Lembo pointed to two concurrent needs: To shepherd those who are struggling through the worst of the ongoing crisis and to reform the systemic issues that have created such disparate impacts during the pandemic.

"The stock market is not the economy," said Lembo. "Those in low-wage and service industry jobs before the pandemic were left vulnerable to its effects and now face a daunting recovery. Income inequality, health care disparities, educational barriers and financial challenges are being exacerbated during this crisis. The key to Connecticut's economic future is to expand the middle class and help working families. Without a proactive effort to begin that work now, many may be left behind permanently."

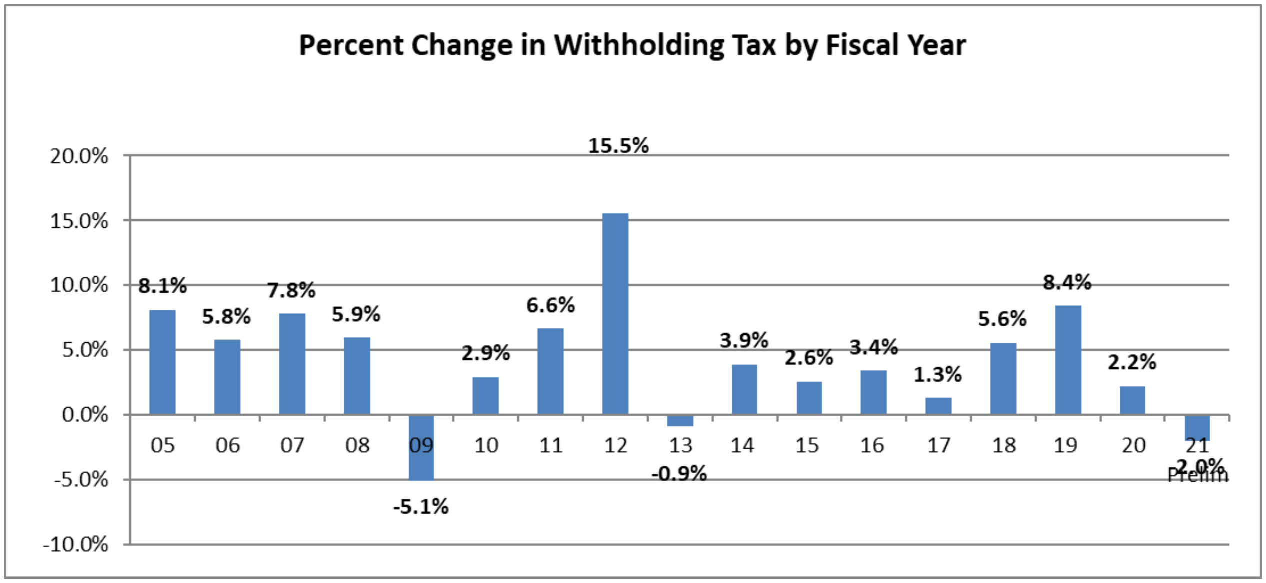
In a letter to Gov. Ned Lamont, Lembo noted that November's consensus revenue forecast showed an improved revenue picture for the state but cautioned that continued fiscal discipline is required.

Lembo pointed to recent economic indicators and trends from national and state sources that show:

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.*

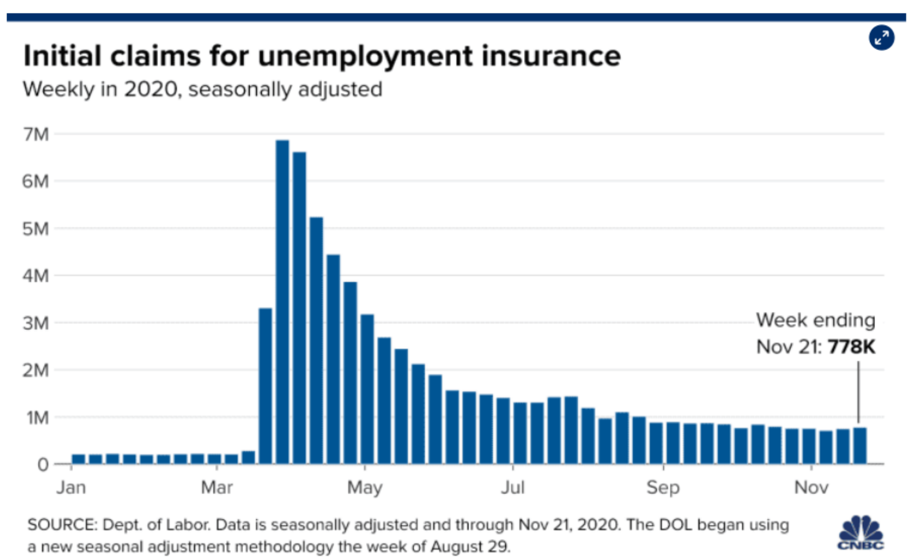
Employment

The withholding portion of the income tax is the largest single General Fund revenue source. Unaudited results for FY 2020 showed withholding receipts came in 2.2 percent above FY 2019 levels, but below the percent growth rate built into the FY 2020 budget plan. Current budget projections for FY 2021 have withholding collections declining by 2.0 percent versus FY 2020 levels. However, recent withholding receipts through October 31st show this category running ahead of that level.



COVID-19 Related Job Losses — An increase after four weeks of decline

Throughout October and into November, the nation continued seeing high levels of initial unemployment insurance (UI) claims by historical standards. For the week ending November 21st the U.S. Bureau of Labor Statistics (BLS) reported that seasonally adjusted initial claims totaled 778,000. This represents growth of 30,000 from the previous week and the second straight increase after four consecutive weeks of decline. Analysts noted the level of initial UI claims was higher than economists expected. The jobs picture looking forward is uncertain as coronavirus cases rise and states adopt more restrictions to combat the pandemic. The current level of initial UI claims is over three and a half times higher than totals seen before the coronavirus hit. Prior to the pandemic, initial UI claims averaged closer to 210,000 per week.



Continuing UI claims, for those who have been collecting for at least two weeks, declined by 299,000 to 6.07 million for the week ending November 14th. This measure gives a clearer picture of how many workers are still unemployed.

