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

COMPTROLLER LEMBO PROJECTS $306.9 MILLION SURPLUS, DRAWS ATTENTION TO ISSUES FACING RENTERS AND FIRST-TIME HOMEBUYERS

Comptroller Kevin Lembo today, in his monthly financial and economic update, projected a General Fund surplus of $306.9 million for Fiscal Year 2021 as job gains and a strong housing market continue to drive Connecticut's recovery.

Connecticut added 3,500 jobs in June, the sixth consecutive month of job growth. The state has now recovered 64.6 percent of the jobs lost during the COVID-19 pandemic. Large gains in the leisure and hospitality sector reflect larger economic trends of a renewed market for services. Demand is increasing as consumer behavior rebalances following pandemic-related lockdowns and the subsequent vaccination efforts.

"Overall, the economic signs are positive for Connecticut," said Lembo. "Service industry workers are getting back to work and the continued strength of the housing market and stock market, combined with generous federal aid, have led to increased revenue, supporting the state budget and driving the projected surplus."

Lembo warned that the unpredictability of the delta variant and low vaccination rates in other states could negatively impact both the national and state economies. While inflation concerns also remain, Lembo urged a wait-and-see approach as the pandemic is still creating unique supply and demand issues that may not be signs of more widespread inflation.

Connecticut's housing market continues to thrive. Inventory decreased in June compared to last year but, on average, home sale prices were up over 20 percent while the average time on the market was cut in half. Lembo cautioned against the unintended consequences of the housing boom, however, noting new concerns for renters and first-time homebuyers.

The strong market for home sales is also driving up rental costs across Connecticut. Over 130,000 renters in the state are currently behind on their rent and, with eviction moratoriums expiring, there is a growing concern over housing insecurity.

“Helping renters stay housed should be a critical economic and public health priority,” said Lembo. “If folks are forced into more congregate settings — or worse, homelessness — it will impede our continued efforts to contain the virus and our efforts to support working people and grow the middle class.”

Similarly, Lembo noted that the low inventory of single-family homes and extremely competitive market has left would-be first-time homebuyers behind.

“Connecticut needs to keep young people in our state,” said Lembo. “We’ve made great strides in that effort in recent years, but the rising cost of rent combined with the low availability of affordable homes could threaten that progress. I encourage policymakers to begin working now on potential solutions and not let the unintended consequences of our strong housing market develop into a preventable crisis.”

In a letter to Governor Lamont, Lembo noted that his surplus projection is approximately $35 million greater than the estimate provided by the Office of Policy and Management in July. The difference is attributable to increased revenue projections, most notably an increase in withholding receipts due to recent job growth.

Lembo is forecasting a transfer of approximately $1.2 billion to the state’s Budget Reserve Fund (“Rainy Day Fund”) in addition to the projected surplus. Under Connecticut’s volatility cap, excess revenue in specific volatile categories is held in reserve. Because the fund has already reached its statutory limit, an estimated $1.4 billion is projected to be allocated to pay down unfunded pension liabilities.

“As the last year-and-a-half have demonstrated, the economy can change course quickly and the best thing government can do is to be prepared,” said Lembo. “Building our reserves to capacity not only prevents against future downturns, but the policies put in place will also save taxpayers money in both the short- and long-term.”

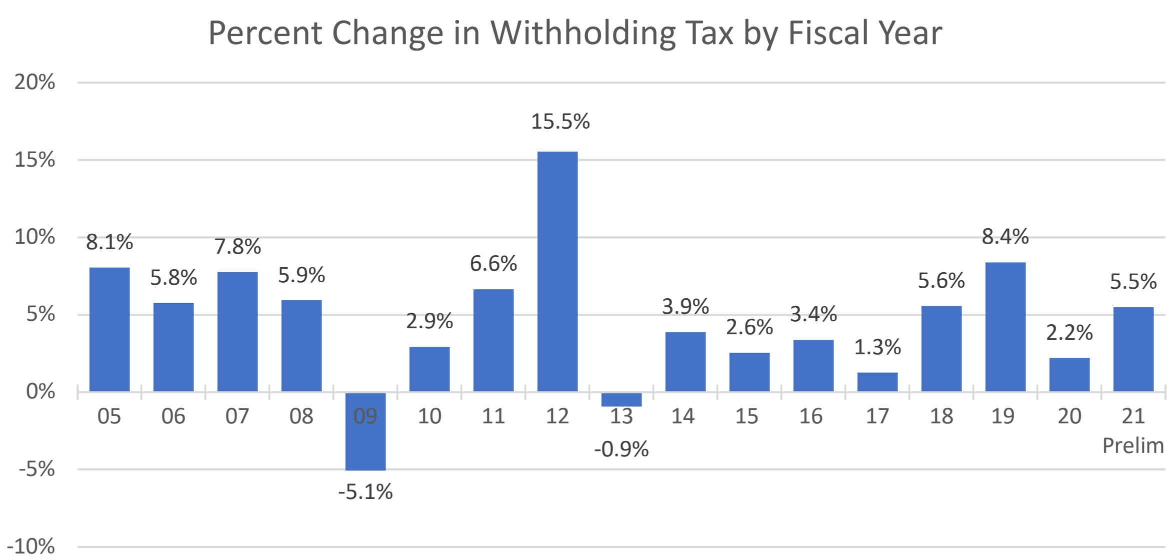
Lembo said that, while the state has marked the beginning of a new fiscal year (2022), year-end adjustments are still being processed for Fiscal Year 2021. Preliminary year-end reporting for Fiscal Year 2021 will be released on Sept. 30 and the final audited report by the end of December.

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 and Withholding Receipts

The withholding portion of the income tax is the largest single General Fund revenue source. Current collection trends for FY 2021 through June show withholding receipts growing by 5.5 percent above FY 2020 levels, another improvement over the previous month. This result coincides with job growth reported by Connecticut Department of Labor (DOL) in recent months. The budget target for withholding represents 4.4 percent growth above FY 2020 realized amounts. Therefore, the current estimate is somewhat conservative based on year-to-date growth over the previous fiscal year. One remaining item to watch for year-end is the statutory accrual process. By law certain tax collections, including income tax withholding, are accrued through the first five business days in August and credited back to the prior fiscal year, in this case FY 2021. Those collections could have a significant impact on year-end results.



National Jobs & Unemployment Picture – Continued Improvement in June

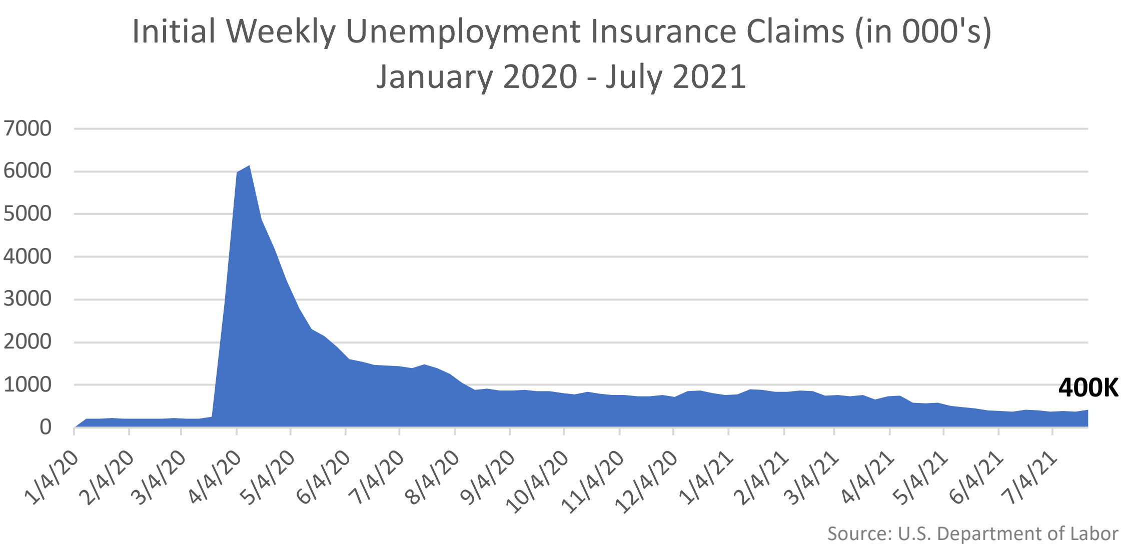
The national jobs and unemployment picture continued to brighten in June amid ongoing COVID-19 vaccination efforts and the further easing of state restrictions on businesses. The Bureau of Labor Statistics (BLS) reported the U.S. added 850,000 jobs in June, a continued improvement from May's revised estimate of +583,000.

