News from
COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO PROJECTS $1.26 BILLION DEFICIT, WARNS OF "K-SHAPED RECOVERY"

Comptroller Kevin Lembo today, in his monthly financial and economic update, projected a deficit of $1.26 billion for Fiscal Year 2021, while noting economic improvement for some and a darkening reality for others.

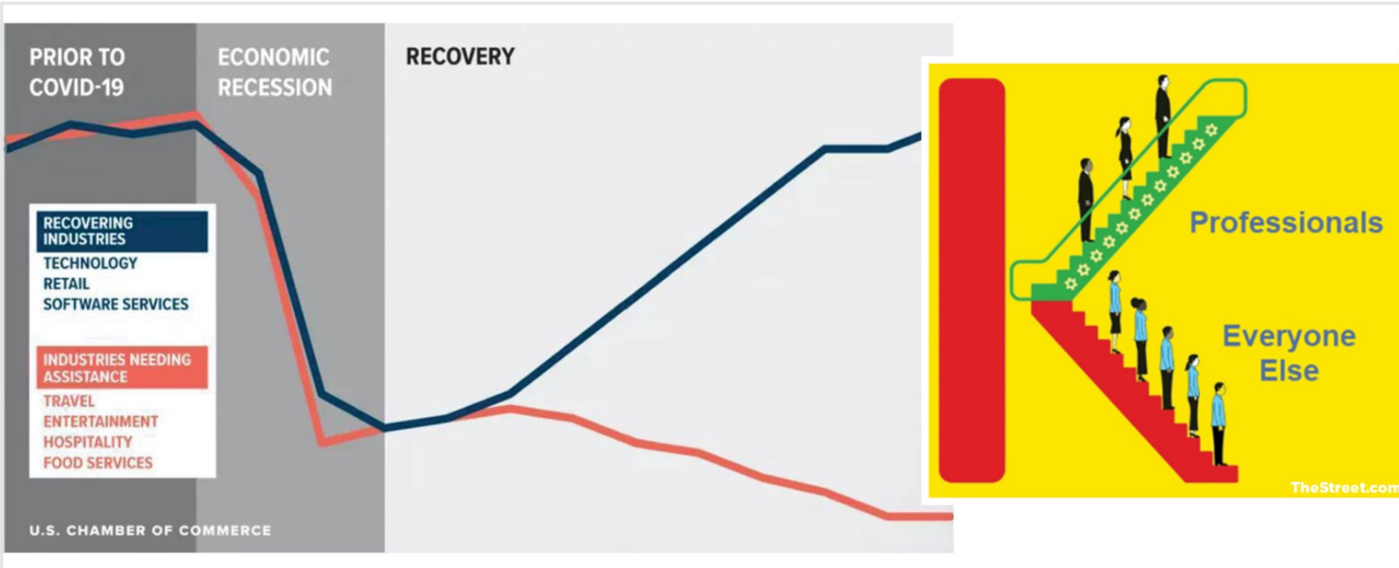
"There are signs of economic recovery in Connecticut," said Lembo. "The state continues to recover jobs – and strong showings in housing sales, as well as improved revenue numbers, are encouraging. However, the benefits of that recovery are not being felt equally and the evaporation of federal aid has left thousands of families in a tenuous, and frankly dangerous, position."

Connecticut has now recovered 60 percent of jobs lost since the COVID-19 pandemic began. Several revenue categories, including estimated and final income tax payments, are showing stronger-than-expected returns. Paired with reductions in spending and a robust Budget Reserve Fund ("Rainy Day Fund"), the overall economic outlook is improved. Notably, single-family home sales had another strong month, increasing 47.3 percent from September 2019 according to data from Berkshire Hathaway HomeServices.

Lembo, however, described the recovery as "K-shaped," where high-income workers have been able to largely avoid the economic fallout of the pandemic. Meanwhile, workers in low-wage sectors and those who were already in deep poverty are facing a multi-faceted crisis of housing, health care, food and job insecurities.

"This K-shaped recovery is worsening existing inequities both in Connecticut and across the country," said Lembo. "Over 114,000 jobs in our state have yet to be recovered with a concentration in lower-wage industries like leisure and hospitality. Those families are turning to state and local governments, as well as our nonprofits, to hang on. As the economy gets stronger, the effects must be felt universally. We can't leave anyone behind."

K-Shaped Recovery



Lembo pointed to a recent study by Columbia University that showed the effectiveness of federal intervention efforts were largely temporary. Families and workers that were lifted out of poverty are now slipping back and, without further sustained stimulus, poverty rates will likely increase.

That instability is being felt directly by consumers. After an increase in September, the Consumer Confidence Index showed a decline in October. “There is little to suggest that consumers foresee the economy gaining momentum in the final months of 2020, especially with COVID-19 cases on the rise and unemployment still high,” said Lynn Franco, Senior Director of Economic Indicators at the Conference Board in the latest report.

In a letter to Gov. Ned Lamont, Lembo noted that the upcoming consensus revenue forecast on Nov. 10 has the potential to upend current projections.