UNEMPLOYMENT INSURANCE DATA FOR REGULAR STATE PROGRAMS

WEEK ENDING	November 21	November 14	Change	November 7	Prior Year[1]
Initial Claims (SA)	778,000	748,000	+30,000	711,000	211,000
Initial Claims (NSA)	827,710	749,338	+78,372	725,361	252,428
4-Wk Moving Average (SA)	748,500	743,500	+5,000	755,750	217,000

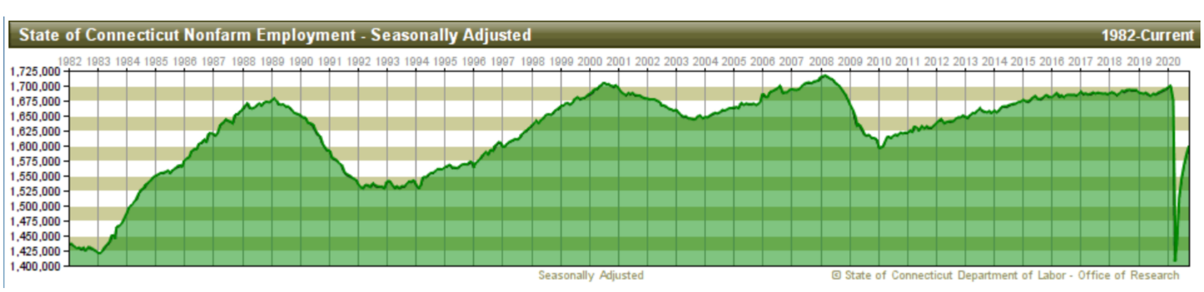
WEEK ENDING	November 14	November 7	Change	October 31	Prior Year[1]
Insured Unemployment (SA)	6,071,000	6,370,000	-299,000	6,798,000	1,665,000
Insured Unemployment (NSA)	5,911,965	6,079,582	-167,617	6,498,415	1,545,007
4-Wk Moving Average (SA)	6,615,250	7,053,250	-438,000	7,578,750	1,689,750
Insured Unemployment Rate (SA)[2]	4.1%	4.3%	-0.2	4.6%	1.2%
Insured Unemployment Rate (NSA)[2]	4.0%	4.1%	-0.1	4.4%	1.1%

Connecticut – Six Straights Months of Job Growth through October, Unemployment Still Understated

Connecticut also experienced historic levels of employment losses this spring, although has reversed that trend in recent months and began recovering jobs.

On November 19th, Connecticut Department of Labor (DOL) reported the preliminary Connecticut nonfarm job estimates for October 2020 from the business payroll survey administered by the U.S. Bureau of Labor Statistics (BLS). DOL's Labor Situation report showed the state gained 14,100 net jobs (0.9%) to a level of 1,600,200 seasonally adjusted. At the same time, the preliminary September 2020 job gain of 17,000 was revised upward by an additional 1,000 jobs. The largest job growth in October was seen in leisure & hospitality, other services and trade, transportation & utilities.

October represented the sixth consecutive month of gains after the devastating employment losses in March and April. DOL reports Connecticut has now recovered approximately two-thirds of the of the 291,300 jobs lost during the onset of the Covid-19 pandemic. While this trend is certainly moving in the right direction, that still leaves a net loss of more than 99,000 jobs for the period.



Despite recent gains, Connecticut's employment level is still significantly down on a year-over-year basis. Compared with October 2019, nonagricultural jobs in the state fell by 89,000 (-5.3%) seasonally adjusted. Connecticut's official unemployment rate stood at 6.1 percent in October, but DOL cautioned that figure continues to be significantly understated:

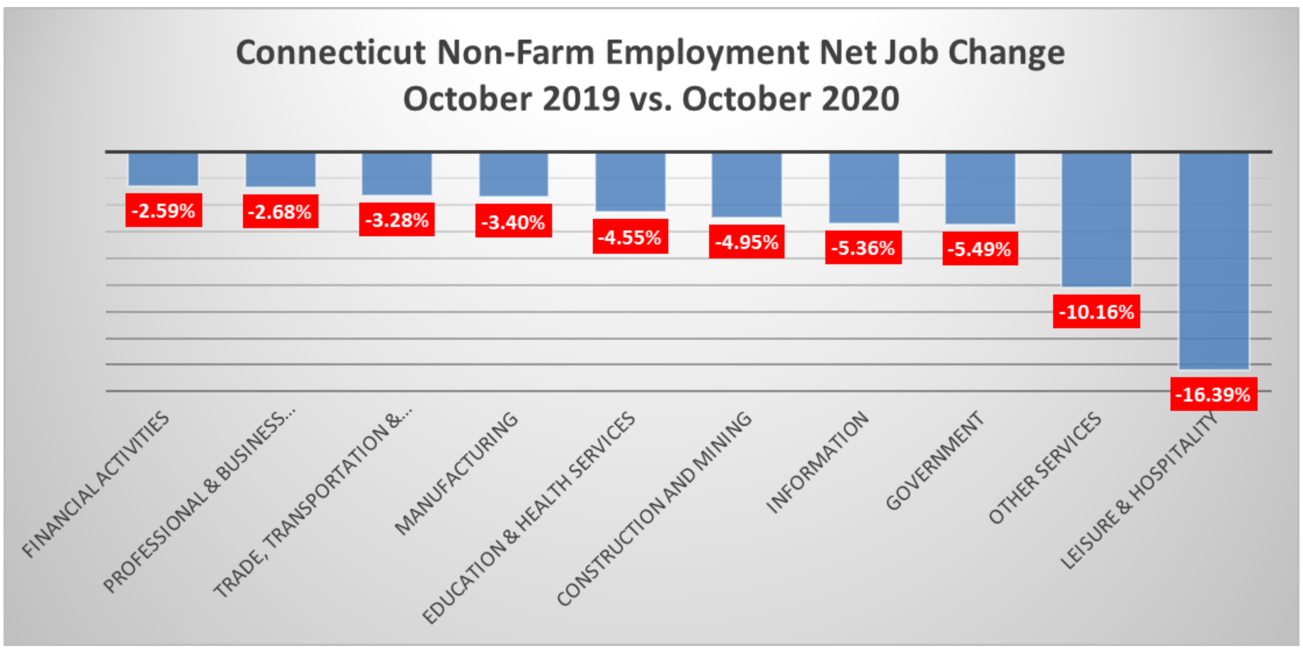
> *"The Connecticut unemployment rate continues to be underestimated due to challenges encountered in the collection of data for the September Current Population Survey (CPS) which is the foundation of the statistical model used to determine all states' unemployment rates. In addition to a poor response rate in an already small sample size in Connecticut, key questions continue to be misinterpreted and misclassified. Specifically, a significant number of respondents who should have been classified as temporarily out of work and therefore unemployed were instead classified as employed, but away from work (e.g., sick)."*

