News from
COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO PROJECTS $1.87 BILLION DEFICIT AS ECONOMIC DISPARITIES PERSIST

Comptroller Kevin Lembo today, in his monthly financial and economic update, projected a deficit of $1.87 billion for Fiscal Year 2021, noting disparities in the effects of the ongoing pandemic.

"The COVID-19 pandemic has been universally disruptive but not everyone is feeling its effects equally," said Comptroller Lembo. "Data continues to show that job losses are concentrated in low-wage industries. As federal assistance has disappeared, millions are facing housing and food insecurity and the rates of each are higher for Black and Latino households."

Illustrating these disparities, Connecticut's housing market had a very strong month with significant increases in new listings, sales and median price for single-family homes. The average time on the market decreased by eight percent from the same period last year. Yet a recent study by the Center for Budget and Policy Priorities shows 17 percent of American renters report being behind on their rent payments, including 25 percent of renting households with children.

Lembo repeated his call for additional federal aid for Connecticut residents, including housing and food assistance as well as reinstatement of the $600 weekly supplemental unemployment benefit.

"Families in Connecticut and across this country are experiencing hardship through no fault of their own and the situation could get worse before it gets better," said Lembo. "The relief programs offered so far have worked. Now is no time to abandon those who need help the most."

In a letter to Gov. Ned Lamont, Lembo noted that Connecticut's revenue picture has improved slightly since last month's forecast but data is still limited at this point in the fiscal year and continued budgetary caution is required. After Fiscal Year 2020 closed with a small budget surplus, the state's Budget Reserve Fund ("Rainy Day Fund") reached its statutory cap in September and will serve as an important resource in weathering continued economic uncertainty.

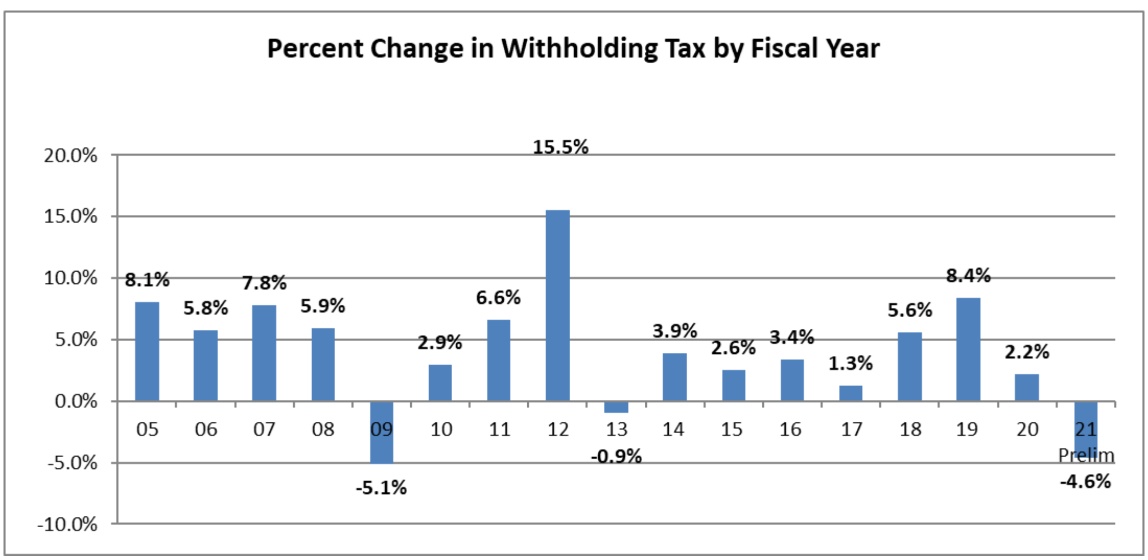
"The economic shockwaves of the pandemic are still rippling through all sectors of the economy," said Lembo. "I'm confident that Connecticut will emerge stronger on the other side, but it will take a focused and collaborative effort to stabilize state finances and protect our most vulnerable residents."

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

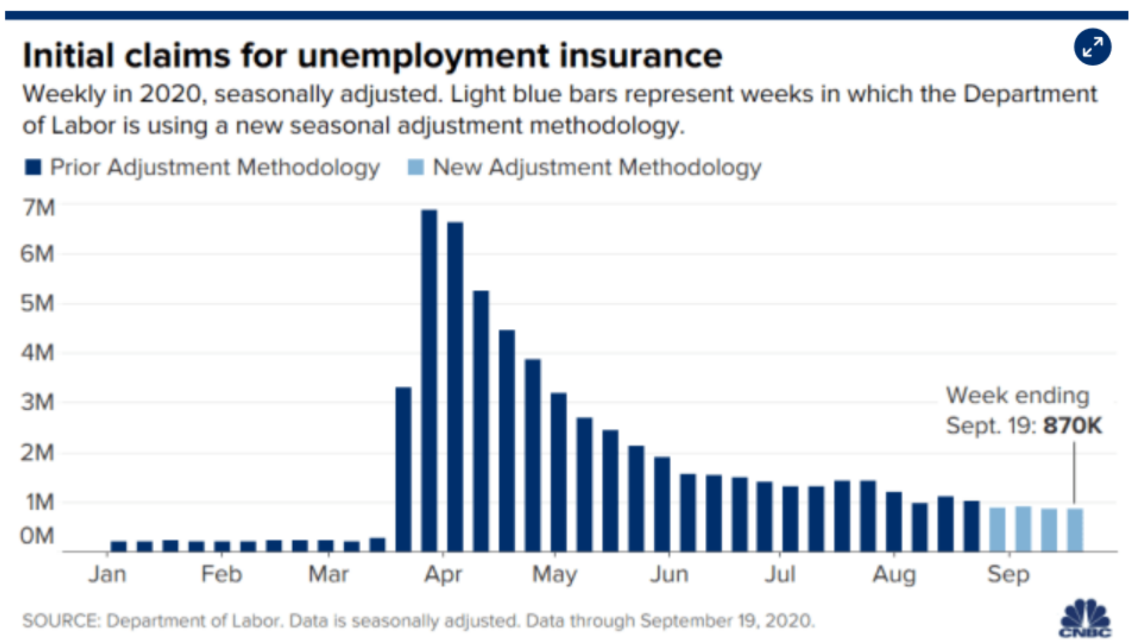
The withholding portion of the income tax is the largest single General Fund revenue source. Unaudited results for FY 2020 showed withholding receipts came in 2.2 percent above FY 2019 levels, but below the percent growth rate built into the FY 2020 budget plan. Initial projections for FY 2021 have withholding collections declining by 4.6 percent versus FY 2020 levels.