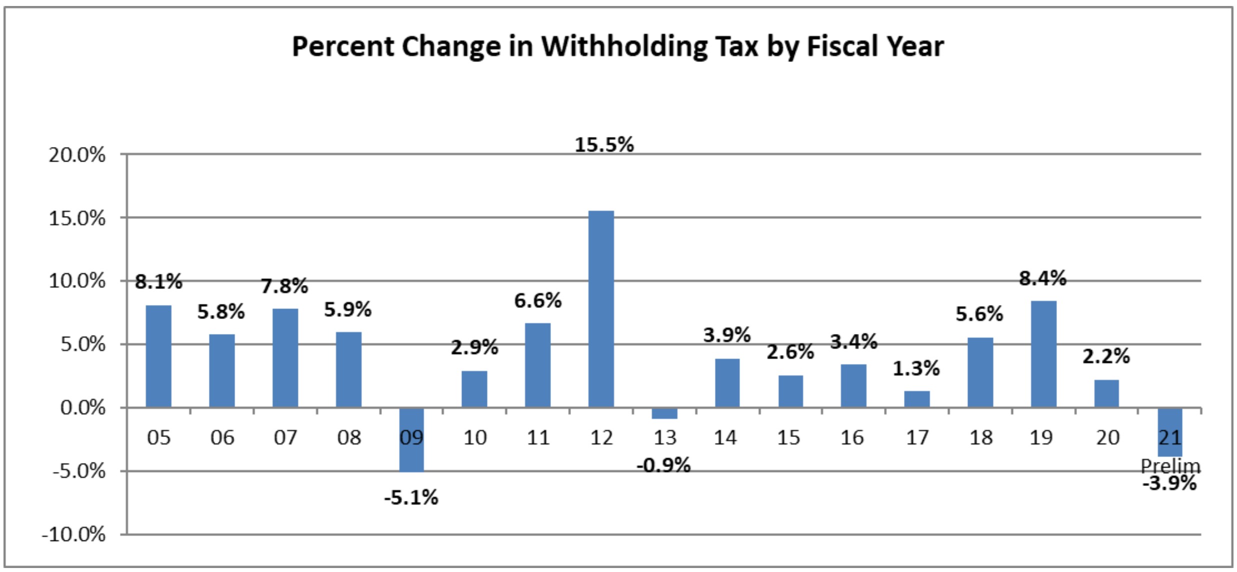
“Since the pandemic began, state government and its finances have been exposed to rapidly changing circumstances,” said Lembo. “It’s critical to maintain a steady hand, adapt when new information becomes available and maintain a laser-like focus on helping Connecticut residents and businesses weather this ongoing crisis.”

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.*

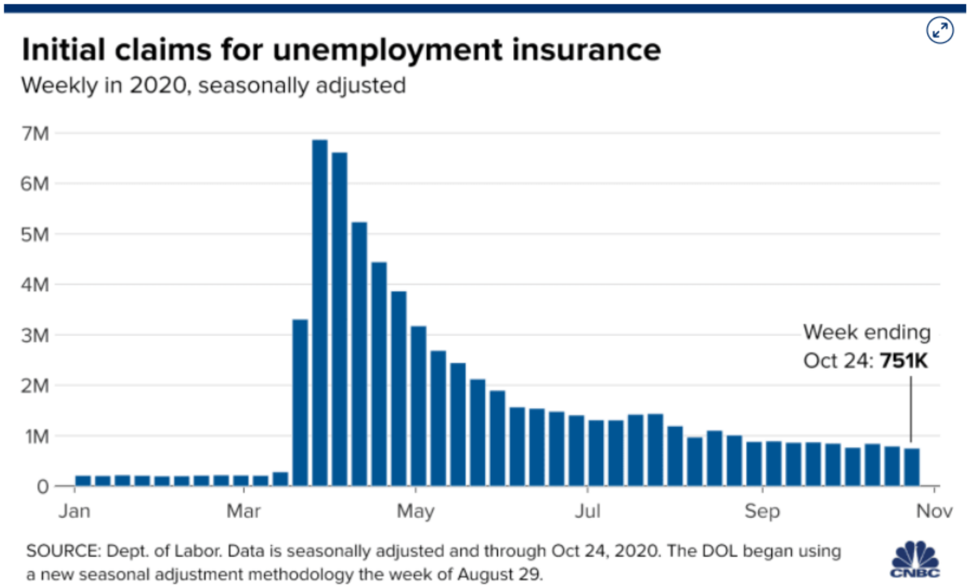
Employment

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 3.9 percent versus FY 2020 levels. However, recent withholding receipts through September 30th show this category running ahead of that level.



COVID-19 Related Job Losses — Improvement but Still High by Historical Standards

Throughout September and into October, the nation continued seeing high levels of initial unemployment insurance (UI) claims by historical standards. For the week ending October 24th the U.S. Bureau of Labor Statistics (BLS) reported that seasonally adjusted initial claims totaled 751,000. This represents a decline of 40,000 from the 791,000 initial UI claims reported in the previous week. Analysts noted this is the lowest number of initial UI claims since mid-March. However, it is 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.



The economic pain and fallout of the COVID-19 pandemic remains widespread as federal policy makers have failed to extend supplemental unemployment benefits, including an additional $600 per week, prior to their expiration on July 31.

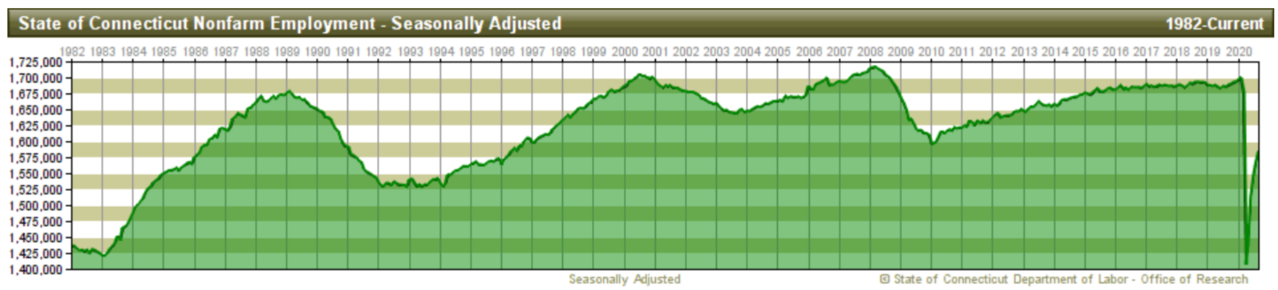
Continuing UI claims, for those who have been collecting for at least two weeks, declined by 709,000 to 7.75 million for the week ending October 17th. This measure gives a clearer picture of how many workers are still unemployed. The drop in continuing claims does reflect continued strengthening in the labor market. However, analysts expressed concerns about the rising number of COVID-19 cases nationwide and the possibility of additional shutdowns in response. Further efforts to contain the virus may have a negative impact on employment and cause an increase in future UI claims.

Connecticut – Job Growth in September, Unemployment Still Historically High

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

On October 19th, Connecticut Department of Labor (DOL) reported the preliminary Connecticut nonfarm job estimates for September 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 17,000 net jobs (1.1%) to a level of 1,585,100 seasonally adjusted. At the same time, the August 2020 job gain of 20,400 was revised upward by an additional 1,500 jobs. The largest job growth in September was seen in leisure & hospitality, professional & business services and trade & information.