DOL's Office of Research estimates Connecticut's unemployment rate to be much higher, in the range of 10-11 percent for the Mid-October period. By comparison, the official US jobless rate in October 2020 was 6.9 percent, although analysts noted that rate was likely understated due to the data estimate collection issues noted above. One by the Peterson Institute of International Economics put the US's "realistic unemployment rate" at 8.4 percent for October.

Connecticut DOL Commissioner Kurt Westby recently warned the state's artificially low unemployment rate will have real consequences for Connecticut's unemployed residents. DOL reported the falling unemployment rate pushes the state off the Federal High Extended Benefit period by bringing the three-month average unemployment rate below 8 percent – a federal threshold that authorizes an additional seven weeks of benefits to unemployment and Pandemic Unemployment Assistance (PUA) claimants. Once the High Extended Benefits end, unemployment claimants who are currently using those benefits will have two weeks remaining before their benefit payments end. DOL expects as many as 2,700 current recipients will lose these benefits as of the week ending December 12, 2020 and more who would have become eligible in the future will be ineligible due to this change.

Among the major job sectors listed below, all ten experienced significant losses in October 2020 versus October 2019 levels. The leisure & hospitality sector remains particularly hard hit, losing almost one out of six of its jobs for the period, followed by the other services and the government sectors.

Payroll Employment Trend				
October 2020 Versus October 2019				
Sector	**Oct 2020 (P)**	**Oct 2019**	**Gain/Loss**	**% Change**
Construction and Mining	57,600	60,600	-3,000	-5.0%
Manufacturing	156,300	161,800	-5,500	-3.4%
Trade, Transportation & Utilities	282,900	292,500	-9,600	-3.3%
Information	30,000	31,700	-1,700	-5.4%
Financial Activities	120,300	123,500	-3,200	-2.6%
Professional & Business Services	214,200	220,100	-5,900	-2.7%
Education & Health Services	325,500	341,000	-15,500	-4.5%
Leisure & Hospitality	132,100	158,000	-25,900	-16.4%
Other Services	57,500	64,000	-6,500	-10.2%
Government	223,800	236,800	-13,000	-5.5%
Total Connecticut Non-Farm Employment	**1,600,200**	**1,690,000**	**-89,800**	**-5.3%**

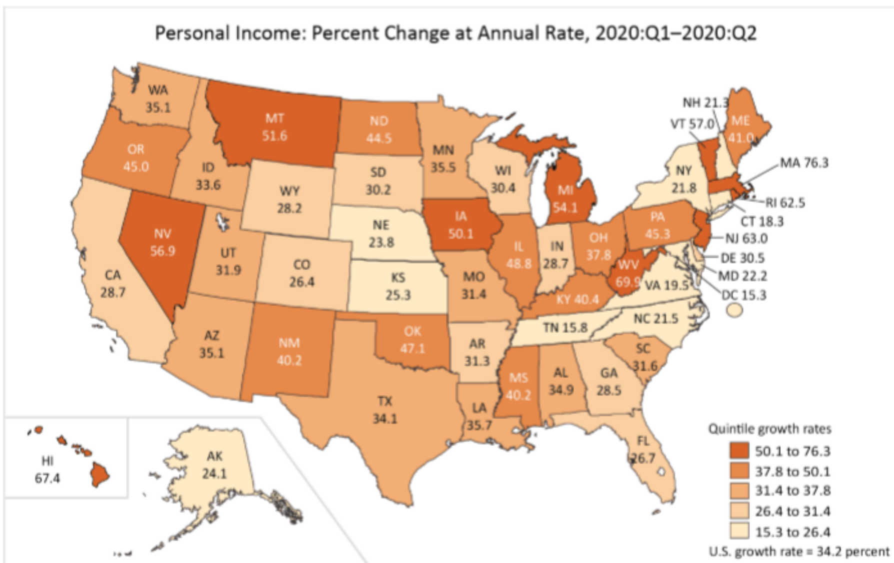


Income and Salary

October 2020 average hourly earnings at $34.08, not seasonally adjusted, not seasonally adjusted, were up $0.89 (2.7%) from the October 2019 estimate ($33.19). The resultant average private sector weekly pay amounted to $1,162.13, up $36.99 from a year ago (3.3%). However, DOL warns that due to fluctuating sample responses, private sector earnings and hours estimates can be volatile from month-to-month.

The 12-month percent change in the Consumer Price Index for All Urban Consumers (CPI-U, U.S. City Average, not seasonally adjusted) in October was a modest 1.2 percent.

On September 24th, the Bureau of Economic Analysis reported that Connecticut's personal income grew by an 18.3 percent annual rate between the first and second quarters of 2020. Based on this result, Connecticut ranked 49th in the nation for second quarter income growth, behind the national average of 34.2 percent. However, this result is more related to the impact of Federal pandemic relief efforts as opposed to more traditional sources of income growth, such as net earnings (wages) or investment income.



U.S. Bureau of Economic Analysis

For the nation, earnings decreased 27.5 percent in the second quarter of 2020, after increasing 3.4 percent in the first quarter. The declines were moderated by Paycheck Protection Program (PPP) loans to businesses. The decrease in earnings reflected the partial economic shutdown following the outbreak of the COVID-19 pandemic in the first quarter of 2020.

However, BEA noted increases in personal current transfer receipts more than offset decreases in earnings and in property income. The increase in transfer receipts included new government relief payments provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.
Personal income by state for the 3rd quarter 2020 will be released on December 17, 2020.