COVID-19 Related Job Losses

Throughout August and into September, the nation continued seeing high levels of initial unemployment insurance (UI) claims. For the week ending September 19th the U.S. Bureau of Labor Statistics (BLS) reported that seasonally adjusted initial claims totaled 870,000. This represents an increase of 10,000 from the 860,000 initial UI claims reported in the previous week and is four times higher than 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. Initial UI claims were higher than expected as the labor market continues its sluggish recovery. CNBC reported economists polled by Dow Jones had expected first-time claims to be 850,000. Both economists and health-care professionals worry that a resurgence in Covid-19 cases could stall or reverse the gains the economy has seen in recent months.



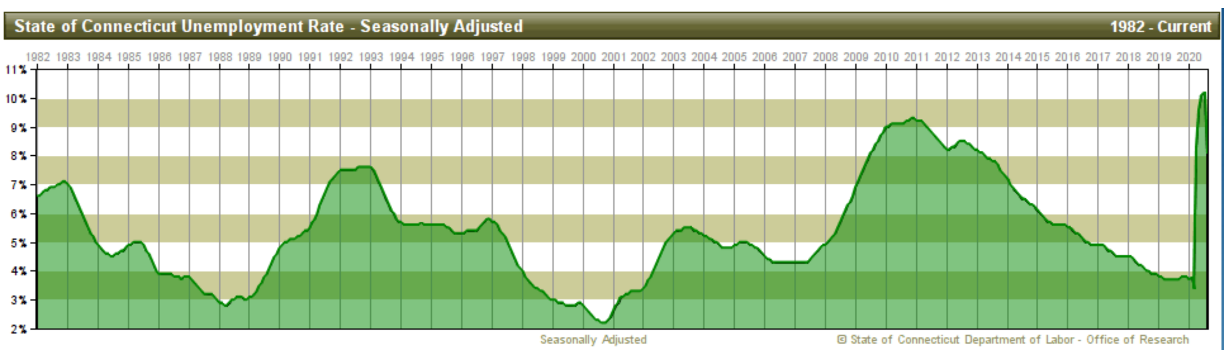
Continuing UI claims, for those who have been collecting for at least two weeks, declined by 167,000 to 12.58 million for the week ending September 12th. This measure gives a clearer picture of how many workers are still unemployed. As expanded unemployment benefits run out, with no agreement in sight for an extension, the number of continuing UI claims remains persistently high.

Connecticut – Job Growth in August; Unemployment Still Historically High

Connecticut has also experienced historic levels of employment losses this spring, although has recently reversed that trend and began recovering some jobs back.

On September 17th, Connecticut Department of Labor (DOL) reported the preliminary Connecticut nonfarm job estimates for August 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 20,400 net jobs (1.3%) to a level of 1,566,600 seasonally adjusted. At the same time, the July 2020 job gain of 26,500 was revised upward by an additional 5,800 jobs.

Connecticut experienced another solid month of job growth in August, but DOL noted the pace has slowed since June's increase of 77,300. There is still a long way to go to recover the unprecedented level of employment losses caused by the COVID-19 pandemic. The largest job growth in August was seen in health care & social assistance, leisure & hospitality, and trade & transportation. DOL also reported the government sector also gained ground in August, largely due to Federal jobs related to the Census.