Connecticut experienced another month of job growth in September, the fifth consecutive month of gains after the devastating employment losses in March and April. DOL reports Connecticut has now recovered over 60 percent 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 114,000 jobs for the period.



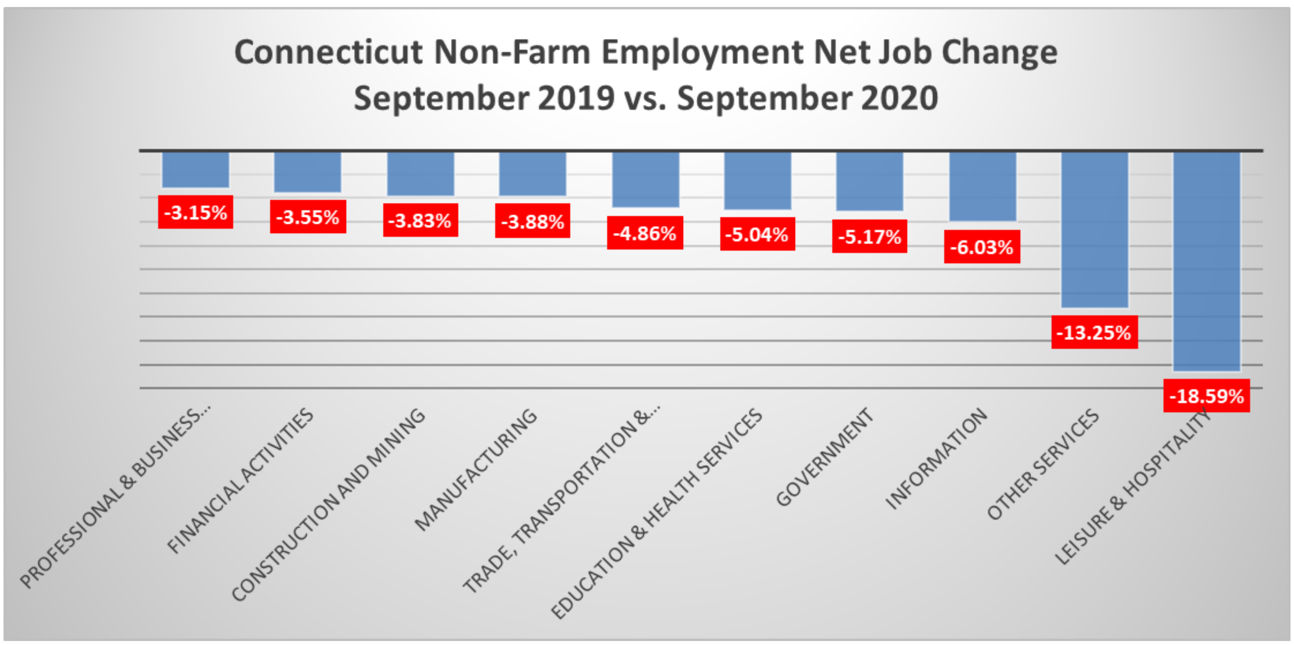
Despite recent gains, Connecticut's employment level is still significantly down on a year-over-year basis. Compared with September 2019, nonagricultural jobs in the state fell by 103,200 (-6.1%) seasonally adjusted. Connecticut's official unemployment rate stood at 7.8 percent in September, but DOL 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 12-13 percent for the mid-August to Mid-September period. By comparison, the official US jobless rate in September 2020 was 7.9 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 9.6 percent for September.

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

Payroll Employment Trend				
September 2020 Versus September 2019				
Sector	**Sept 2020 (P)**	**Sept 2019**	**Gain/Loss**	**% Change**
Construction and Mining	57,700	60,000	-2,300	-3.8%
Manufacturing	155,900	162,200	-6,300	-3.9%
Trade, Transportation & Utilities	278,000	292,200	-14,200	-4.9%
Information	29,600	31,500	-1,900	-6.0%
Financial Activities	119,400	123,800	-4,400	-3.6%
Professional & Business Services	212,300	219,200	-6,900	-3.1%
Education & Health Services	322,500	339,600	-17,100	-5.0%
Leisure & Hospitality	127,900	157,100	-29,200	-18.6%
Other Services	56,300	64,900	-8,600	-13.3%
Government	225,500	237,800	-12,300	-5.2%
Total Connecticut Non-Farm Employment	**1,585,100**	**1,688,300**	**-103,200**	**-6.1%**



Columbia University Study: Rising Poverty Rates as Federal Relief Efforts Expire

Poverty is usually measured on an annual basis, comparing a family's income for the year against an annual poverty threshold. Recently a Columbia University research group has developed a measure for tracking U.S. poverty rates on a monthly basis during the COVID-19 pandemic. The study by the Center on Poverty and Social Policy showed Federal relief efforts were effective in reducing poverty, but the impact was temporary as programs have expired amid the ongoing pandemic. In addition, these efforts were less effective at reaching the poorest households who had more difficulty receiving stimulus checks and applying for unemployment benefits.

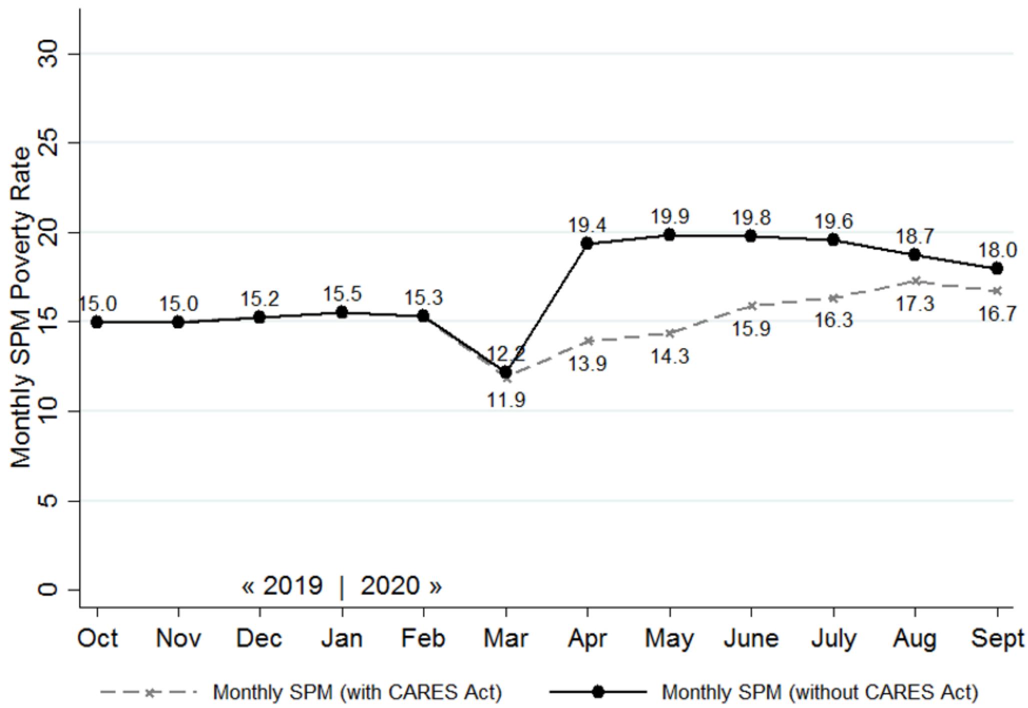
Key findings of the study, titled "Monthly Poverty Rates in the United States during the COVID-19 Pandemic," include:

- In April and May, the CARES Act was successful in offsetting potential increases in monthly poverty but was not successful at preventing a rise in deep poverty, which was defined as having monthly income lower than half the monthly poverty threshold.
- This may in large part be due to the imperfect coverage rates of CARES Act income transfers: many low-income families, in particular, report that they did not receive stimulus checks, while many of the millions who lost their jobs after the crisis did not receive unemployment benefits.

- The CARES Act's stimulus checks and unemployment benefits lifted more than 18 million individuals out of monthly poverty in April, but this number fell to around 4 million individuals in August and September after the expiration of the $600 per week unemployment supplement.
- The monthly poverty rate increased from 15% to 16.7% from February to September 2020, even after taking the CARES Act's income transfers into account. Increases in monthly poverty rates have been particularly acute for Black and Hispanic individuals, as well as for children.

This chart from the study shows poverty rates in September 2020 have now risen above where they were before the pandemic struck, even accounting for the impact of the CARES Act. This is due to the expiration of Federal relief programs and continued high levels of unemployment. Note - SPM stands for Supplemental Poverty Measure.

Figure 1: Trends in monthly poverty rates before and after CARES Act transfers



The full Columbia University study can be found at the following link:
https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/5f87c59e4cd0011fabd38973/1602733471158/COVID-Projecting-Poverty-Monthly-CPSP-2020.pdf

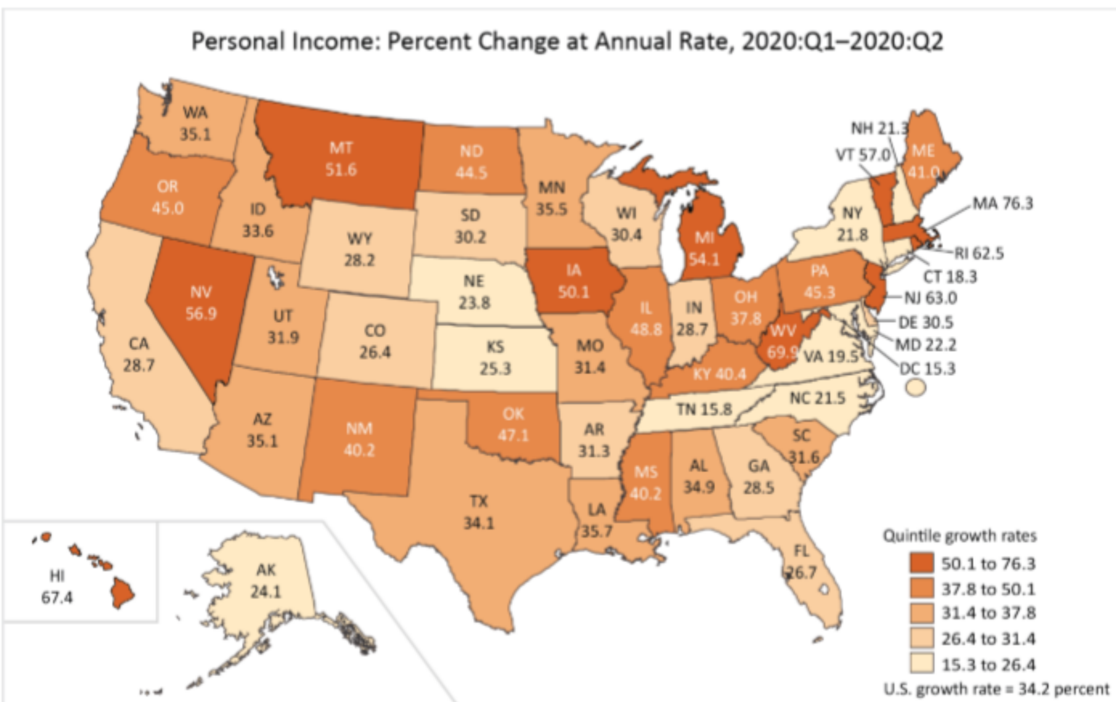
Income and Salary

September 2020 average hourly earnings at $33.61, not seasonally adjusted, not seasonally adjusted, were up $0.23 (0.7%) from the September 2019 estimate ($33.38). The resultant average private sector weekly pay amounted to $1,163.06, $1,146.10, up just $1.17 from a year ago (0.1%). 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 September was a modest 1.4 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.

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.



U.S. Bureau of Economic Analysis

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.

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 September 2020 compared with September 2019. Sales of single-family homes increased by 47.34 percent, with the median sale price increasing by 29.06 percent. Continuing a trend from the last three months, new listings were up 11.40 percent in Connecticut. The median list price rose 27.79 percent to $344,900. At the same time, average days on the market decreased 15.07 percent in September 2020 compared to the same month in the previous year (62 days on average compared with 73 in September 2019).