Nationally, federal relief (transfer receipts) increased by $2.5 trillion in the second quarter of 2020, after increasing $80.3 billion in the first quarter. The growth in transfer receipts reflected increases in state unemployment insurance compensation, all other transfer receipts and Medicaid benefits. BEA reported state unemployment compensation was boosted by a $600 increase in weekly benefits provided by the CARES Act, as well as an expansion of eligibility of workers not previously covered by state unemployment compensation programs. The increase in all other transfers reflected $1,200 economic impact payments to individuals, as well as provider relief funds for nonprofit institutions, such as hospitals and health care providers, serving individuals.

However, as these pandemic relief efforts have expired, many economists are calling for more Federal help to speed the recovery and avoid further long-term damage to the economy.

Housing

Berkshire Hathaway HomeServices reported another month of very strong results for the Connecticut housing market in October 2020 compared with October 2019. Sales of single-family homes increased by 48.53 percent, with the median sale price increasing by 28.85 percent. Year-to-date sales are still down 5.01 percent compared with 2019 indicating recent sales trends may continue to reflect some pent-up demand from pandemic related closures. Continuing a trend from the last four months, new listings were up 15.06 percent in Connecticut. The median list price rose 25.60 percent to $339,000. At the same time, average days on the market decreased 22.37 percent in October 2020 compared to the same month in the previous year (59 days on average compared with 76 in October 2019).

The table below contains more detailed data for the Connecticut housing market.

MARKET SUMMARY

OCTOBER 2020 | SINGLE FAMILY HOMES

Market	Month to Date			Year to Date		
Summary	October 2020	October 2019	Percent Change	Year-To-Date 2020	Year-To-Date 2019	Percent Change
New Listings	4980	4328	15.06%	48374	50925	-5.01%
Sold Listings	4585	3087	48.53%	35592	31016	14.75%
Median Listing Price	$339,000	$269,900	25.6%	$314,997	$277,500	13.51%
Median Selling Price	$335,000	$260,000	28.85%	$310,000	$270,000	14.81%
Median Days on Market	33	55	-40%	43	54	-20.37%
Average Listing Price	$558,533	$377,426	47.98%	$501,980	$414,744	21.03%
Average Selling Price	$548,514	$362,396	51.36%	$487,982	$398,501	22.45%
Average Days on Market	59	76	-22.37%	72	78	-7.69%
List/Sell Price Ratio	99.9%	97%	2.91%	98.6%	97.4%	1.19%

For the U.S. housing market, the National Association of Realtors (NAR) reported existing-home sales rose significantly in October 2020, representing five consecutive months of sales gains. Each of the four major regions experienced month-over-month and year-over-year growth, with the Midwest seeing the most improvement from the prior month.

Total existing-home sales, (completed transactions that include single-family homes, townhomes, condominiums and co-ops) rose 4.3 percent from September to a seasonally adjusted annual rate of 6.85 million in October. As noted, sales were also up year-over-year, growing 22.6 percent from a year ago (5.41 million in October 2019).

Nationally, home prices have remained strong during the pandemic. NAR noted the median existing-home price for all housing types in October was $313,000, up 15.5 percent from October 2019 ($271,100), as prices increased in every region. October's national price increase marks 104 straight months of year-over-year gains.

Other highlights from the NAR report included:

- Seventy-two percent of homes sold in October 2020 were on the market for less than a month.

- First-time buyers were responsible for 32 percent of sales in October, up from the 31 percent in both September 2020 and October 2019.

- Individual investors or second-home buyers, who account for many cash sales, purchased 14 percent of homes in October, a small increase from 12 percent recorded in September 2020 and equal to October 2019.

- Foreclosures and short sales – represented less than 1 percent of sales in October, equal to September's percentage but down from 2 percent in October 2019.

Stock Market – Strong November Results After Late October Drop

In the third week of March, the stock market reached its low point in 2020 as the impact of the coronavirus became more widespread. By August, the major indices had recovered their losses and both the S&P and NASDAQ touched new record highs. Since then all three indices took a step back in September. Stocks largely rebounded in the first half of October before several days of heavy losses in the last week of October.

The stock market has risen steadily in November. As of this writing, the DOW is up about 3.5 percent year-to-date, and approximately 5.4 percent from a year ago. The NASDAQ, heavily composed of tech stocks, continues to be the strongest performer and has gained 36 percent year-to-date and about 40 percent from a year ago. The S&P 500 has risen about 12 percent year-to-date and 15 percent from a year ago.

Charts for the three major stock indices follow.