Notable job gains in June occurred in leisure and hospitality (food services, drinking places), public and private education, professional and business services, and retail trade.

In June, the national unemployment rate was little changed at 5.9%, still higher than pre-pandemic levels (3.5%). The number of long-term unemployed people (those jobless for 27 weeks or more) increased by 233,000 to 4.0 million, following a decline of 431,000 in May. This long-term unemployed group accounted for 42.1% of the total unemployed people in June.

For the week ending July 24th, BLS reported that seasonally adjusted initial claims totaled 400,000. While still high by historical standards, this represented a decrease of 24,000 from the previous week's level of 424,000.

As can be seen in the graph below, despite clear improvement in initial claims for unemployment insurance, there is still a long way to go for the jobs recovery to reach pre-pandemic levels. Weekly initial UI claims averaged closer to 210,000 before the coronavirus-related shutdowns began a little more than a year ago, about half the current level.



In the same release, BLS reported the total receiving unemployment benefits was approximately 13.16 million for the week ending July 10th, up from 12.57 million the previous week and down from 31.9 million the previous year. This large number still indicates serious, ongoing struggles with unemployment for a significant portion of the population. The totals reported in the chart below do not represent unique individuals, rather the number collecting from all programs.

Continued Weeks Claimed Filed for UI Benefits in All Programs (Unadjusted)

Week Ending	**July 10**	**July 3**	**Change**	**Prior Year**
Regular State	3,259,053	3,125,857	+133,196	16,272,966
Federal Employees	10,568	9,887	+681	14,370
Newly Discharged Veterans	6,758	5,903	+855	13,639
Pandemic Unemployment Assistance	5,246,162	5,133,938	+112,224	13,995,369
Pandemic EmergencyUC	4,233,883	4,134,716	+99,167	1,092,153
Extended Benefits	343,475	98,447	+245,028	108,140
State Additional Benefits	1,199	1,022	+177	2,808
STC/Workshare	55,154	64,079	-8,925	398,908
TOTAL	13,156,252	12,573,849	+582,403	31,898,353

Source: U.S. Department of Labor

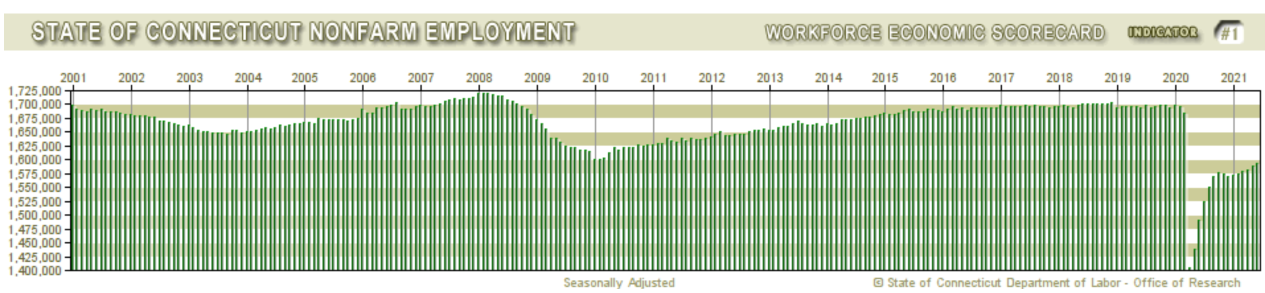
Connecticut Jobs Picture – June Gains Driven by Government Sector

After Connecticut experienced historic levels of employment losses in March and April of 2020, the state began regaining jobs over the following six months. Later in the year, the employment recovery stalled as coronavirus infection rates rose. More recently, new information released by the Connecticut Department of Labor (DOL) indicates the trend has moved in a better direction in the first six months of 2021.

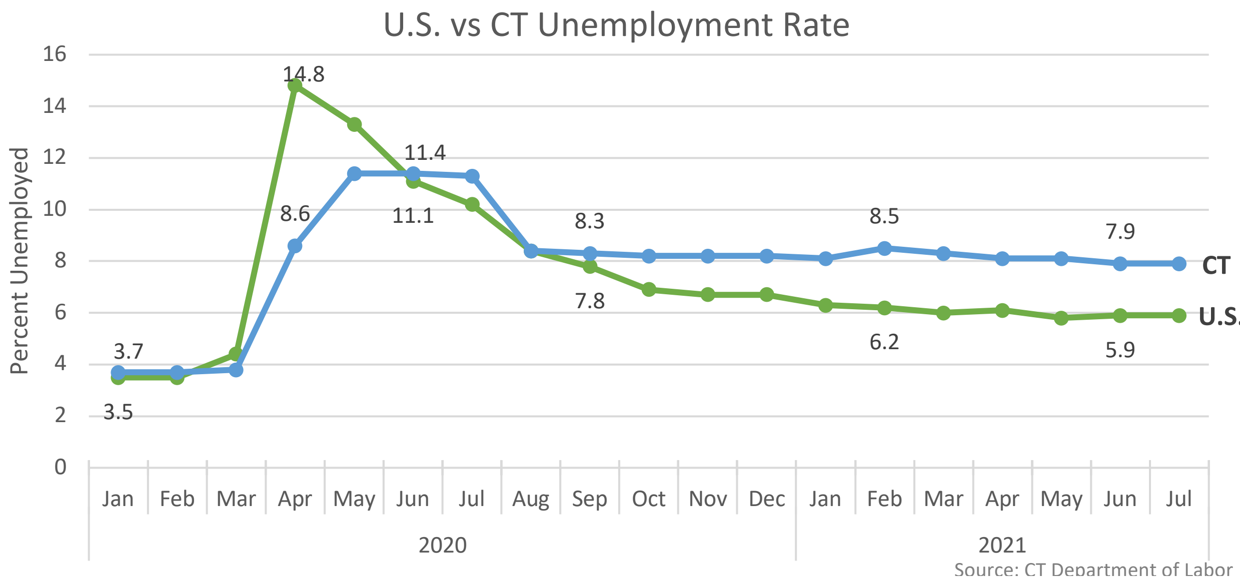
On July 15th, DOL reported the preliminary Connecticut nonfarm job estimates for June 2021 from the business payroll survey administered by the U.S. Bureau of Labor Statistics (BLS). DOL's Labor Situation report showed the state gained 3,500 net jobs (0.2%) in June to a level of 1,592,400 jobs seasonally adjusted. This follows job growth of 8,100 positions in May and represents six consecutive months of employment gains.