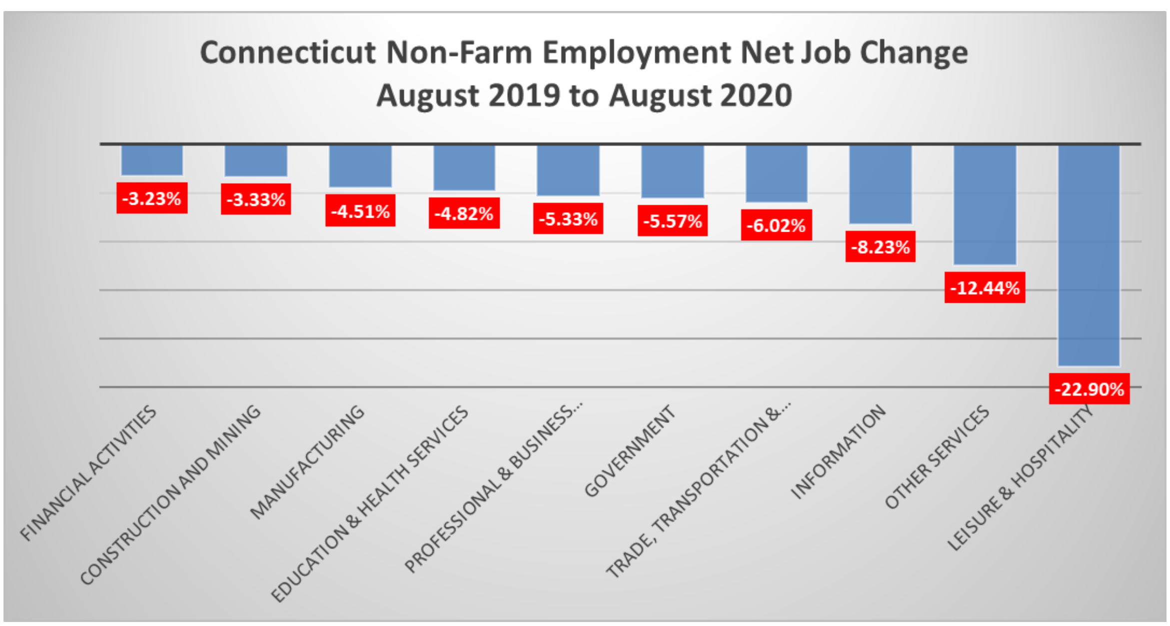
Despite recent gains, Connecticut's employment level is still significantly down on a year-over-year basis. Compared with August 2019, nonagricultural jobs in the state fell by 118,700 (-7.0%) seasonally adjusted. Connecticut's official unemployment rate stood at 8.1 percent in August, but DOL cautioned 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 August 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 14-15 percent for the mid-July to Mid-August period. DOL notes this higher estimate was made using Connecticut residential unemployment insurance claims and adding a similar factor for the unemployed self-employed population. By comparison, the official US jobless rate in August 2020 was 8.4 percent, although analysts noted that rate was likely understated due to the data collection issues noted above.

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

Payroll Employment Trend				
August 2020 Versus August 2019				
Sector	**Aug 2020 (P)**	**Aug 2019**	**Gain/Loss**	**% Change**
Construction and Mining	58,000	60,000	-2,000	-3.3%
Manufacturing	154,700	162,000	-7,300	-4.5%
Trade, Transportation & Utilities	274,800	292,400	-17,600	-6.0%
Information	29,000	31,600	-2,600	-8.2%
Financial Activities	119,800	123,800	-4,000	-3.2%
Professional & Business Services	207,900	219,600	-11,700	-5.3%
Education & Health Services	322,100	338,400	-16,300	-4.8%
Leisure & Hospitality	121,200	157,200	-36,000	-22.9%
Other Services	57,000	65,100	-8,100	-12.4%
Government	222,100	235,200	-13,100	-5.6%
Total Connecticut Non-Farm Employment	**1,566,600**	**1,685,300**	**-118,700**	**-7.0%**



COVID-19 Tracking Hardship Series – Center for Budget and Policy Priorities

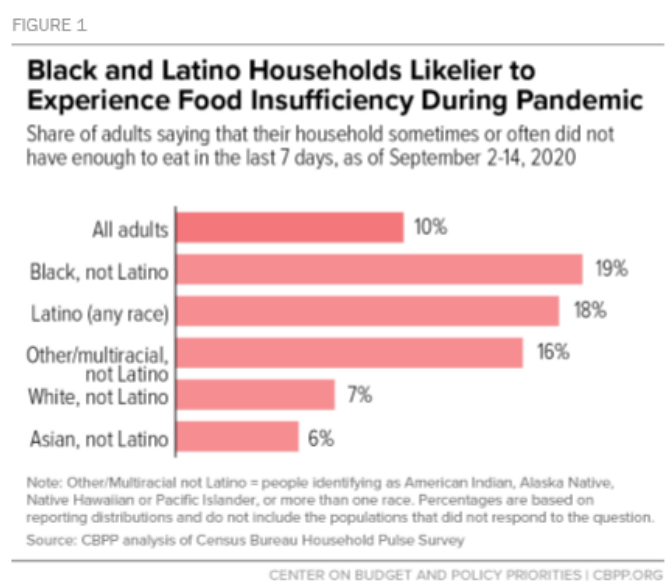
The Center for Budget and Policy Priorities (CBPP) has been using the Census Bureau's Household Pulse Survey and other data sources to track hardships experienced by U.S. households during the COVID-19 pandemic. CBPP's most recent report was published September 23rd and covered the period of September 2-14.

CBPP found that the economic impacts of the pandemic continue to be widespread. Millions of U.S. households are having trouble putting food on the table and are falling behind on paying rent. These findings underscore the need for more Federal relief, such as expanded unemployment benefits to help mitigate these hardships. Without a new relief package, CBPP reports that these problems will grow more severe and endanger children's long-term health and educational outcomes.

CBPP's specific findings from its report include:

Food Hardship – Much higher than pre-pandemic levels

- About 23 million adults — 10.5 percent of all adults — reported that their household sometimes or often had "not enough to eat" in the last seven days. This was several times the pre-pandemic rate: a recent survey released by the Agriculture Department found that 3.7 percent of adults reported that their household had "not enough to eat" over the full 12 months of 2019.
- When asked why, 80 percent said they "couldn't afford to buy more food," rather than non-financial factors such as lack of transportation or safety concerns due to the pandemic.