DOW

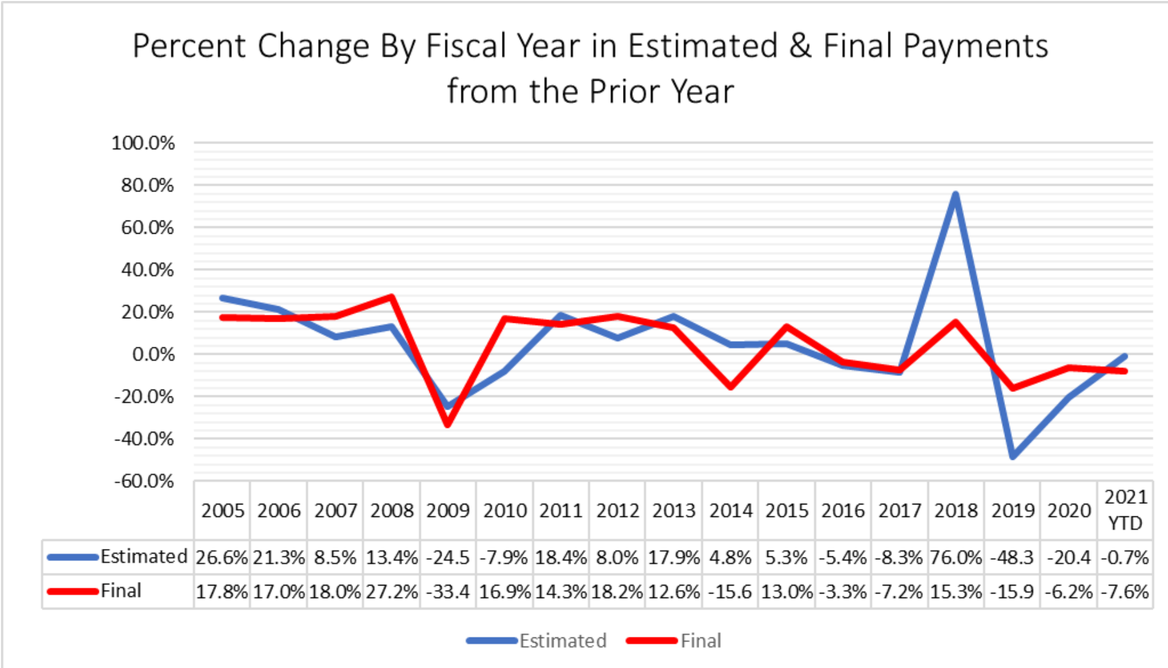
NASDAQ

S&P 500 INDEX

To give more perspective on the performance of the stock market over the longer term, the chart below shows the level of the DOW from 2007 to the present:

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 25-30 percent of total state income tax receipts, but can be an extremely volatile revenue source.

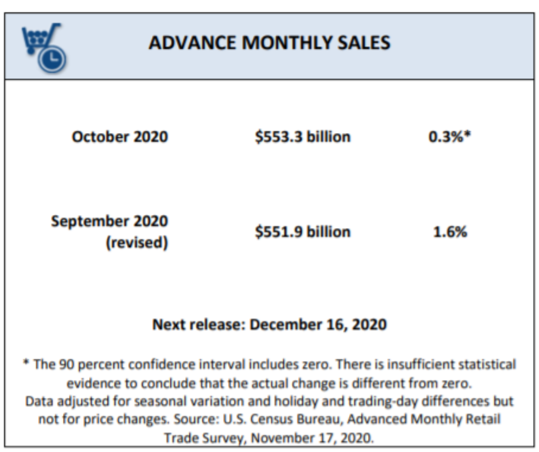
FY 2020 results showed estimated and final payments were down a combined 13.2 percent compared with the previous year. Preliminary estimates for the first four months of FY 2021 indicate better than expected results for estimated payments through October 2020. Reflecting this trend, the November 10th consensus revenue forecast reached by the Office of Policy and Management (OPM) and the Office of Fiscal Analysis (OFA) increased the projection for estimated and final income taxes by $117 million compared with the prior month. However, as shown below, this category is still running behind FY 2020's pace year-to-date.

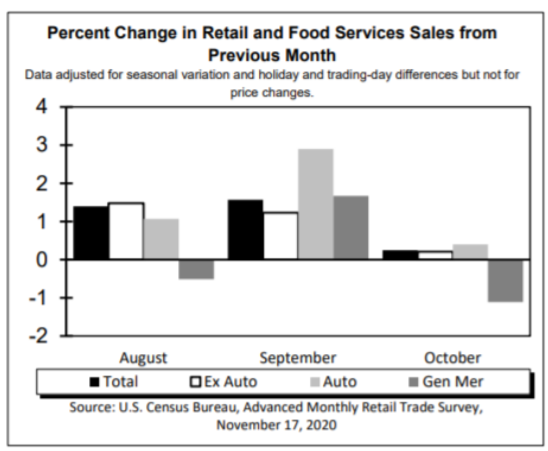


Consumer Spending

Consumer spending is the main engine of the U.S. economy, accounting for more than two-thirds of total economic output.

On November 17th, the Commerce Department reported that U.S. advance retail sales increased by a modest 0.3 percent in October, growing slower than many economists had expected. Electronics & appliance stores led the way increasing 1.2 percent, followed by building material & garden supply stores, which were up 0.9 percent. Sales at auto dealers and gasoline stations both advanced 0.4 percent in October, while non-store retailers (on-line sales) grew by 3.1 percent. On the downside, receipts at clothing retailers and sporting goods stores both declined 4.2 percent and furniture stores dropped 0.4 percent.





So-called core retail sales grew a slight 0.1 percent in October, after rising a revised 0.9 percent in September. This category excludes automobiles, gasoline, building materials and food services.

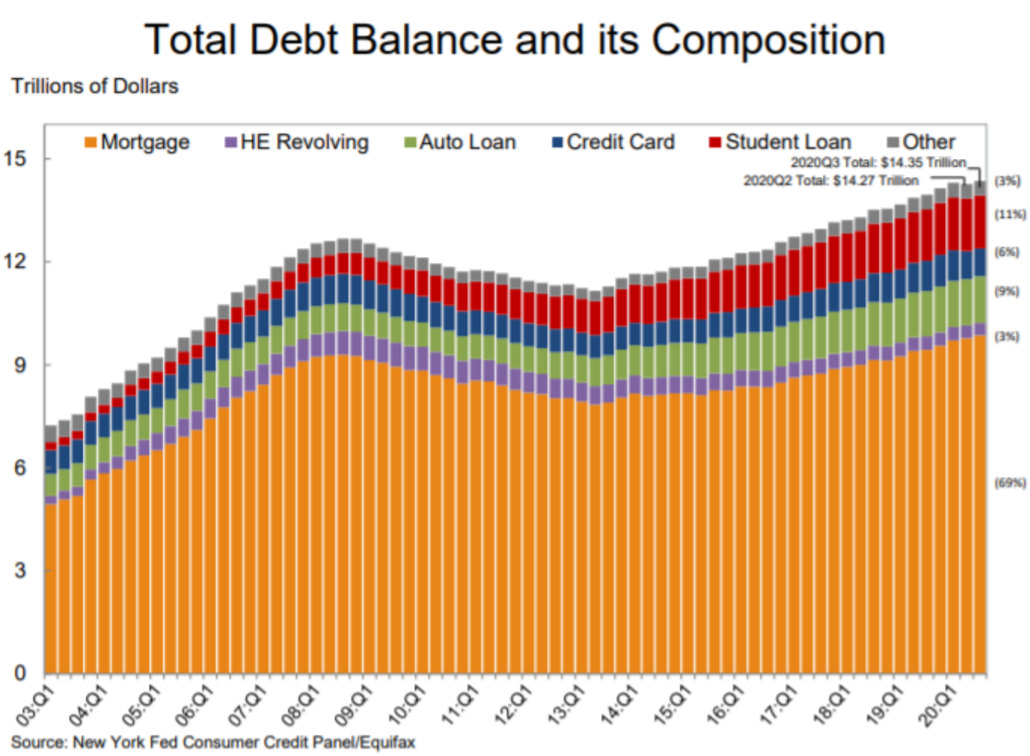
Due to the rising number of COVID-19 infections nationwide and declining income among households losing unemployment and other types of government support, retail sales could stagnate amid growing shutdowns. CNBC cited a JPMorgan survey of credit and debit cardholders that showed a broad decline in spending through November 9, with large drops in states where Covid-19 is spreading most rapidly.