DOL noted that four of the ten major industry sectors experienced improvement while six experienced declines in June. Government led the way (+4,100 jobs), followed by other services (+2,400), leisure & hospitality (+1,600) and professional and business services (+200). The sectors that lost jobs in June include trade, transportation & utilities (-1,400), construction & mining (-1,000), financial activities (-700), manufacturing (-700), education & health services (-600) and information (-400). Overall, the government sector gained 4,100 jobs (primarily in local government) while the private sector lost 600. The government sector includes all federal, state, and local employment, including public education and Native American casino employment located on tribal reservation land.

Connecticut reached its pandemic-related employment low in April of 2020. The state's total payroll employment is now 102,000 positions higher than June 2020, representing an increase of 6.8 percent. Connecticut has now recovered 64.6 percent of the 292,400 jobs lost in March and April 2020 due to the COVID-19 lockdown. The DOL graph below illustrates the longer-term trend.



Connecticut's official unemployment rate stood at 7.9 percent in June 2021, down from 8.1 percent a month earlier and 11.4 percent from a year ago.

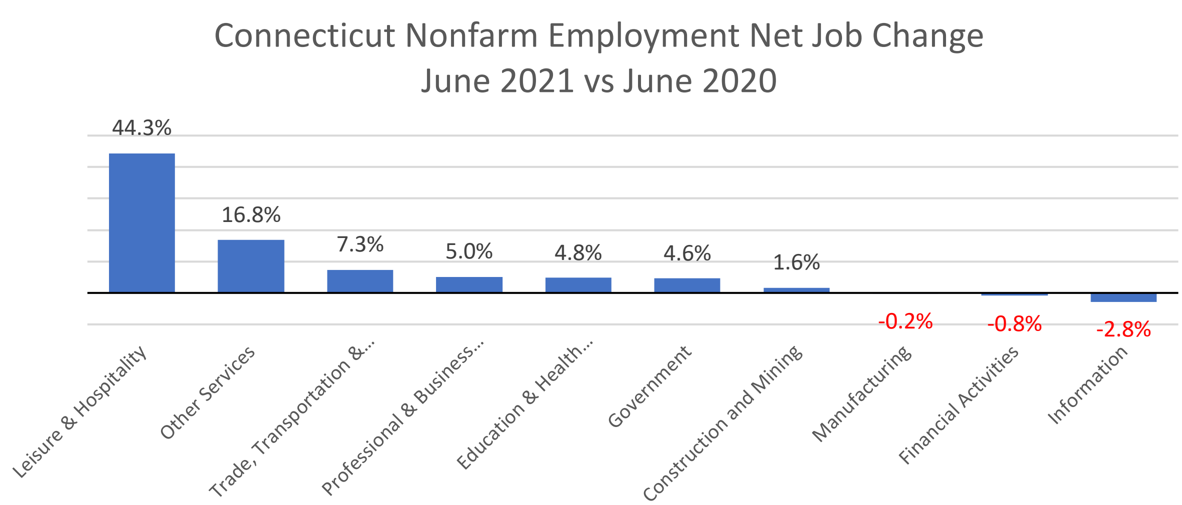


On a year-over-year basis, among the major job sectors listed below, seven experienced gains and three experienced losses. The leisure & hospitality sector, hardest hit during the pandemic, experienced the largest gains on a percentage basis, growing 44.3 percent from a year ago. This was followed by other services (+16.8%) and trade, transportation & utilities (+7.3%). Information, financial activities, and manufacturing sectors lost jobs over the same period.

Nonfarm Employment by Sector: June 2021 vs June 2020

Sector	June 2021 (P)	June 2020 (R)	Gain/Loss	% Change
Construction and Mining	56,900	56,000	900	1.6%
Manufacturing	151,600	151,900	-300	-0.2%
Trade, Transportation & Utilities	284,900	265,400	19,500	7.3%
Information	27,400	28,200	-800	-2.8%
Financial Activities	117,400	118,400	-1,000	-0.8%
Professional & Business Services	208,500	198,500	10,000	5.0%
Education & Health Services	328,800	313,700	15,100	4.8%
Leisure & Hospitality	129,900	90,000	39,900	44.3%
Other Services	61,300	52,500	8,800	16.8%
Government	226,200	216,300	9,900	4.6%
Total CT Non-Farm Employment	1,592,900	1,490,900	102,000	6.8%

Source: Connecticut Department of Labor



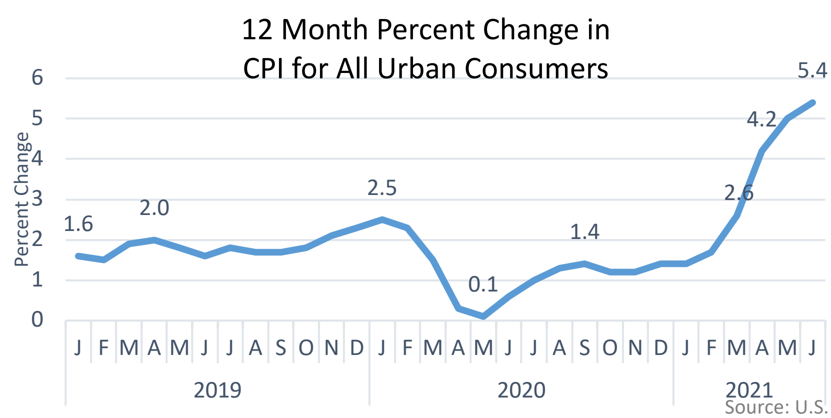
Income and Salary

In Connecticut, June 2021 average hourly earnings at $33.50, not seasonally adjusted, were lower by $0.31 (-0.9%) from the June 2020 estimate ($33.81). The resultant average private sector weekly pay came in at $1,135.65, down $34.18 or 2.9 percent from a year ago. This could reflect the recent addition of lower paying jobs in the service sector as it continues to recover from pandemic-related employment losses. Due to fluctuating sample responses, DOL warns that private sector earnings and hours estimates can be volatile from month-to-month.

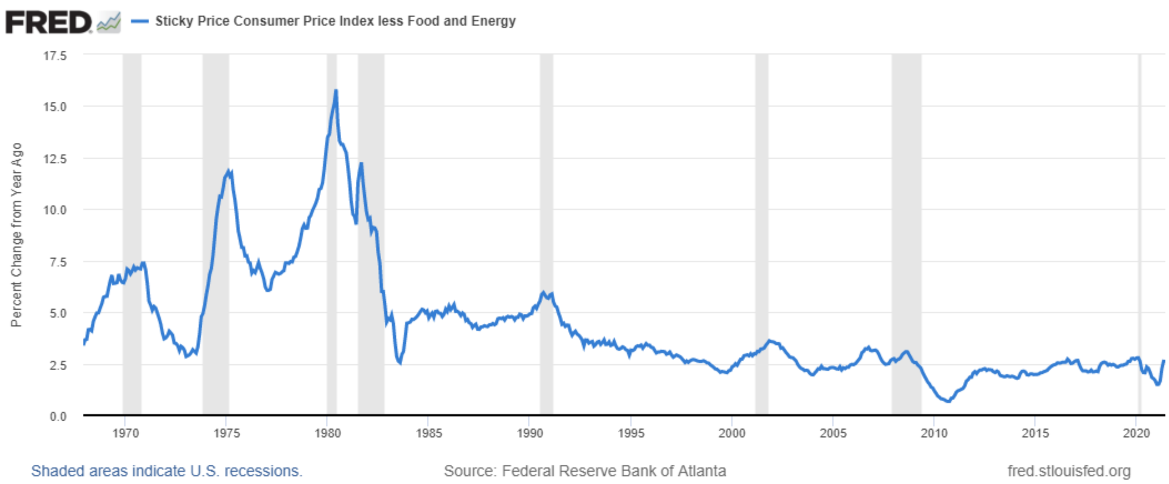
Inflation Continues to Rise in June

Inflation continues to make headlines, coming in at an annual rate of 5.4% for the 12 months ending in June, a 0.9% increase, according to the U.S. Department of Labor. This is the largest 12-month increase since 2008 and continues an upward trend as the economy reopens and demand drives prices higher. The largest price increases were seen in energy (gasoline), used cars and trucks, and transportation services while household furnishings and medical care decreased. The following graph displays the year over year inflation by month.

