News from
**COMPTROLLER KEVIN LEMBO**

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# COMPTROLLER LEMBO PROJECTS $470.5 MILLION SURPLUS, CITES STRONG YEAR-END TAX FILINGS

Comptroller Kevin Lembo today, in his monthly financial and economic update, projected a General Fund surplus of $470.5 million, citing strong revenue collections, particularly in estimated and final income tax payments.

Strong revenue collections in May have led to a growing surplus projection, up over $220 million since last month. A projected $300 million increase in the estimated and final payments portion of the income tax, coupled with growing income tax withholdings, have Connecticut well positioned as it continues its economic recovery from the COVID-19 pandemic. Recent improvements have also resulted in a projected surplus in the Special Transportation Fund and a significant anticipated deposit in the state's Budget Reserve Fund ("Rainy Day Fund").

"After enduring a tumultuous and volatile year, the growing projected surplus is not only welcome but indicates a positive sign of what's to come for Connecticut as we continue to recover from the pandemic," Lembo said. "As our economy continues to rebuild, and people return to the workforce, it will be critical that we not repeat the mistakes of the past and work strategically to grow the middle class and invest in Connecticut workers."

Lembo cited the Rainy Day Fund as an example of smart economic planning. Currently, the fund is projected to reach $4.49 billion by the end of the fiscal year, approximately 22.3 percent of General Fund appropriations. A law that Lembo championed states that any balance above a 15 percent threshold would result in additional contributions to either the State Employees Retirement Fund or the Teachers' Retirement Fund. This contribution will provide the state the ability to pay down its unfunded pension liabilities, creating more budgetary flexibility in years to come after decades of perpetual underfunding.

"Building our reserves by capturing volatile revenue will help protect Connecticut residents from tax increases and devastating cuts to safety nets programs during future downturns," said Lembo. "It's an incredible accomplishment that we've been able to grow that fund to capacity and I'm heartened to see such a significant anticipated payment that can be used to address unfunded pension liability and offer future generations of taxpayers some relief."

In a letter to Gov. Ned Lamont, Lembo noted that Connecticut saw modest job gains this month and has now recovered 60.4 percent of the jobs lost since April 2020. The leisure and hospitality sector, which suffered the most significant jobs decrease during the pandemic, was the state's fastest growing sector, though it has yet to return to pre-pandemic numbers. The housing market continues to be robust, with both list and median prices increasing. However, Lembo warned that the booming housing market may be leaving behind first-time homebuyers that are being pushed out of the market due to cost, lack of inventory and competition with investors.

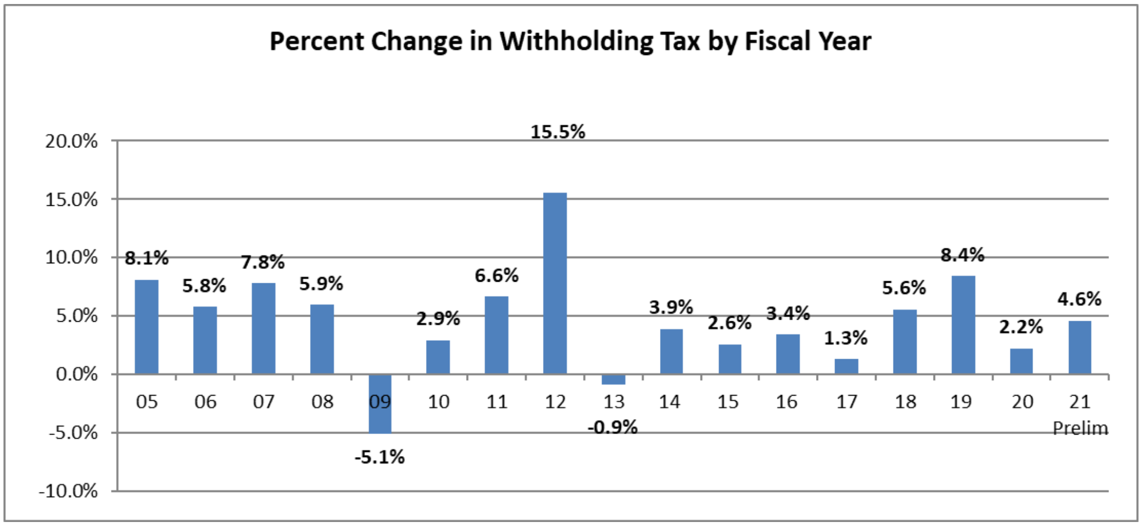
"Connecticut's economic future depends on keeping young people and young families in the state," said Lembo. "While the unemployment rate continues to decrease and the housing market continues to boom, we have to keep in mind that most of the benefits are still concentrated with high-income earners. As economic trends continue to move in a positive direction, we must be diligent and make sure everyone in Connecticut gets to participate in its recovery."