- Black and Latino adults were more than twice as likely to report that their household didn't get enough to eat (19 percent for Black respondents and 18 percent for Latino respondents) as white respondents (7 percent).
- Adults in households with children were more likely to report that the household didn't get enough to eat, 14 percent, compared to less than 8 percent for households without children.

Housing Hardship – Difficulty Paying Rent

- An estimated one in six adult renters — or 17 percent — reported that they lived in a household that was not caught up on rent. That translates to roughly 13 million renters after adjusting for underreporting in the Pulse survey.
- Renters of color were more likely to report that their household was not caught up on rent: about 1 in 4 Black (25 percent) and Asian (24 percent) renters and 1 in 5 Latino (22 percent) renters said they were not caught up on rent, compared to just 1 in 9 white (12 percent) renters.
- Households with children were twice as likely to be facing challenges paying rent than households without children. Some 25 percent of renters who are parents or otherwise live with children are not caught up on rent, compared to 12 percent of adults not living with anyone under age 18.

Job Losses - Concentrated in Low-Paid Industries

- Some 35 million people either met the official definition of "unemployed" (meaning they actively looked for work in the last four weeks or were on temporary layoff) or lived with an unemployed family member in August. This figure includes 9 million children.
- Job losses are heavily concentrated among workers in low-paid industries and among workers who do not have a four-year college degree. For example, the number of people aged 25 and over with a job fell by 2.5 percent between February and August for those with a four-year college degree, but by 10.9 percent for those with a high school diploma who lacked any college education.
- Because lower-paid workers use most of their earnings to pay the bills, these workers entered the crisis with lower savings that they can use to weather the crisis than higher-income workers did.

CBPP notes that relief efforts enacted earlier this year mitigated hardship during the pandemic, but the aid was temporary and had significant shortcomings. Therefore, CBPP recognizes the need for substantial, continued relief measures to alleviate hardships like hunger, eviction, and homelessness, especially in households with children.

The full report from CPBB can be found at:
https://www.cbpp.org/sites/default/files/atoms/files/9-23-20pov.pdf

Income and Salary

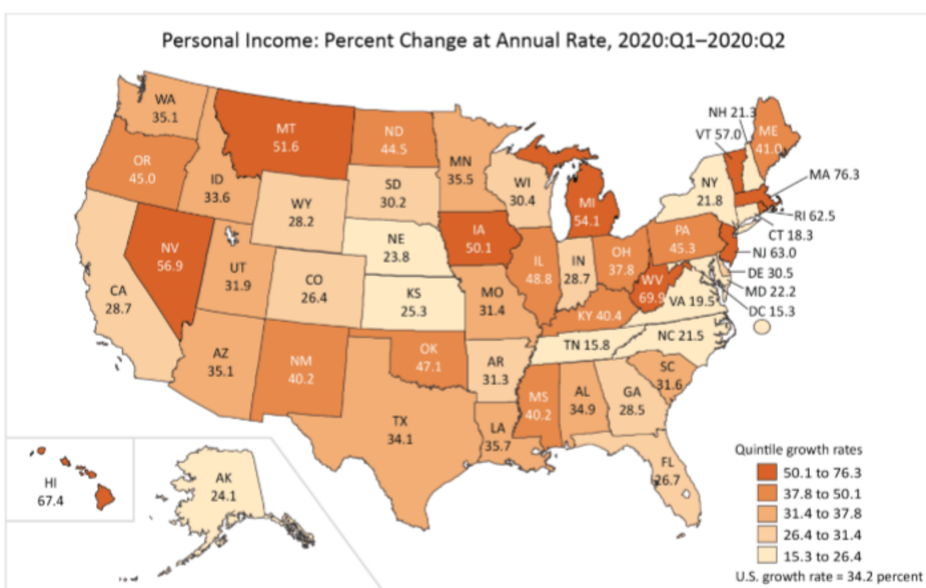
August 2020 average hourly earnings at $33.81, not seasonally adjusted, not seasonally adjusted, were up $1.32 (4.1%) from the August 2019 estimate ($32.49). The resultant average private sector weekly pay amounted to $1,163.06, up $61.65 from a year ago (5.6%). However, DOL warns that due to fluctuating sample responses, private sector earnings and hours estimates can be volatile from month-to-month. In addition, the data may reflect that Connecticut's pandemic-related job losses are concentrated in the lower paying service sector, thus raising average earnings.

The 12-month percent change in the Consumer Price Index for All Urban Consumers (CPI-U, U.S. City Average, not seasonally adjusted) in August was a modest 1.7 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.

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.



U.S. Bureau of Economic Analysis

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, economists are calling for more Federal help to speed the recovery and avoid further long-term damage to the economy. Recent Congressional testimony from Federal Reserve Chairman, Jerome Powell, emphasizes this point:

> *"Both employment and overall economic activity, however, remain well below their pre-pandemic levels, and the path ahead continues to be highly uncertain. The downturn has not fallen equally on all Americans; those least able to bear the burden have been the most affected. The rise in joblessness has been especially severe for lower-wage workers, for women, and for African-Americans and Hispanics. This reversal of economic fortune has upended many lives and created great uncertainty about the future.*
>
> *A full recovery is likely to come only when people are confident that it is safe to reengage in a broad range of activities. The path forward will depend on keeping the virus under control, and on policy actions taken at all levels of government."*

Housing

Berkshire Hathaway HomeServices reported very strong results for the Connecticut housing market in August 2020 compared with August 2019. Sales of single-family homes increased by 21.53 percent, with the median sale price increasing by 17.97 percent. Continuing a trend from the last two months, new listings were up 18.59 percent in Connecticut. The median list price rose 16.92 percent to $344,900. At the same time, average days on the market decreased 8.45 percent in August 2020 compared to the same month in the previous year (65 days on average compared with 71 in August 2019).