The Personal Consumption Expenditures (PCE) index is the Federal Reserve's preferred measure of inflation because it removes volatile price categories such as food and energy. According to the Bureau of Economic Analysis, the 12-month change in Personal Consumption Expenditures (PCE) prices was 3.5 percent in June, up from 3.4 in May.



Another forward-looking statistic used to predict long term inflation is the Core Sticky Price Consumer Price Index, which also excludes items such as food and energy. The Federal Reserve Economic Data (FRED) tracks this statistic since it incorporates expectations about future inflation to a greater degree than prices that change on a more frequent basis. The Core Sticky-Price CPI increased 2.9% in June and its 12-month percent change was 2.6%. The chart below shows the longer-term trend.



Federal Reserve Chairman Jerome Powell has reiterated that increases in inflation are due to transitory factors that may take up to a year to subside. "As these transitory supply effects abate, inflation is expected to drop back toward our longer-run goal of 2 percent," said Powell. In July, the Federal Open Market Committee (FOMC) left interest rates near zero and the bond-buying program as is. Currently, there is no timeline to begin tapering to control inflation until substantial progress is made to achieve maximum employment.

It remains to be seen how high inflation will be in the coming months. However, the confluence of anomalies and short-term factors in the past few months argues that more information is needed before the threat of inflation becomes a serious long-term concern.

Strong Connecticut Housing Results Continue in June

Continuing a trend from recent months, Berkshire Hathaway HomeServices reported another month of strong results for the Connecticut housing market in June 2021 compared to last year. Sales of all property types grew 32.44 percent, with the median sales price increasing by 21.79 percent. New listings were down 5.67 percent this June versus last year. The median list price was up 15.79 percent while average days on the market decreased 50.67 percent in June 2021 compared to the June 2020 (37 days versus 75 in June 2020). On average, sales prices came in above list prices in June, with a list/sell price ratio of 102.9 percent. The table below contains more detailed data for the Connecticut housing market.

Connecticut Market Summary

	June 2021	June 2020	Percent Change
New Listings	6,821	7,231	-5.7%
Sold Listings	5,499	4,152	32.4%
Median List Price	$330,000	$285,000	15.8%
Median Selling Price	$341,000	$280,000	21.8%
Median Days on the Market	17	47	-63.8%
Average Listing Price	$527,048	$451,890	16.6%
Average Selling Price	$534,769	$434,594	23.1%
Average Days on the Market	37	75	-50.7%
List/Sell Price Ratio	102.9%	97.8%	5.2%

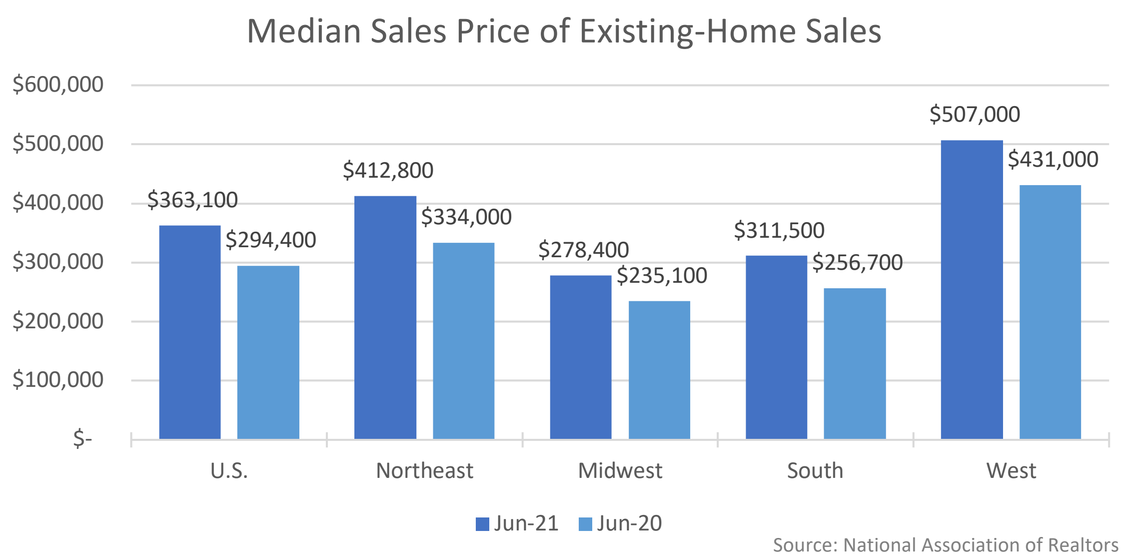
Source: Berkshire Hathaway HomeServices

National Housing Market Bounces Back in June

For the U.S. housing market, the National Association of Realtors (NAR) reported existing-home sales bounced back in June 2021. Three of the four major U.S. regions had month-over-month sales inclines in June. Total existing-home sales increased 1.4 percent from May to a seasonally adjusted annual rate of 5.86 million in June. Year-over-year sales were up 22.9 percent from a year ago (4.8 million in June 2020) reflecting the pandemic's impact.

NAR reported the median existing-home price for all housing types in June was $363,300, up 23.4 percent from June 2020 as prices increased in every region. June's national price growth marks 112 straight months of year-over-year gains dating back to March 2012. All regions of the country experienced double-digit price growth from a year ago. The largest regional gains on a percentage basis were in the Northeast (+23.6%), followed by the South (+21.4%). The Midwest increased 18.5 percent and the West grew 17.6 percent.

June's inventory increased 4.1 percent from May 2021, with 1.3 million homes for sale indicating some relief from the current tight inventory conditions. Year-over-year inventory is 18.2 percent lower, which marks 25 straight months of year-over-year declines.



According to the CT Department of Labor, factors that drove the growth have not changed this year such as historic low mortgage rates, strong consumer confidence, and pent-up demand which indicates Connecticut will have sustained growth through 2021.

Rental Market

According to Apartment Guide's June 2021 Rent Report, the national average rent price for a one-bedroom apartment was $1,711, up 2.9 percent from last month and 5.2 percent from last year. In Connecticut, average rent increased 12.42 percent this year, from $1,661 to $1,868. Thirty five percent of households rent their homes in Connecticut.

While some residents benefitted from the booming housing market, not all felt the positive effects. In Connecticut, low-income families are concerned about foreclosures, renters are worried about evictions, and the current housing market is putting home ownership out of reach. In Hartford, the average renter needs to save 9.1 years for a 20 percent down payment on a $189,579 starter home, according to a Zillow study. Sixty-five percent of first-time home buyers do not put 20 percent down because it is unrealistic, especially since home prices have increased rapidly in 2021.