Consumer Debt and Savings Rates

According to the Federal Reserve Bank of New York, aggregate household debt balances increased in the third quarter of 2020 after stepping back in the second quarter. Total household debt increased by $87 billion (0.6 percent) to $14.35 trillion in the quarter ending September 30, 2020. The increase more than offset the decline seen in the second quarter of 2020 as total household debt has now surpassed its first quarter 2020 level.

The report titled "Quarterly Report on Household Debt and Credit" noted mortgage balances—the largest component of household debt—rose by $85 billion in the third quarter and stood at $9.86 trillion on September 30th. Outstanding student loans, the second largest category of household debt, totaled $1.55 trillion in the third quarter, a $9 billion increase from the second quarter. Auto loan balances increased by $17 billion in the third quarter, reaching $1.36 trillion.

The Federal Reserve reported credit card balances fell slightly in the third quarter by $10 billion and total 807 million as of September 30th. This drop follows the $76 billion decrease in second quarter of 2020, the steepest decline in card balances in the history of the



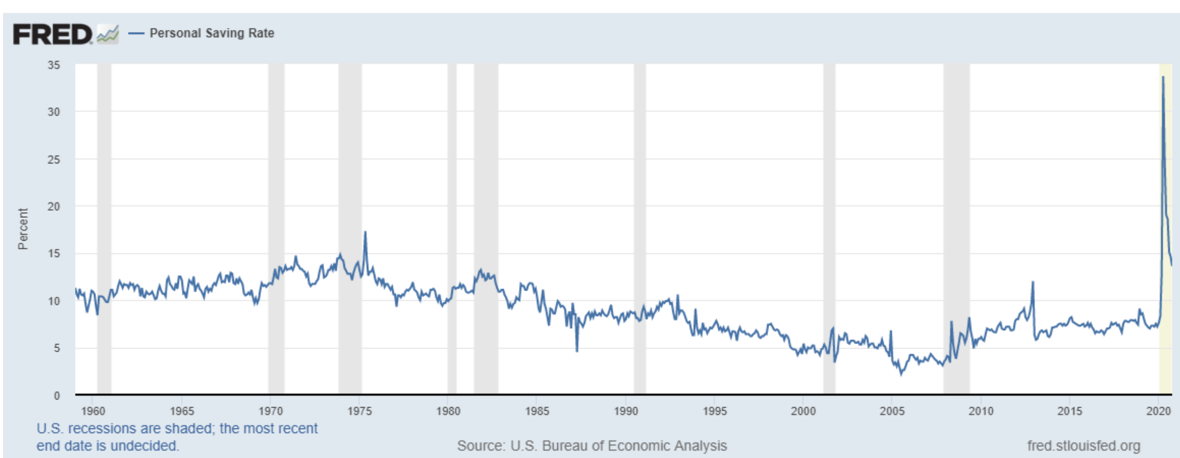
data (since 1999). The report noted the decline in card balances reflects continued weak consumer spending amidst the COVID-19 pandemic, as well as households paying down existing credit card debt. Balances on home equity lines of credit saw a $13 billion decline, their 15th consecutive decrease since 2016Q4, bringing the outstanding balance to $362 billion.

The Federal Reserve reported aggregate delinquency rates across all debt products fell again in the third quarter, indicating the ongoing effect of forbearances provided by the CARES Act or voluntarily offered by lenders. As of September 30, 3.4 percent of outstanding debt was in some stage of delinquency, a 0.2 percentage point decrease from the second quarter, and 1.4 percentage points lower than the rate observed in the fourth quarter of 2019. The number of federal student loans and federally backed mortgages transitioning into delinquency both continued to fall as they remained covered by CARES Act forbearances. Auto loans and credit cards also showed continued declines in delinquency transition rates, reflecting the impact of government stimulus programs and bank-offered forbearance options for distressed borrowers.

The full report can be accessed at the following link:
https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2020Q3.pdf

Personal Savings Rate

In its November 25th release, the Bureau of Economic Analysis (BEA) reported the personal-saving rate was 13.6 percent in October 2020, down from a revised 14.6 percent in September. This level still represents a relatively high savings rate by historical standards, although it continues to decline from the record 24.2 percent revised rate recorded in May. The personal savings rate is defined as personal saving as a percentage of disposable personal income. As seen in the chart below, the savings rate tends to increase during recessionary periods as consumers cut back on discretionary spending.



In October, personal income decreased $130.1 billion (0.7 percent) and disposable personal income decreased $134.8 billion (0.8 percent), while personal consumption expenditures grew by 0.5 percent.