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

MARKET SUMMARY

AUGUST 2020 | SINGLE FAMILY HOMES

Market Summary	Month to Date			Year to Date		
	August 2020	August 2019	Percent Change	Year-To-Date 2020	Year-To-Date 2019	Percent Change
New Listings	5232	4412	18.59% ▲	37811	41642	-9.2% ▼
Sold Listings	4877	4013	21.53% ▲	26038	24803	4.98% ▲
Median Listing Price	$344,900	$295,000	16.92% ▲	$300,000	$279,900	7.18% ▲
Median Selling Price	$340,000	$288,200	17.97% ▲	$300,000	$273,000	9.89% ▲
Median Days on Market	36	51	-29.41% ▼	47	54	-12.96% ▼
Average Listing Price	$567,767	$438,255	29.55% ▲	$480,009	$419,800	14.34% ▲
Average Selling Price	$560,150	$422,003	32.74% ▲	$465,480	$403,734	15.29% ▲
Average Days on Market	65	71	-8.45% ▼	77	79	-2.53% ▼
List/Sell Price Ratio	101.5%	97.4%	4.19% ▲	98.6%	97.5%	1.09% ▲

For the U.S. housing market, the National Association of Realtors (NAR) reported existing-home sales continued its upward trend in August 2020, representing three 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 2.4 percent from July to a seasonally adjusted annual rate of 6.00 million in August. As noted, sales were also up year-over-year, growing 10.5 percent from a year ago (5.43 million in August 2019).

Nationally, home prices have remained strong during the pandemic. NAR noted the median existing-home price for all housing types in August was $310,600, up 11.4 percent from August 2019 ($278,800), as prices rose in every region of the country. August’s national price increase marks 102 straight months of year-over-year gains.

Stock Market – Tough September after Strong August

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 have taken a step back in September.

The stock market's performance is much different than that of the larger economy, which still has not fully recovered from the ongoing pandemic. Unemployment levels are still at historically high levels and many businesses remained closed, some permanently.

As of this writing, the DOW is down 2.6 percent year-to-date, but up approximately 3.2 percent from a year ago. The NASDAQ, heavily composed of tech stocks, has been the strongest performer and is up over 24.4 percent year-to-date and about 40 percent from a year ago. The S&P 500 has risen 4.1 percent year-to-date and almost 13 percent from a year ago.

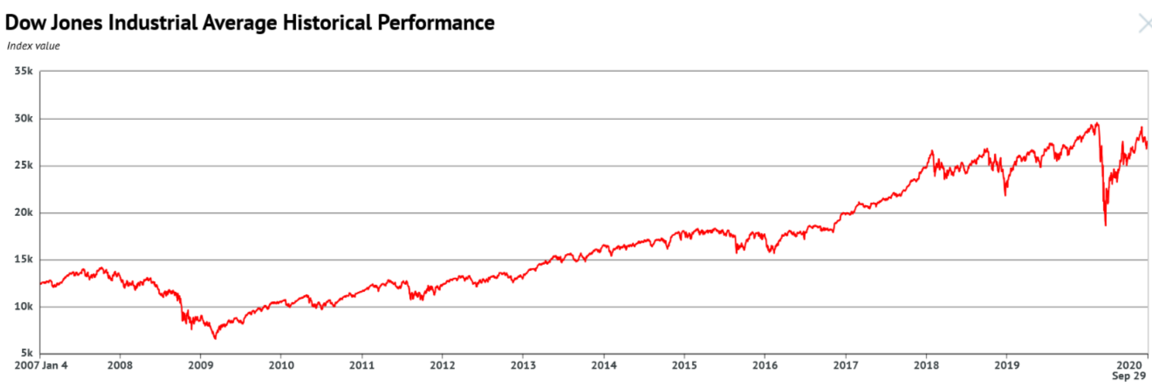
Charts for the three major stock indices follow.

DOW

NASDAQ

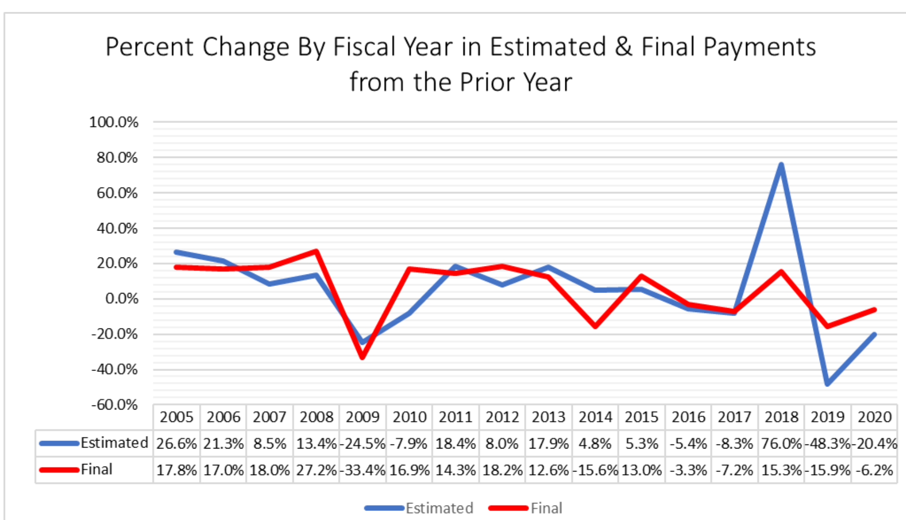
S&P 500 INDEX

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
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%
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%