Commercial Real Estate – Delinquency Rates See No Improvement in June

While many analysts focus on the residential housing market, it is also worthwhile to monitor trends in the commercial real estate market, especially for the impact of COVID-19 on the health of the sector. The Mortgage Bankers Association's (MBA) CREF Loan Performance Survey found delinquency rates for mortgages backed by commercial and multifamily properties remained steady. 95.2 percent of outstanding loan balances were current, unchanged from May.

Loans backed by lodging and retail properties, the sectors most directly affected by the pandemic, continue to see the greatest levels of stress, but lodging did improve in June with balances decreasing to 17.6%. The overall share of industry, office, and multifamily property loan balances that are delinquent increased from last month.

Percent of Balance Not Current

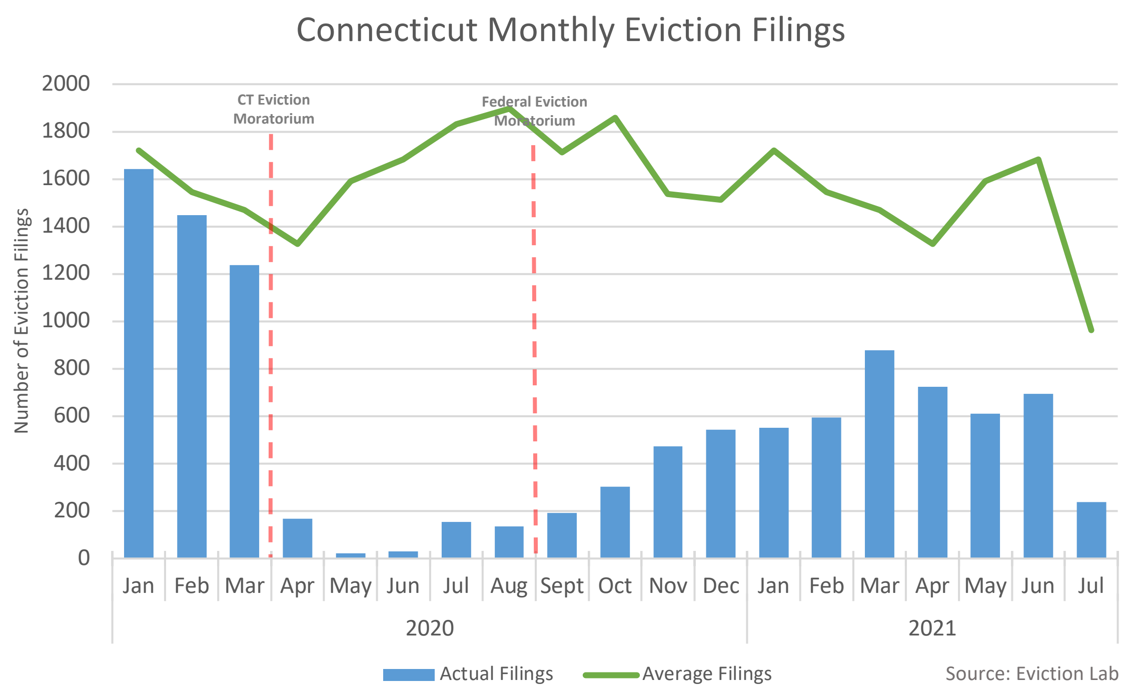
	June 2021	May 2021	Month-to-Month Change
Lodging Loans	17.6%	20.0%	-2.4%
Retail Loans	10.0%	9.5%	0.5%
Industry Property Loans	3.1%	1.9%	1.2%
Office Property Loans	3.5%	2.4%	1.1%
Multifamily Property Loans	2.1%	1.8%	0.3%

Source: Mortgage Bankers Association

Regarding the survey results, Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research noted, "Commercial and multifamily mortgage delinquencies continue to be driven by loans backed by hotel and retail properties that ran into trouble during the pandemic and are now more than 90 days late. We expect these late-stage delinquencies to wane as the economy continues to open and there is less uncertainty surrounding the prospects of these and many other property types."

Federal Eviction Protections Ended July 31 with Connecticut Moratorium Already Closed

The federal eviction moratorium established in September of 2020 expired on July 31. Connecticut's eviction moratorium, established in April of 2020, expired on June 30. The eviction moratoriums were enacted as a health and financial safeguard for those affected by the pandemic. Both bans have been effective in reducing the number of evictions in Connecticut. The following graph compares the average eviction filings to current filings.



According to the most recent U.S. Census Bureau Household Pulse Survey, 7.79 million Americans are not caught up on rent payments— including 130,000 in Connecticut. Over 2 million Americans report that it is likely they will have to leave their current home due to eviction within the next two months—45,000 in Connecticut.

The federal government has allocated $45 billion in rental assistance to be distributed at the state level. So far, the rollout has been slow and as of early June, only $1.5 billion had been dispersed. Connecticut established the UniteCT Program to provide landlords and tenants with rental and utility assistance. Starting June 30, landlords were required to apply for the UniteCT rental assistance program before initiating eviction proceedings for non-payment of rent. As of July 29, 5,628 cases had been approved and $44,424,903 total dollars had been allocated.

Experts are concerned a wave of evictions could generate far reaching social and economic issues. Evictions taint a tenant's record and can reduce credit ratings. This further deters the ability to secure safe, affordable housing which affects employment, educational opportunities, health outcomes, and much more. Evictions can force people to stay in crowded shelters, move in with family or friends, or become homeless which decreases the ability to social distance or quarantine properly. Black and Hispanic residents are disproportionately impacted by evictions and are also more likely to contract COVID-19. With delta variant cases increasing in Connecticut, officials are concerned a wave of evictions could create long-lasting economic and health problems.

Stock Market

As calendar 2020 came to end, the overall economy had not recovered to its pre-pandemic levels, but the stock market ended the year at or near record highs. The DOW gained 7.25 percent and ended the year at an all-time high. The NASDAQ, heavily composed of tech stocks, was the strongest performer and was up 43.64 percent. The S&P 500 rose to record levels as 2020 ended, rising 16.26 percent for the year.

Calendar 2021 first quarter results showed upward movement, with increased volatility due to inflation fears, news of COVID-19 strains, economic stimulus, and positive jobs and earnings reports. Second quarter earnings expectations and results fueled a strong stock market. Profit growth exceeded analysts' forecasts which now expect the highest quarter for earnings growth since 2009. On July 23rd, the DOW closed above 35,000 for the first time while NASDAQ and the S&P 500 also hit new highs. Year-to-date, the DOW has increased 14.14 percent, the NASDAQ has gained 13.85 percent and the S&P is up 17.0 percent as of this writing.