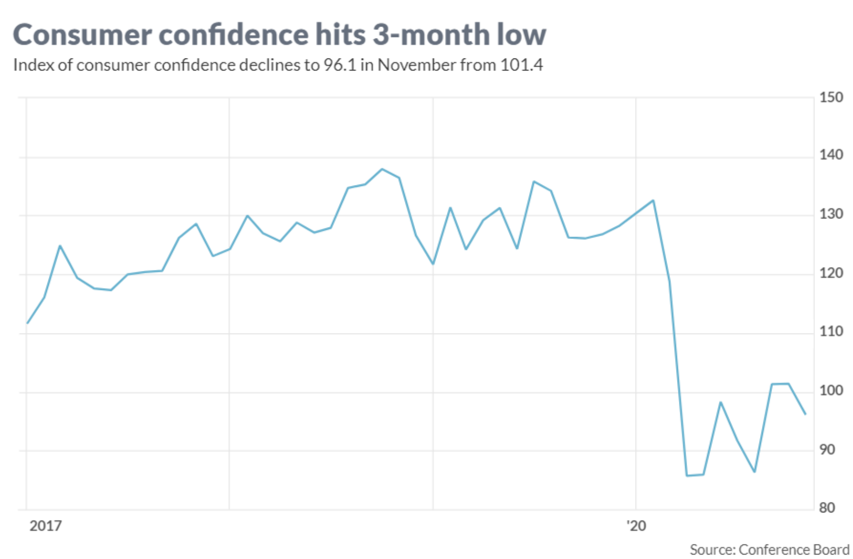
BEA noted the decline in personal income in October was more than accounted for by a decrease in government social benefits, specifically a decrease in Lost Wages Supplemental Payments, a Federal Emergency Management Agency program that provides wage assistance to individuals impacted by the pandemic. Partially offsetting this decrease were increases in proprietors' income and compensation. Within this category there was an increase in payments under the Coronavirus Food Assistance Program boosted farm proprietors' income.

In past reports, the Office of the State Comptroller has warned that the personal savings rate has remained low by historical standards, despite a decade of economic growth since the end of the Great Recession. Even before the current coronavirus pandemic hit, studies showed nearly four in ten U.S. adults would have difficulty covering an emergency $400 expense due to lack of savings. In relatively good economic times, many working families lived paycheck to paycheck. Now with large scale job losses, a lack of savings will make the present downturn much more difficult to navigate.

Consumer Confidence – Decline in November After Flat October

The U.S. consumer confidence index (CCI) is published by the Conference Board. The CCI 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 Consumer Confidence Index declined in November after remaining relatively flat in October. The Index now stands at 96.1, down from a revised 101.4 in October, representing a three-month low. As the chart below illustrates, the index has partially recovered from the lows



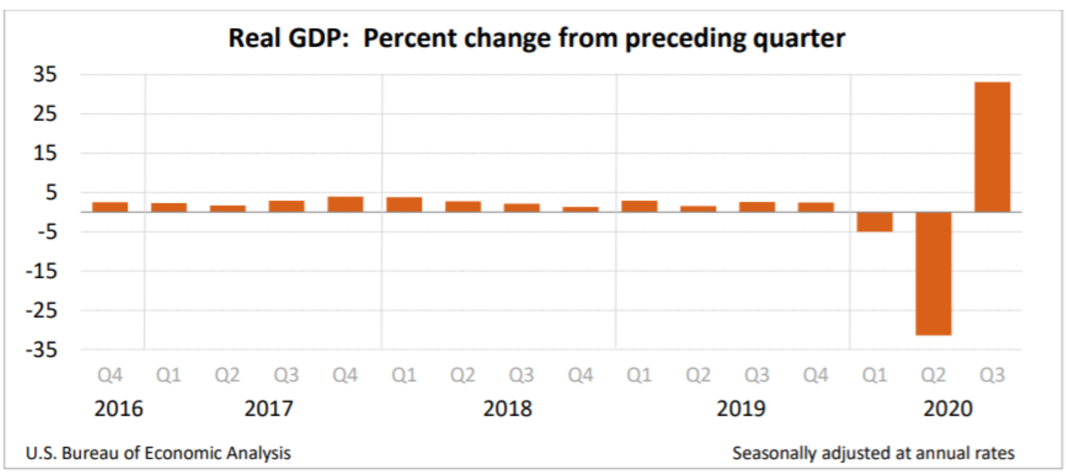
from the COVID-19 shutdowns in March and April but is still well below its pre-pandemic levels.

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. Consumers' assessment of current conditions held steady in November, but future expectations declined significantly. This was driven primarily by more pessimism about the short-term outlook for the job market and business conditions amid rising coronavirus cases nationwide.

The Conference Board's Lynn Franco, Senior Director of Economic Indicators, noted "Heading into 2021, consumers do not foresee the economy, nor the labor market, gaining strength. In addition, the resurgence of COVID-19 is further increasing uncertainty and exacerbating concerns about the outlook."

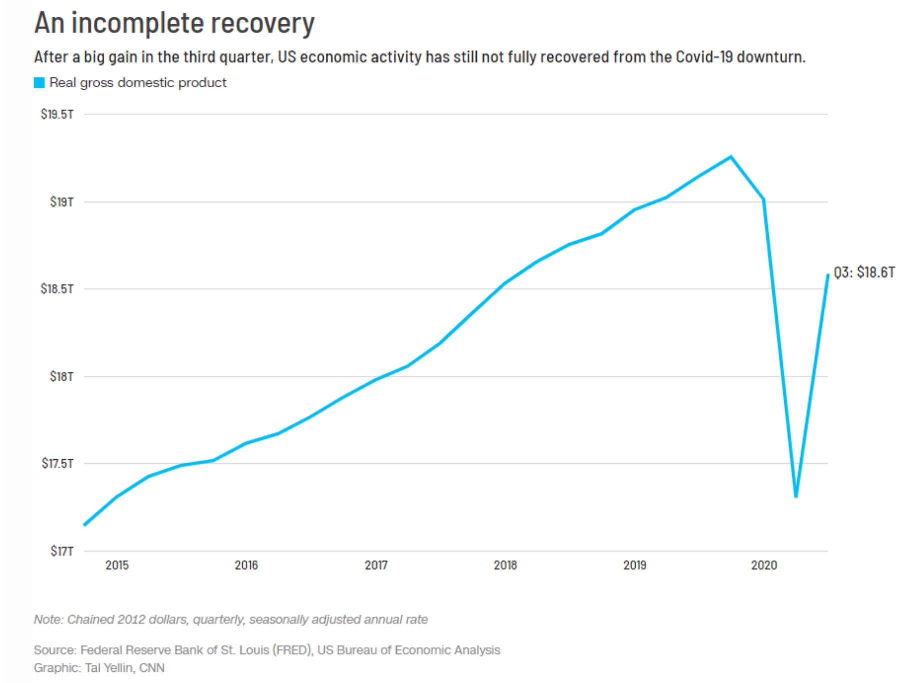
Business and Economic Growth - Rebound in 3rd Quarter GDP

According to a November 25th report from the Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 33.1 percent in the third quarter of 2020, according to BEA's second estimate. This rebound comes after the worst quarter in U.S. history and was slightly better than economists predicted. In the second quarter of 2020, real GDP decreased 31.4 percent.