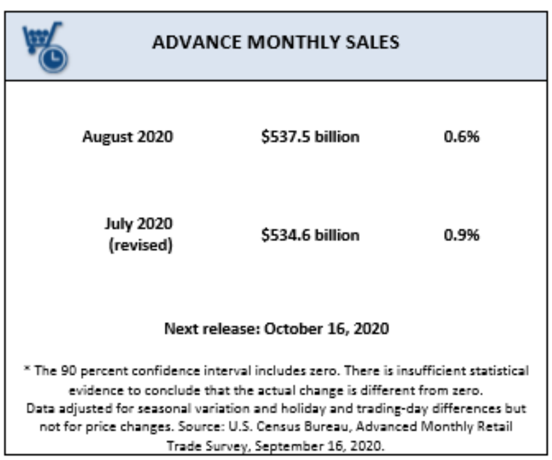
Consumer Spending

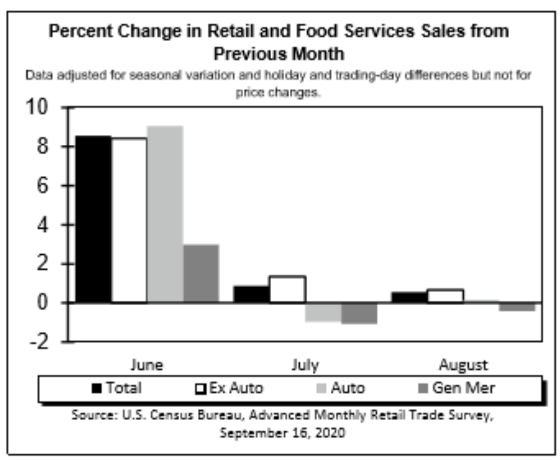
Consumer spending is the main engine of the U.S. economy, accounting for more than two-thirds of total economic output.
On September 16th, the Commerce Department reported that U.S. advance retail sales increased by 0.6 percent in August, in part due to higher gasoline prices. Growth slowed from July's 0.9 percent rate, which some analysts attributed to the expiration of supplemental unemployment benefits at the end of July.

On the positive side, clothing and accessory stores saw a 2.9 percent gain in August, while furniture retailers were up 2.1 percent. Sales at restaurants and bars grew 4.7 percent and receipts at electronics and appliance stores rose 0.8 percent. On the downside, sporting goods and hobby shops declined 5.7 percent and food and beverage stores saw a 1.2 percent drop.

So-called core retail sales fell 0.1 percent in August, after rising 0.9 percent in July. This category excludes automobiles, gasoline, building materials and food services. CNBC reported economists polled by Reuters had forecast core retail sales rising 0.5 percent in August.

Analysts noted the emerging economic recovery is being threatened by a resurgence in new Covid-19 infections in parts of the United States and continued high levels unemployment nationwide. Consumer spending had been supported in part by expanded unemployment benefits, including an additional $600 per week. However, economists estimate the reduced unemployment benefits cut income by about $70 billion in August