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

MARKET SUMMARY

SEPTEMBER 2020 | SINGLE FAMILY HOMES

Market	Month to Date			Year to Date		
Summary	September 2020	September 2019	Percent Change	Year-To-Date 2020	Year-To-Date 2019	Percent Change
New Listings	5520	4955	11.4% ▲	43357	46597	-6.95% ▼
Sold Listings	4597	3120	47.34% ▲	30837	27929	10.41% ▲
Median Listing Price	$344,900	$269,900	27.79% ▲	$309,900	$279,000	11.08% ▲
Median Selling Price	$342,000	$265,000	29.06% ▲	$306,000	$271,000	12.92% ▲
Median Days on Market	34	52	-34.62% ▼	45	54	-16.67% ▼
Average Listing Price	$574,473	$411,728	39.53% ▲	$493,586	$418,869	17.84% ▲
Average Selling Price	$562,716	$392,847	43.24% ▲	$478,970	$402,491	19% ▲
Average Days on Market	62	73	-15.07% ▼	74	78	-5.13% ▼
List/Sell Price Ratio	99.8%	97.2%	2.61% ▲	98.4%	97.5%	0.94% ▲

For the U.S. housing market, the National Association of Realtors (NAR) reported existing-home sales rose significantly in September 2020, representing four consecutive months of sales gains. Each of the four major regions experienced month-over-month and year-over-year growth, with the Northeast 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 9.4 percent from August to a seasonally adjusted annual rate of 6.54 million in September. As noted, sales were also up year-over-year, growing 20.9 percent from a year ago (5.41 million in September 2019).

Nationally, home prices have remained strong during the pandemic. NAR noted the median existing-home price for all housing types in September was $311,800, up 14.8 percent from September 2019 ($271,500), as prices rose in every region. September's national price increase marks 103 straight months of year-over-year gains.

Stock Market – Rough Last Week of October

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.

As of this writing, the DOW is now in negative territory, off about 7 percent year-to-date, and down approximately 3 percent from a year ago. The NASDAQ, heavily composed of tech stocks, continues to be the strongest performer and is up 22 percent year-to-date and about 32 percent from a year ago. The S&P 500 has risen about one percent year-to-date and 7 percent from a year ago.

Charts for the three major stock indices follow.

DOW

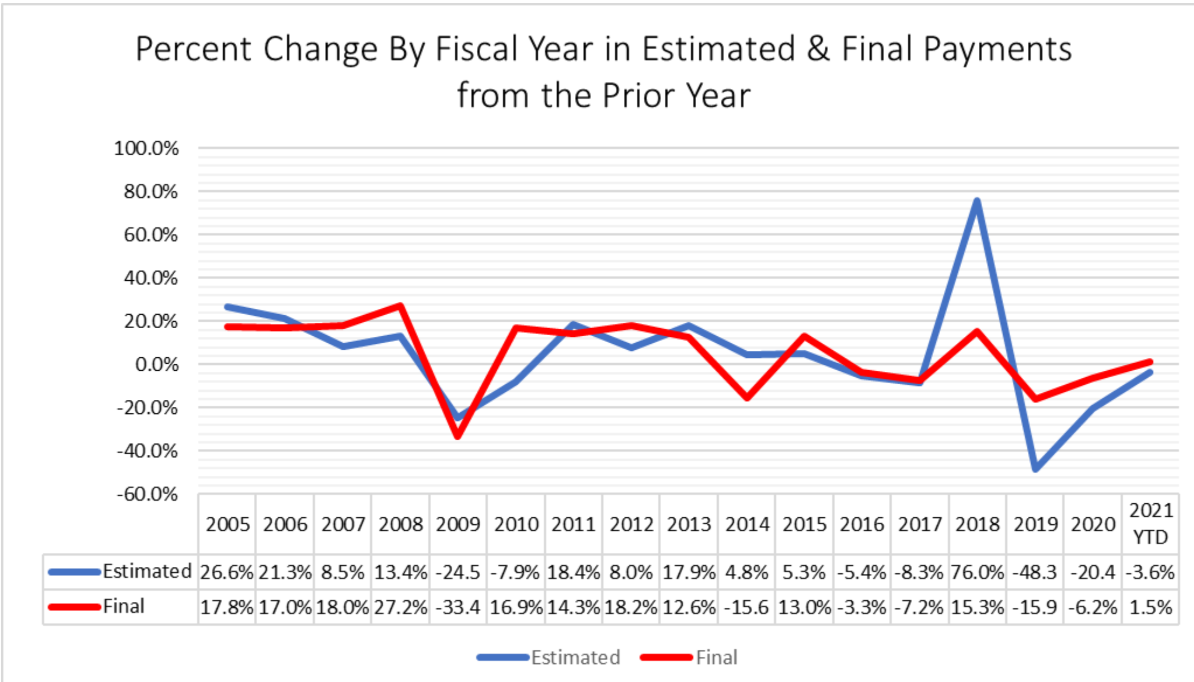
NASDAQ

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 same period a year ago. Preliminary estimates for the first quarter of FY 2021indicate better than expected results for estimated payments through September 2020.



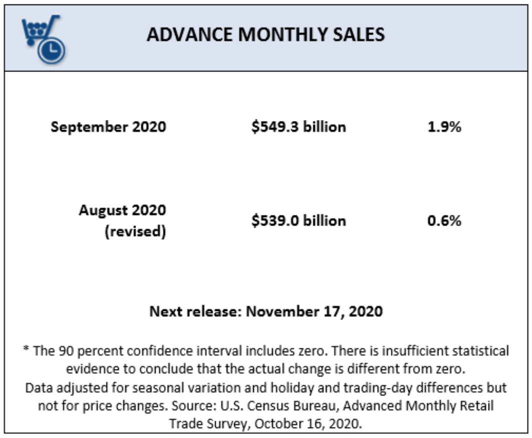
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 YTD
Estimated	26.6%	21.3%	8.5%	13.4%	-24.5	-7.9%	18.4%	8.0%	17.9%	4.8%	5.3%	-5.4%	-8.3%	76.0%	-48.3	-20.4	-3.6%
Final	17.8%	17.0%	18.0%	27.2%	-33.4	16.9%	14.3%	18.2%	12.6%	-15.6	13.0%	-3.3%	-7.2%	15.3%	-15.9	-6.2%	1.5%