Despite the positive GDP results for the 3rd quarter, analysts warned the U.S. economy still has a way to go to climb back to pre-pandemic levels. The reason is that third quarter GDP growth was calculated on a smaller economic base, which can be illustrated by the following analogy: If someone has $100 and that is reduced by 31 percent, the amount remaining is $69. That represents what happened in the second quarter. If that $69 is then increased by 33 percent in the following quarter, the result is about $92. Even with the significant rebound, the total is still $8 less than the beginning balance.

This graph from CNN shows the pattern:



In addition, the impact of earlier Federal relief efforts in the form of supplemental unemployment payments and stimulus checks is fading, which could create a drag on fourth quarter growth.
BEA reported the third-quarter increase in real GDP reflected increases in consumer spending, inventory investment, exports, business investment, and housing investment that were partially offset by a decrease in government spending. Imports, a subtraction in the calculation of GDP, increased.

BEA's data showed the increase in consumer spending reflected increases in services (led by health care) and goods (led by motor vehicles and parts). The increase in inventory investment reflected an increase in retail trade inventories (led by motor vehicle dealers). The decrease in government spending was in federal as well as state and local government.

State Level GDP Results – Second Quarter 2020

On October 2nd, BEA reported updated state level GDP data. Real gross domestic product decreased in all 50 states and the District of Columbia in the second quarter of 2020. The percent change in real GDP in the second quarter ranged from –20.4 percent in the District of Columbia to –42.2 percent in Hawaii and Nevada. As noted above, for the nation as a whole GDP decreased at an annual rate of 31.4 percent.

Connecticut fared slightly better than the nation and the New England region, with its GDP dropping 31.1 percent, which ranked 23rd overall. Connecticut industries experiencing the biggest declines on a percentage basis were health care and social assistance (-4.61%), accommodation and food services (-3.98%) and durable goods manufacturing (-3.47%).

Other highlights from the release included the following industry-level results:

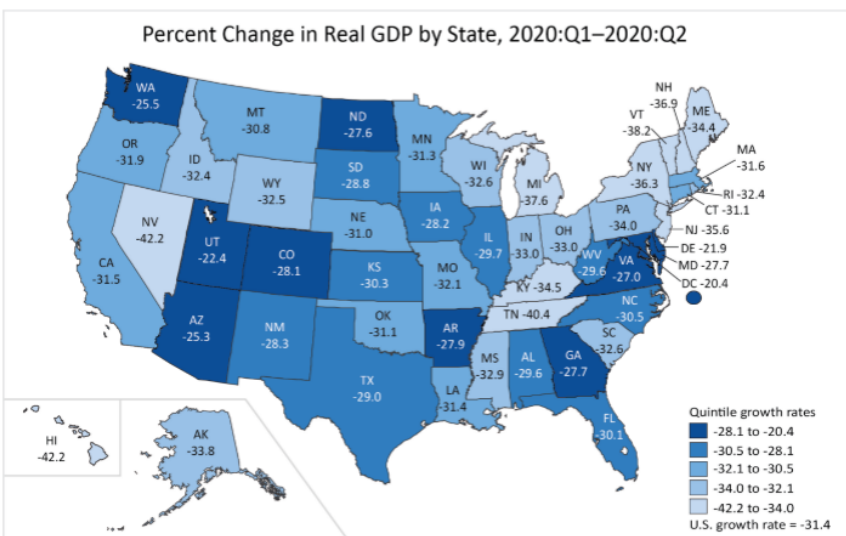
- Nationally, the three leading contributors to the second quarter GDP decreases included accommodation and food services, healthcare and social assistance, and durable goods manufacturing.

- Accommodation and food services was the leading contributor to the decreases in 17 states including Hawaii and Nevada, the states with the largest decreases.

- Healthcare and social assistance was the leading contributor to the decreases in 18 states including Tennessee, the state with the third largest decrease.

- Durable goods manufacturing was the leading contributor to the decreases in eight states.

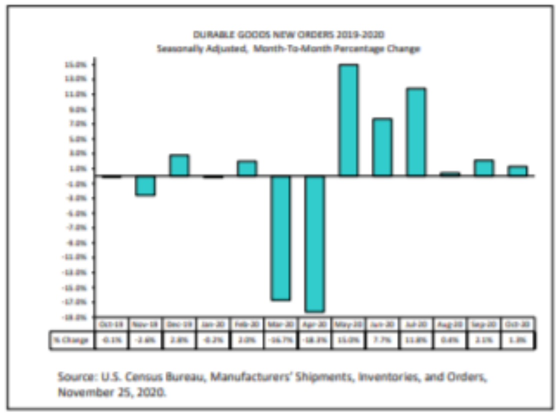
Third quarter GDP results by state will be released on December 23, 2020.



U.S. Bureau of Economic Analysis

Durable Goods

According to a November 25th report by the U.S. Department of Commerce, new orders for manufactured durable goods increased $3.0 billion in October or 1.3 percent to $240.8 billion. This increase, up now for six consecutive months, followed a 2.1 percent increase in September.



October new orders were supported by demand for electrical equipment, appliances & components (+1.0%), computers and electronic products (+3.1%) and primary metals & fabricated metal products (+2.3%). Growth in transportation equipment was due to increases for aircraft and parts orders (both defense and nondefense categories), offset by a decline in automobiles.

Orders for so called core capital goods rose 0.7 percent in October, after growing 1.9 percent the prior month. Core capital goods are defined as non-defense capital goods excluding aircraft, which is considered a proxy for business spending. This is a positive trend, but some analysts are concerned that rising COVID infection rates could disrupt supply chains or weigh on demand, slowing the pace of recovery in the fourth quarter.

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