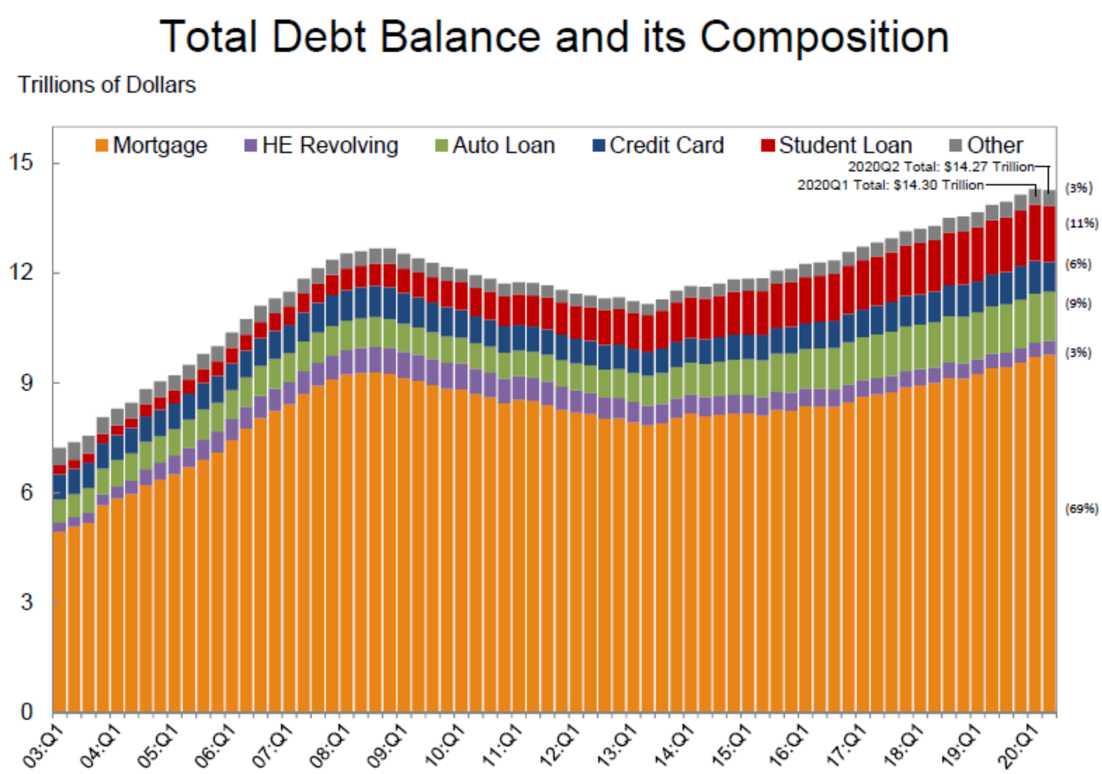


Consumer Debt and Savings Rates

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.



Source: New York Fed Consumer Credit Panel/Equifax

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.

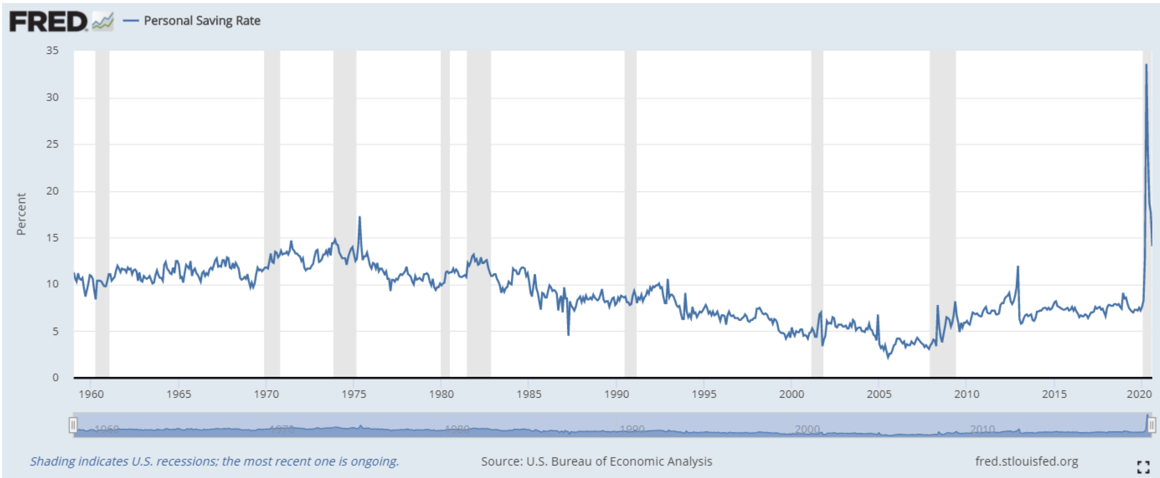
However, the Federal Reserve also warns that the various relief efforts provided through the CARES Act have provided temporary protection, but "may also mask the very real financial challenges that Americans may be experiencing as a result of the COVID-19 pandemic and the subsequent economic slowdown."

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

Personal Savings Rate

In its October 1st release, the Bureau of Economic Analysis (BEA) reported the personal-saving rate was 14.1 percent in August, down from a revised 17.7 percent in July. 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 August, personal income decreased $543.5 billion (2.7 percent) and disposable personal income decreased $570.9 billion (3.2 percent), while personal consumption expenditures grew by 1.0 percent. BEA noted the decline in person income was due to a decrease in unemployment benefits, which more than accounted for the drop in August. The primary factor was the July 31 expiration of the Federal Pandemic Unemployment Compensation program, which provided a temporary weekly supplemental payment of $600 for those receiving 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 – Unexpected Increase in September

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.

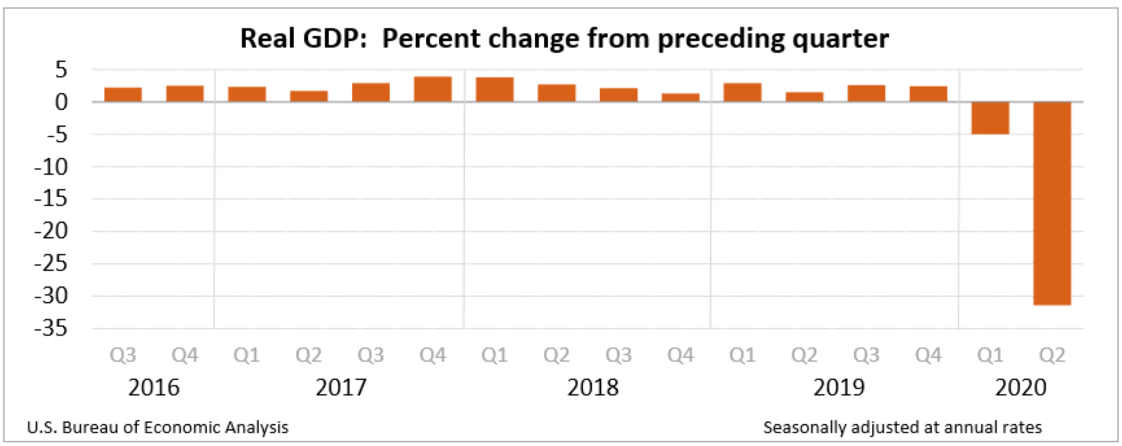
The Conference Board reported that the Consumer Confidence Index increased to a post pandemic high in September, after two consecutive months of decline. The Index now stands at 101.8, up from 86.3 in August. This increase was better than economists expected.