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

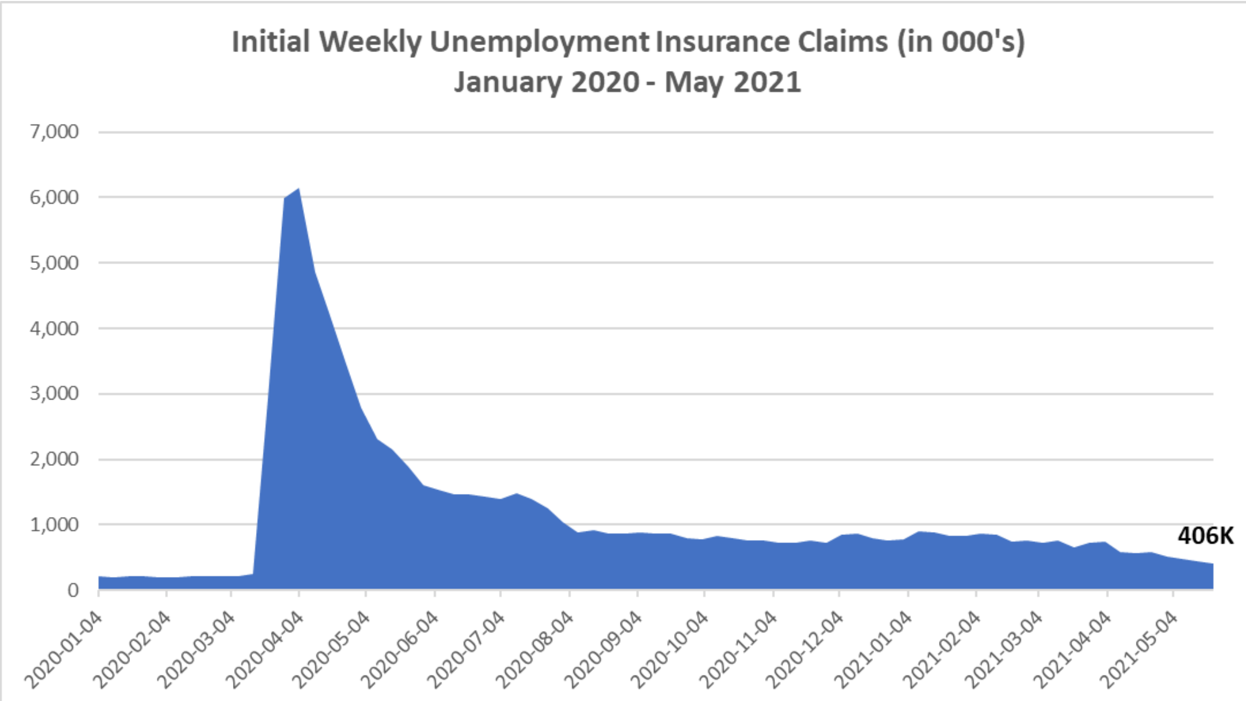
The withholding portion of the income tax is the largest single General Fund revenue source. Final results for FY 2020 showed withholding receipts came in 2.2 percent above FY 2019 levels, but somewhat below the growth rate built into the FY 2020 budget plan. Current collection trends for FY 2021 through April show withholding receipts growing by 4.6 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. Withholding collections have been exceeding budget projections and the May estimate raised the budget target for income tax withholdings by $50 million over the April 30th consensus revenue forecast. This would represent a 4.4 percent growth above the FY 2020. Therefore, the revised estimate is consistent with year-to-date growth over the previous fiscal year.




# *COVID-19 Jobs Picture – Continued Improvement in May*

The national jobs picture continued to brighten in May amid ongoing COVID-19 vaccination efforts and the further easing of state restrictions on businesses. For the week ending May 22nd, the U.S. Bureau of Labor Statistics (BLS) reported that seasonally adjusted initial claims totaled 406,000. While still high by historical standards, this represented a decrease of 38,000 from the previous week's level of 444,000 was the lowest since March 14, 2020, just before the pandemic shutdowns began.