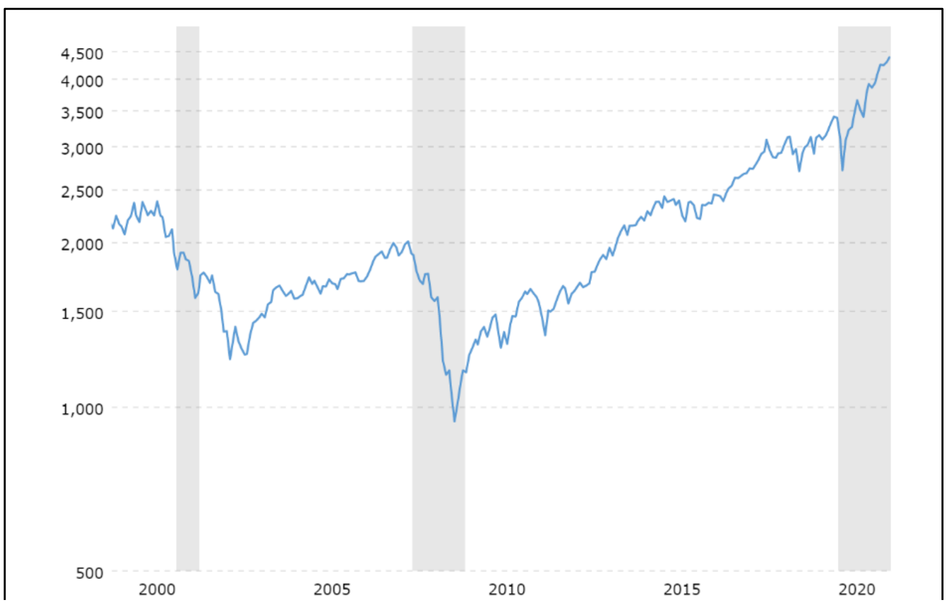
Fourteen months ago, in late March, the stock market was in free fall as the pandemic-related shutdowns were taking place. As the charts below illustrate, all three indices have significant gains since then. To give a broader perspective, three-year results are shown:

<u>DOW Jones Industrial Average</u>

<u>NASDAQ Composite Index</u>

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 S&P 500 from 2000 to the present:



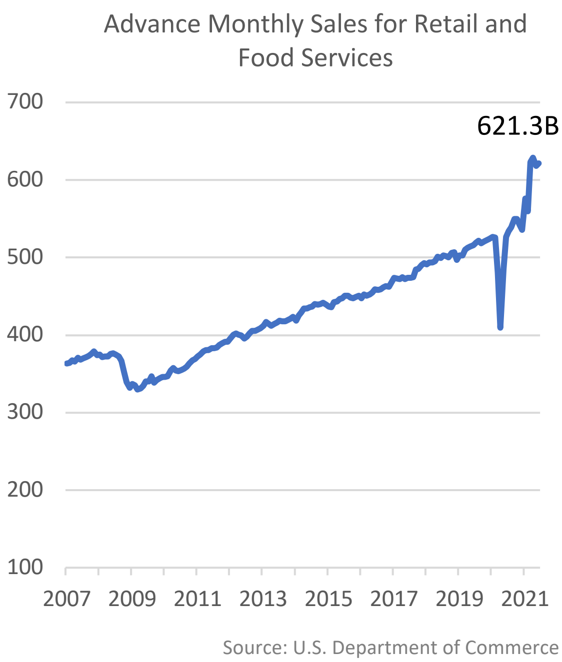
The performance of the stock market has a significant impact on the State of Connecticut's revenues. In a typical year, estimated and final income tax payments account for approximately 25-30 percent of total state income tax receipts, but can be an extremely volatile revenue source.

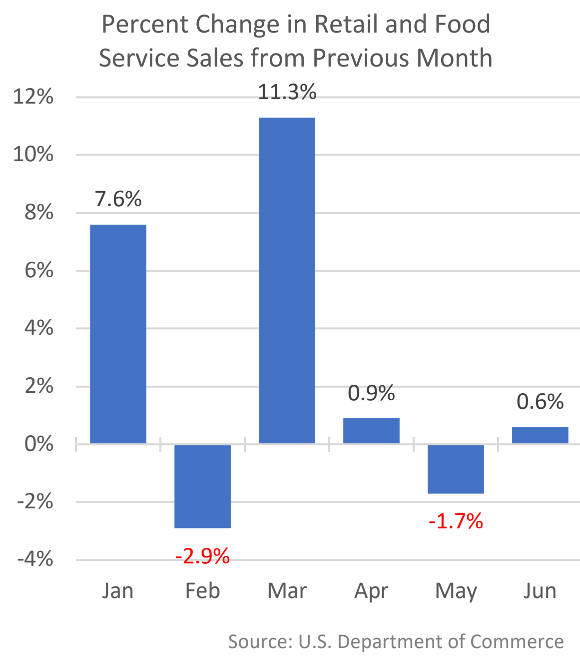
FY 2020 results showed estimated and final payments were down a combined 13.2 percent compared with the previous year. Preliminary estimates for the first ten months of FY 2021 indicate better than expected results through April 2021.

To date, combined estimated and final payments are 116.5 percent above FY 2020's level, with estimates up 36.7 percent and final payments up 58.3 percent. Caution should be used in interpreting this year-over-year comparison since the 2020 income tax filing deadline was postponed by three months last year due to the pandemic, so these increases may be largely due to timing difference between years.

Consumer Spending – Modest Increase in June

Consumer spending is the main engine of the U.S. economy, accounting for more than two-thirds of total economic output. On July 16th, the U.S. Department of Commerce reported that U.S. advance retail sales were $621.3 billion in June 2021, up 0.6 percent from May.





The sectors with the biggest gains in June were miscellaneous store retailers (+3.4%), electronics and appliance stores (+3.3%), and clothing and accessory stores (+2.6). Sectors that experienced a step back included furniture stores (-3.6%), motor vehicle and parts dealers (-2.0%), sporting goods, hobby, & bookstores (-1.7%), and building material & garden equipment (-1.6%). So-called core retail sales increased 0.3 percent in June, after falling a revised 2.4 percent in May. This category excludes automobiles, gasoline, building materials and food services.

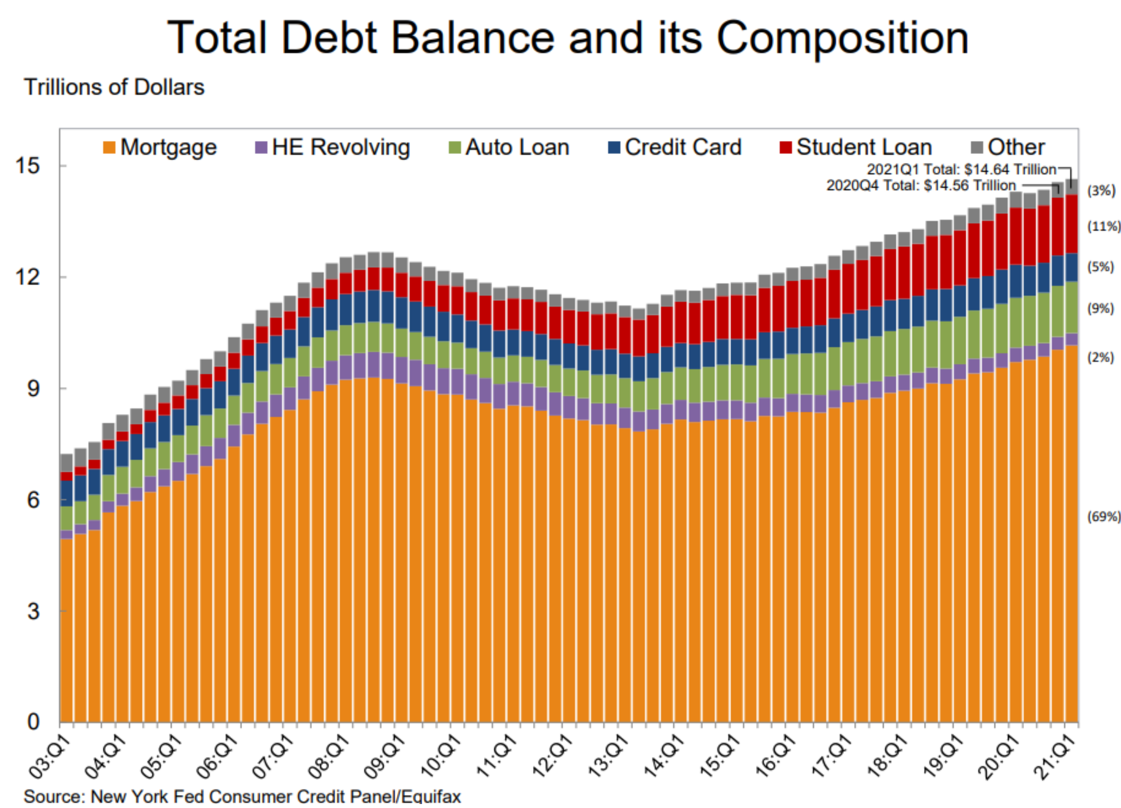
Analysts noted consumer spending is shifting back to services from goods as increased levels of vaccinations allow Americans to travel and experience other activities that were restricted by COVID-19. During the pandemic lock-down, consumers spend more on goods.