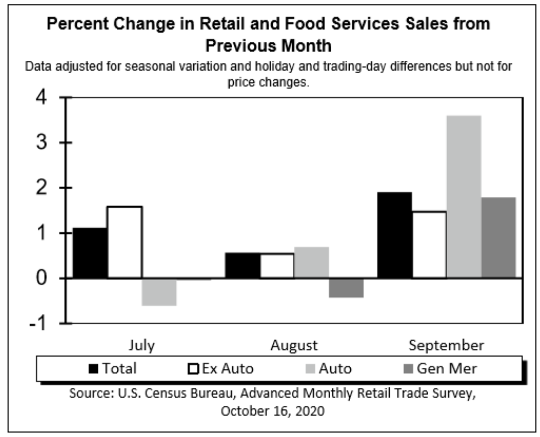
Consumer Spending

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

On October 16th, the Commerce Department reported that U.S. advance retail sales increased by a healthy 1.9 percent in September, growing faster than many economists had expected. Clothing and accessories led the way, increasing 11 percent, followed by sporting goods and hobby shops, which advanced 5.7 percent. Auto dealers and parts suppliers were up a strong 3.6 percent, while sales at restaurants and bars grew 2.1 percent. Electronics and appliances was the only major sector that was negative for the month, dropping 1.6 percent from August.

So-called core retail sales grew 1.4 percent in September, after declining a revised 0.3 percent in August. This category excludes automobiles, gasoline, building materials and food services.



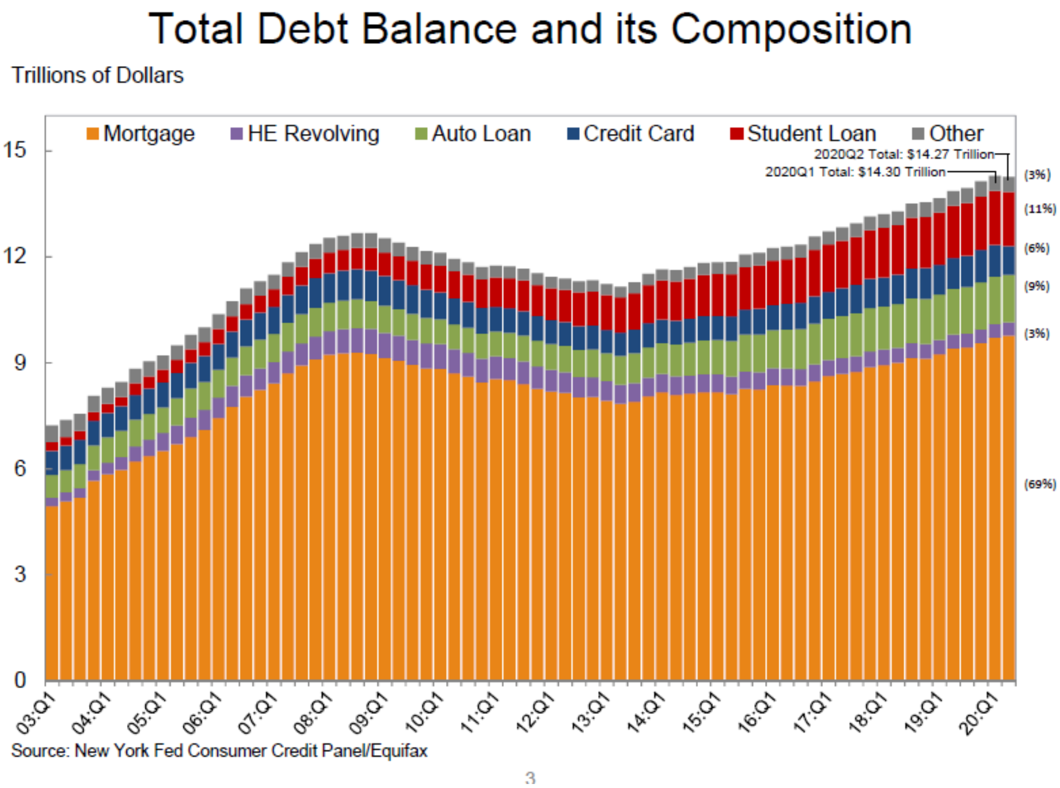


Consumer Debt and Savings Rates

According to the Federal Reserve Bank of New York, aggregate household debt balances declined in the second quarter of 2020. The drop was the first decline since the second quarter of 2014 and the largest decline since the second quarter of 2013.

In the second quarter of 2020, total household debt decreased by $34 billion (0.2 percent) to $14.27 trillion. The total balance is still $1.59 trillion higher, in nominal terms, than the previous peak of $12.68 trillion in the third quarter of 2008.The report titled "Quarterly Report on Household Debt and Credit" noted mortgage balances – the largest component of household debt – stood at $9.78 trillion during the second quarter of 2020, a $63 billion increase from the first quarter of 2020. At $1.54 trillion, student loans were the second largest category of household debt. The Federal Reserve reported that student loan balances increased by a slight $2 billion, but this reflected a wide application of CARES Act-related forbearances on federal student loans and interest waivers. Balances on home equity lines of credit (HELOC), continuing their downward trend since 2009, declined by $11 billion to $375 billion. Auto loans remained roughly flat, but credit card balances declined sharply in the second quarter, by a total of $76 billion. This represented the steepest decline in credit card balances in the history of the Federal Reserve's data, which the bank attributed to sharp declines in consumer spending due to the COVID-19 pandemic and related social distancing orders.

The Federal Reserve reported aggregate delinquency rates dropped markedly in the second quarter, reflecting increased uptake of forbearances, which were provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Mortgages, credit cards, student and auto loans all showed lower transition rates into delinquency, likely reflecting the impact of government stimulus programs and various forbearance options for troubled borrowers. The report noted approximately 7.0 percent of aggregate student debt was 90+ days delinquent or in default in the second quarter 2020 compared with 10.8 percent in the first quarter. The Federal Reserve attributed the sharp decline in student debt delinquency to a U.S. Department of Education decision to automatically qualify all federal student loans for CARES Act forbearances and report their status as current.