Consumers had a more favorable view of current business and labor market conditions in September, coupled with renewed optimism about the short-term outlook. The Conference Board noted this greater optimism about short-term financial prospects may help keep consumer spending from slowing down further in the months ahead.

Business and Economic Growth - Historic Drop in Quarterly GDP

According to a September 30th report from the Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) decreased at an annual rate of 31.4 percent in the second quarter of 2020, according to BEA's third estimate. This represents the steepest quarterly decline on record, reflecting the significant economic fallout of the coronavirus pandemic. By comparison, the worst quarter during the Great Recession was an 8.4 percent drop in GDP in the fourth quarter of 2008. In the first quarter of 2020, real GDP decreased 5.0 percent.

BEA reported the sharp decline in real GDP reflected decreases in personal consumption expenditures (PCE), exports, private inventory investment, nonresidential fixed investment, residential fixed investment, and state and local government spending that were partly offset

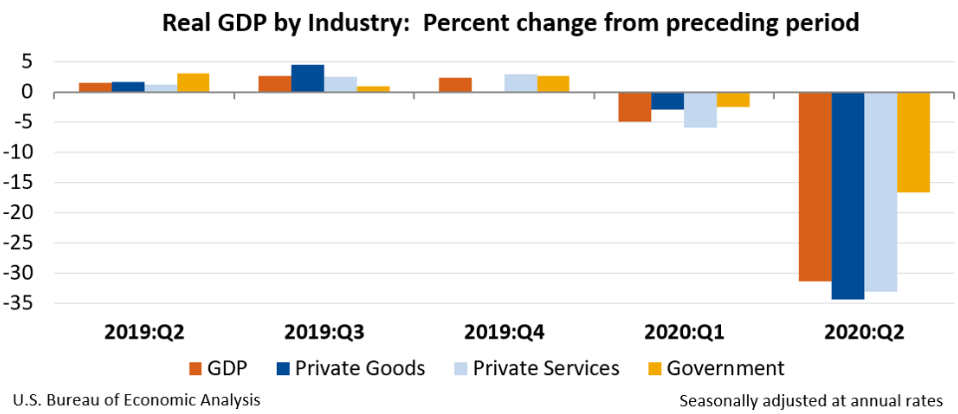


by an increase in federal government spending. Imports, which are a subtraction in the calculation of GDP, decreased.

BEA's report included additional breakdown of GDP by industry. Findings included:

- Private goods-producing industries decreased 34.4 percent, private services-producing industries decreased 33.1 percent, and government decreased 16.6 percent.
- Overall, 20 of 22 industry groups contributed to the second-quarter decline in real GDP.
- Within private goods-producing industries, the leading contributor to the decrease was durable goods manufacturing (led by motor vehicles and parts).
- Within private services-producing industries, the leading contributors to the decrease were accommodation and food services (led by food services and drinking places); health care and social assistance (led by ambulatory health care); transportation and warehousing (led by air transportation); arts, entertainment, and recreation; wholesale trade; and professional, scientific, and technical services.
- Offsetting these decreases was an increase in finance and insurance (led by the securities and banking industries).

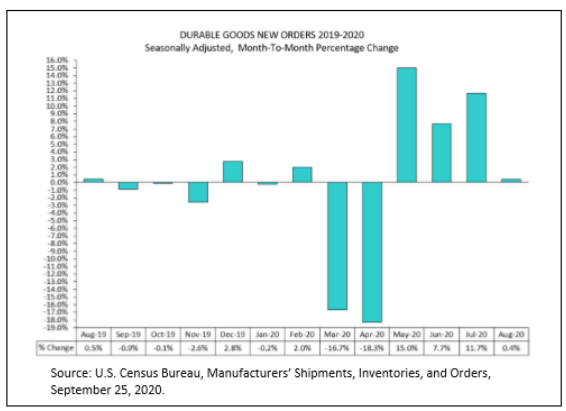
- The decrease in government was accounted for by a decrease in state and local government which was partly offset by an increase in federal government.



BEA will release state-level GDP results for the second quarter of 2020 on October 2nd.

Durable Goods

According to a September 25th report by the U.S. Department of Commerce, new orders for manufactured durable goods increased $1.0 billion in August or 0.4 percent to $232.8 billion. This increase, up now for four consecutive months, followed an 11.7 percent increase in July. However, the growth in August was lower than expected. Economists had projected an increase of 1.5 percent.



Machinery, also up for four consecutive months, lead the increase in August, growing .5 percent to $31.2 billion. On the downside, new orders of motor vehicles and parts decreased 4.0 percent and defense aircraft dropped 6.4 percent.

Orders for so called core capital goods rose 1.8 percent in August. Core capital goods are defined as non-defense capital goods excluding aircraft, which is considered a proxy for business spending. Bloomberg reported the value of core business goods orders climbed to a two-year high in August, boosted by further gains in machinery, computers and communications equipment. The figures suggest the manufacturing sector continues to rebound from its pandemic lows as companies replenish inventories, though the pace of orders growth is decelerating.

***** END *****