Consumer Debt – Mortgage Debt Up, Credit Cards Down in First Quarter

According to the Federal Reserve Bank of New York, aggregate household debt balances increased in the first quarter of 2021, driven largely by an increase in mortgage originations. Total household debt increased by $85 billion (0.6 percent) to $14.64 trillion in the quarter ending March 31, 2021. The total debt balance is now $499 billion higher than it was at the end of 2019.

The report titled "Quarterly Report on Household Debt and Credit" noted mortgage balances – the largest component of household debt – increased by $117 billion to $10.16 trillion at the end of March. Outstanding student loans, the second largest category of household debt, totaled $1.58 trillion in the fourth quarter, a $29 billion increase from the fourth quarter. Auto loan balances increased by $8 billion in the first quarter, reaching $1.38 trillion. Balances on home equity lines of credit (HELOC) saw a $14 billion decline, the 17th consecutive decrease since the fourth quarter of 2016, bringing the outstanding balance to $335 billion.

The Federal Reserve reported that credit card balances decreased by $49 billion in the first quarter, the second largest decline since it tracked this series dating back to 1999. Credit card balances are now $157 billion lower than they had been at the end of 2019. This trend is consistent with borrowers paying debt along with more constrained spending opportunities during the pandemic.

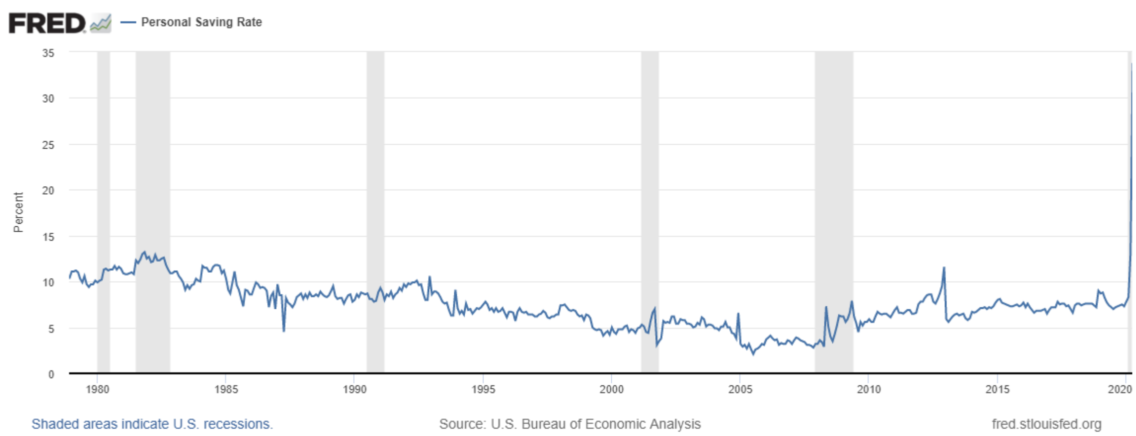


Results for the second quarter of 2021 will be released by the Federal Reserve Bank of New York in mid-August.

Personal Savings Rate

In its July 30th release, the Bureau of Economic Analysis (BEA) reported the personal-saving rate was 9.4 percent in June 2021, a decrease from 10.3 percent in May. Previous increases were largely driven by government social benefits, primarily direct economic impact payments to households from the American Rescue Plan Act.

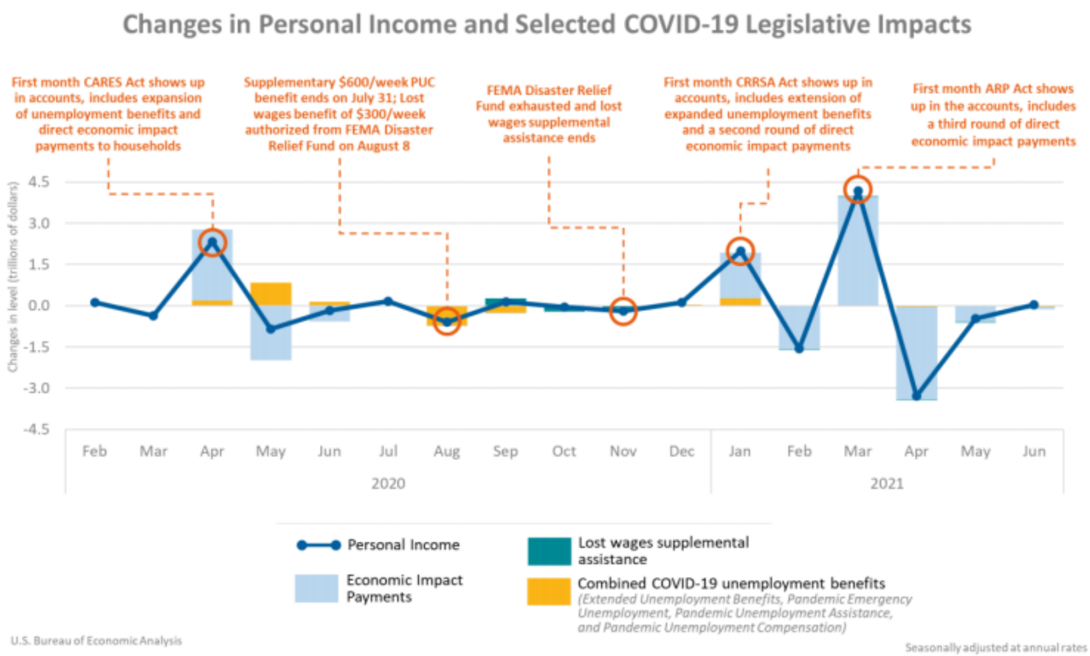
The personal savings rate is defined as personal saving as a percentage of disposable personal income. As seen in the chart below, the savings rate tends to increase during recessionary periods as consumers cut back on discretionary spending.



For June, BEA reported that personal income increased $26.1 billion (0.1 percent) while personal consumption expenditures (PCE) increased $155.4 billion (1.0 percent). As a result, disposable personal income (DPI) decreased $2.6 billion (less than 0.1 percent).

According to the BEA, the increase in personal income in June primarily reflected an increase in compensation of employees, even though government social benefits associated with pandemic-related assistance programs declined in June.