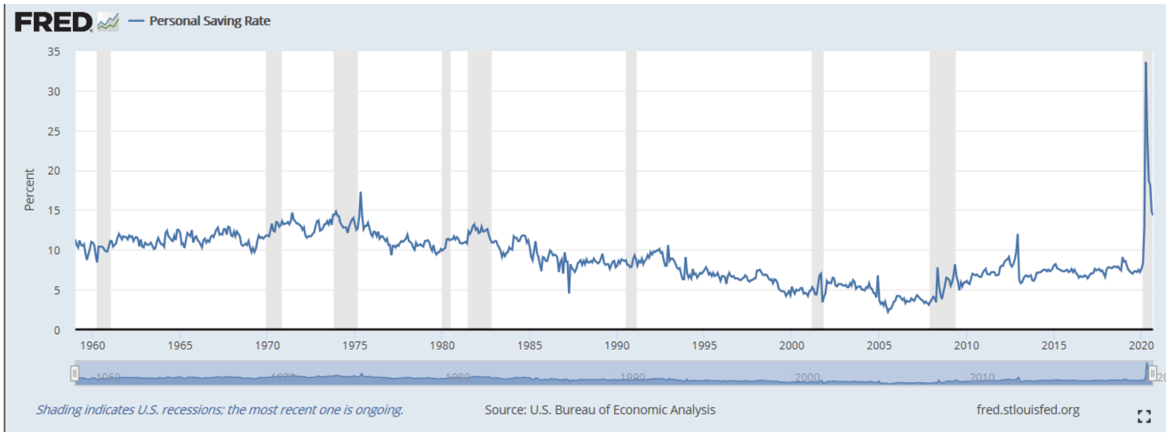
However, the Federal Reserve also warns that the various relief efforts provided through the CARES Act have provided temporary protection, but "may also mask the very real financial challenges that Americans may be experiencing as a result of the COVID-19 pandemic and the subsequent economic slowdown."

The full report can be accessed at the following link:
https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2020Q2.pdf

The Federal Reserve's household debt report for the third quarter of 2020 will be released in November 2020.

Personal Savings Rate

In its October 30th release, the Bureau of Economic Analysis (BEA) reported the personal-saving rate was 14.3 percent in September, down from a revised 14.8 percent in August. 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.



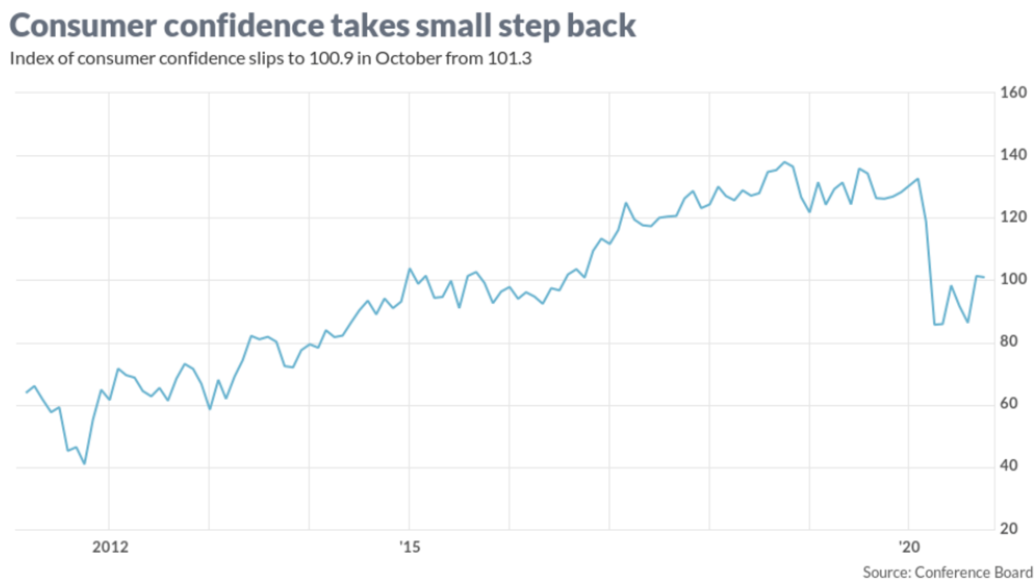
In September, personal income increased $170.3 billion (0.9 percent) and disposable personal income decreased $150.3 billion (0.9 percent), while personal consumption expenditures grew by 1.4 percent. BEA noted the increase in personal income in September reflected increases in proprietors' income, compensation of employees, and rental income of persons that were partly offset by a decrease in government social benefits, including unemployment benefits.

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 – Slight Step Back in 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.

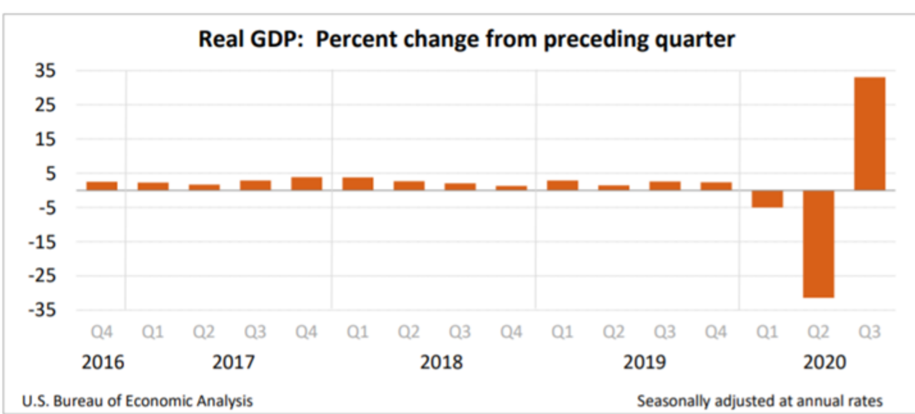
The Conference Board reported that the Consumer Confidence Index declined slightly in October after a sharp increase in September. The Index now stands at 100.9, down from 101.3 in September. As the chart below illustrates, the index has partially recovered from the lows from the COVD-19 shutdowns in March and April but is still well below its pre-pandemic levels.



The October survey showed mixed results. 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 improved in October, but future expectations declined. This was driven primarily by more pessimism about the short-term outlook for the job market. The Conference Board's Lynn Franco, Senior Director of Economic Indicators, concluded "There is little to suggest that consumers foresee the economy gaining momentum in the final months of 2020, especially with COVID-19 cases on the rise and unemployment still high."