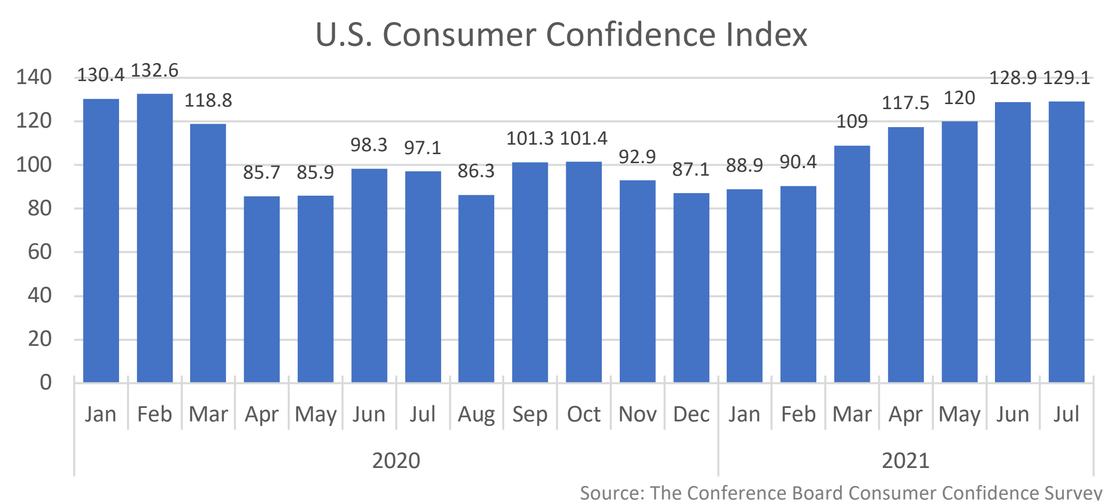
As can be seen from the chart above, the personal savings rate has been volatile since the pandemic began – with large swings in both directions. BEA noted that over the past 14 months, changes in personal income have primarily reflected changes in governmental social benefit payments, which were based on the enactment and expiration of various legislative acts and related programs in response to COVID-19. Examples include direct economic impact payments to households and supplemental weekly unemployment benefits. The BEA graphic below illustrates these legislative changes and their impact on personal income during the pandemic.



Consumer Confidence Holds Steady, Approaching Pre-Pandemic Levels

The U.S. consumer confidence index (CCI) is published by the Conference Board and 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.

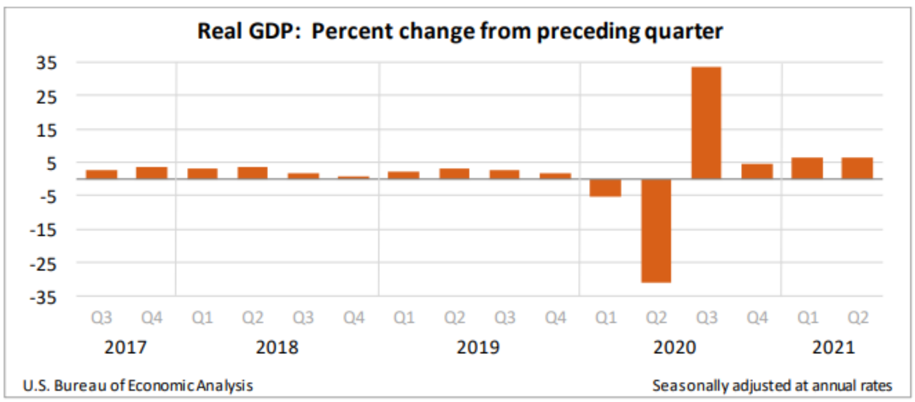
The Conference Board reported that the CCI has reached its highest level since February 2020 after five months of steady increases. The Index now stands at 129.1, up from June's revised reading of 128.9.



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. In the July survey, the Present Situation Index improved, increasing from 159.6 to 160.3. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, decreased slightly from 108.5 to 108.4.

Lynn Franco, Senior Director of Economic Indicators at The Conference Board noted "Spending intentions picked up in July, with a larger percentage of consumers saying they planned to purchase homes, automobiles, and major appliances in the coming months. Thus, consumer spending should continue to support robust economic growth in the second half of 2021."

Business and Economic Growth – GDP 2nd Quarter 2021 Advance Estimate



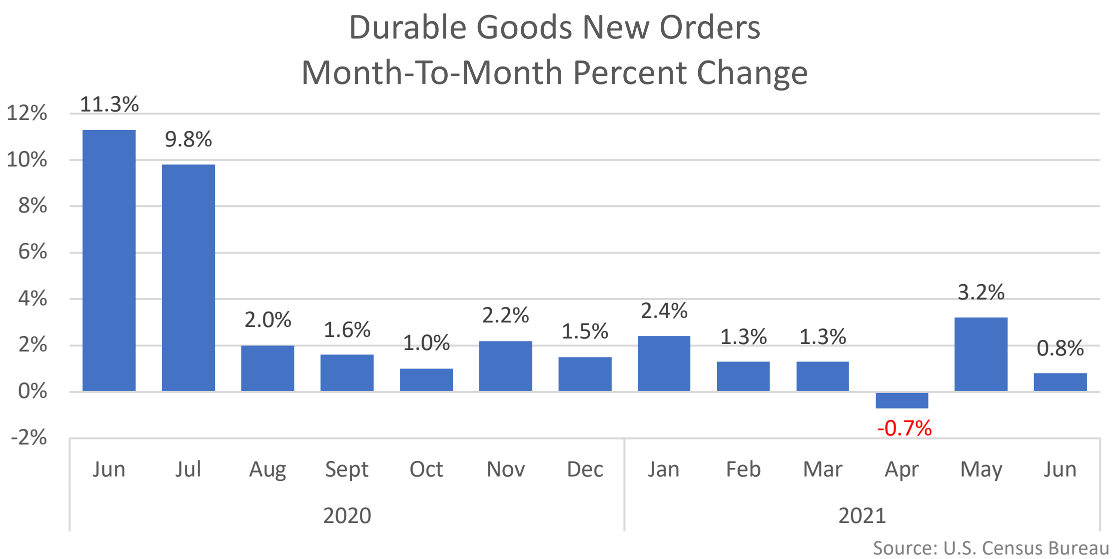
According to a July 29th report from the Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 6.5 percent in the second quarter of 2021. This follows a 6.3 percent real GDP increase in the first quarter of 2021. BEA noted the second quarter results reflected the continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic. In the second quarter, government assistance payments in the form of loans to businesses and grants to state and local governments increased, while social benefits to households, such as the direct economic impact payments, declined.

According to BEA, the increase in real GDP in the second quarter reflected increases in personal consumption expenditures (PCE), nonresidential fixed investment, exports, and state and local government spending that were partly offset by decreases in private inventory investment, residential fixed investment, and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased.

While strong by historical standards, the second quarter GDP growth rate was lower than many experts projected. Economists surveyed by Dow Jones expected a gain of 8.4 percent for the second quarter.

Durable Goods – Small Increases in June

According to a July 27th report by the U.S. Department of Commerce, new orders for manufactured durable goods increased $2.1 billion or 0.8 percent in June to $257.6 billion. The increase, up thirteen of the last fourteen months, followed a 3.2 percent increase in May.



June's increase was driven by transportation equipment, specifically nondefense and defense aircraft and parts, up $1.6 billion or 2.1 percent to $77.5 billion. The demand for cars, used cars, and rental cars is strong, but producers can't keep up with orders due to shortages and supply chain issues leading to price increases.

Other positive categories for new orders included capital goods (+2.6%), computers and electronic deposits (+1.0%), and manufacturing with unfilled orders (+1.0%). Orders for so called core capital goods increased 0.5 percent in June, after decreasing 0.1 percent the previous month. Core capital goods are defined as non-defense capital goods excluding aircraft, which is considered a proxy for business spending.

***** END *****