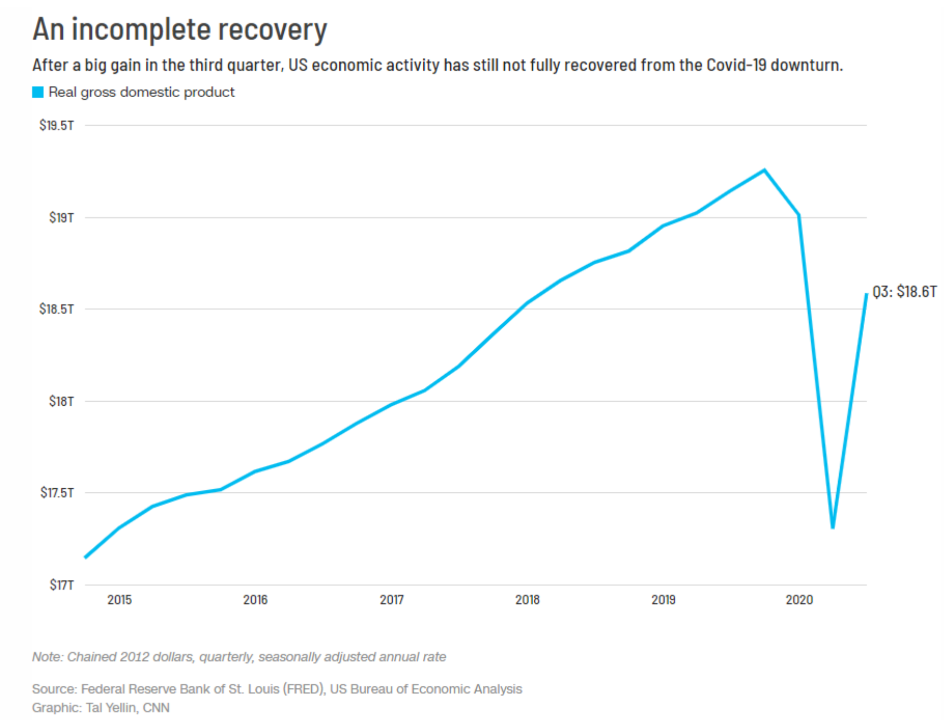
Business and Economic Growth - Rebound in 3rd Quarter GDP

According to an October 29th 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 advance 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%).

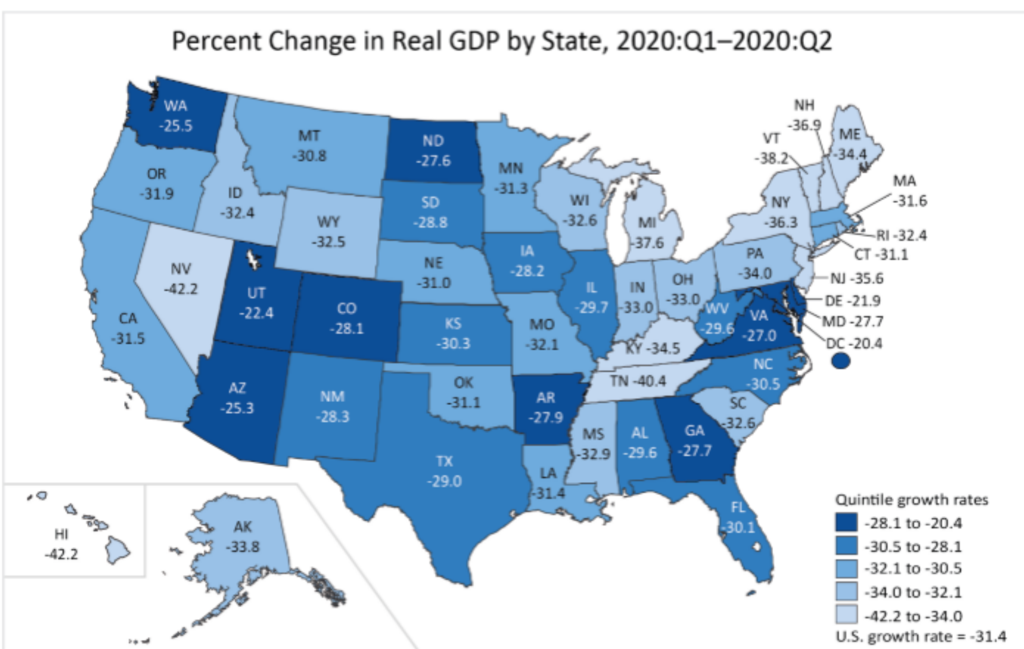
Other highlights from the release included the following industry-level results:

- 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.

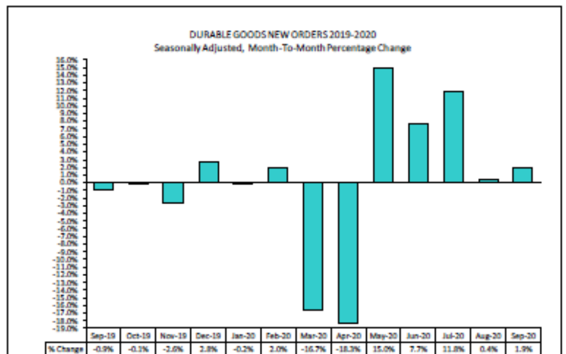


U.S. Bureau of Economic Analysis

Durable Goods

According to an October 27th report by the U.S. Department of Commerce, new orders for manufactured durable goods increased $4.3 billion in September or 1.9 percent to $237.1 billion. This increase, up now for five consecutive months, followed a slight 0.4 percent increase in August. Transportation, which has shown growth in 4 of the last 5 months, led the increase in September, growing 4.1 percent to $76.8 billion. Analysts reported the strong third quarter was partly due to fiscal stimulus aimed at addressing the COVID-19 pandemic.

Data adjusted for seasonal variation but not for price changes.
°Statistical significance is not measurable for this survey. The Manufacturers' Shipments, Inventories, and Orders estimates are not based on a probability sample, so the sampling error of these estimates cannot be measured nor can the confidence intervals be computed.
Source: U.S. Census Bureau, Manufacturers' Shipments, Inventories and Orders, October 27, 2020.



Source: U.S. Census Bureau, Manufacturers' Shipments, Inventories, and Orders, October 27, 2020.

New orders for automobiles were strong, growing 1.5 percent in September. On the downside, electrical equipment, appliances and components declined 2.0 percent.

Orders for so called core capital goods rose 1.0 percent in September, after growing 2.1 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 for the third quarter, 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.

***** END *****