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 15.8 million for the week ending May 8th, down from 16.0 million the previous week and down from 31.6 million the previous year. However, it still indicates serious, ongoing struggles with unemployment for a significant portion of the population. As the chart below notes – the total reported does not represent unique individuals, rather the number collecting from all programs.

CONTINUED WEEKS CLAIMED FILED FOR UI BENEFITS IN ALL PROGRAMS (UNADJUSTED)

| **WEEK ENDING** | **May 8** | **May 1** | **Change** | **Prior Year**[1] |
|---|---|---|---|---|
| Regular State | 3,645,037 | 3,668,863 | -23,826 | 22,968,771 |
| Federal Employees | 13,453 | 13,785 | -332 | 16,586 |
| Newly Discharged Veterans | 7,300 | 7,321 | -21 | 14,280 |
| Pandemic Unemployment Assistance[3] | 6,515,657 | 6,606,198 | -90,541 | 8,139,507 |
| Pandemic Emergency UC[4] | 5,191,642 | 5,142,370 | +49,272 | 253,292 |
| Extended Benefits[5] | 342,417 | 456,805 | -114,388 | 931 |
| State Additional Benefits[6] | 1,764 | 1,753 | +11 | 5,819 |
| STC / Workshare [7] | 84,856 | 80,286 | +4,570 | 179,659 |
| TOTAL[8] | 15,802,126 | 15,977,381 | -175,255 | 31,578,845 |

FOOTNOTES
SA - Seasonally Adjusted Data, NSA - Not Seasonally Adjusted Data Continued weeks claimed represent all weeks of benefits claimed during the week being reported, and do not represent weeks claimed by unique individuals.

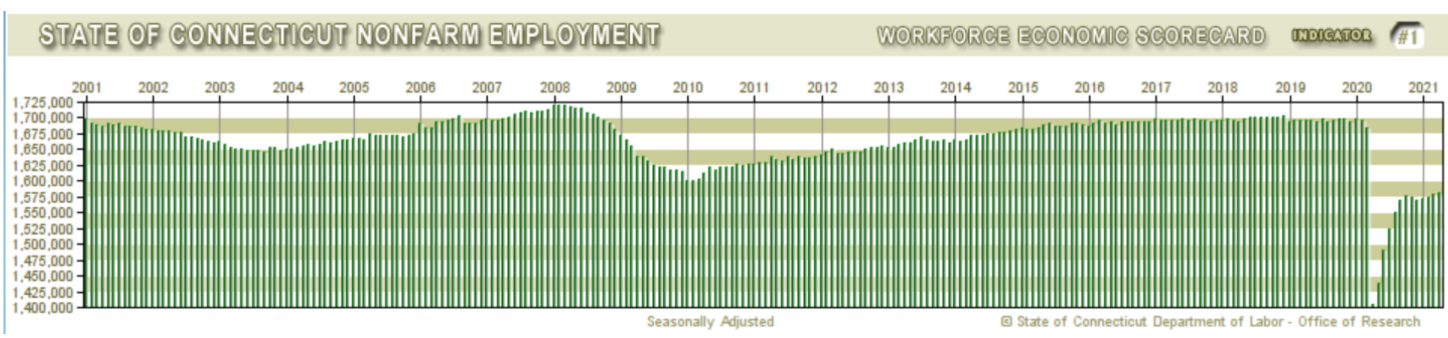
## *Connecticut Jobs Picture – Small Gains in April Driven by Government Sector*

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 is starting to move in a better direction in the first four months of 2021.

On May 20th DOL reported the preliminary Connecticut nonfarm job estimates for April 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 a modest 500 net jobs (0.03%) in April to a level of 1,580,600 jobs seasonally adjusted. This follows more robust job growth of 5,200 positions in March and represents four consecutive months of employment gains.

DOL noted recoveries can be uneven and that was certainly reflected in April's results. Six of the ten major industry sectors experienced improvement while four experienced declines. Professional & business services lead the way (+3,600), followed by leisure & hospitality (+1,800) and government (+1,100). The sectors that lost jobs in April included education & health services (-4,100), trade, transportation & utilities (-2,300), financial activities (-700) and manufacturing (-600). Overall, the government sector added 1,100 jobs 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. A year later, the state's total payroll employment is now 176,700 positions higher, representing an increase of 12.6 percent. Connecticut has now recovered 60.4 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.

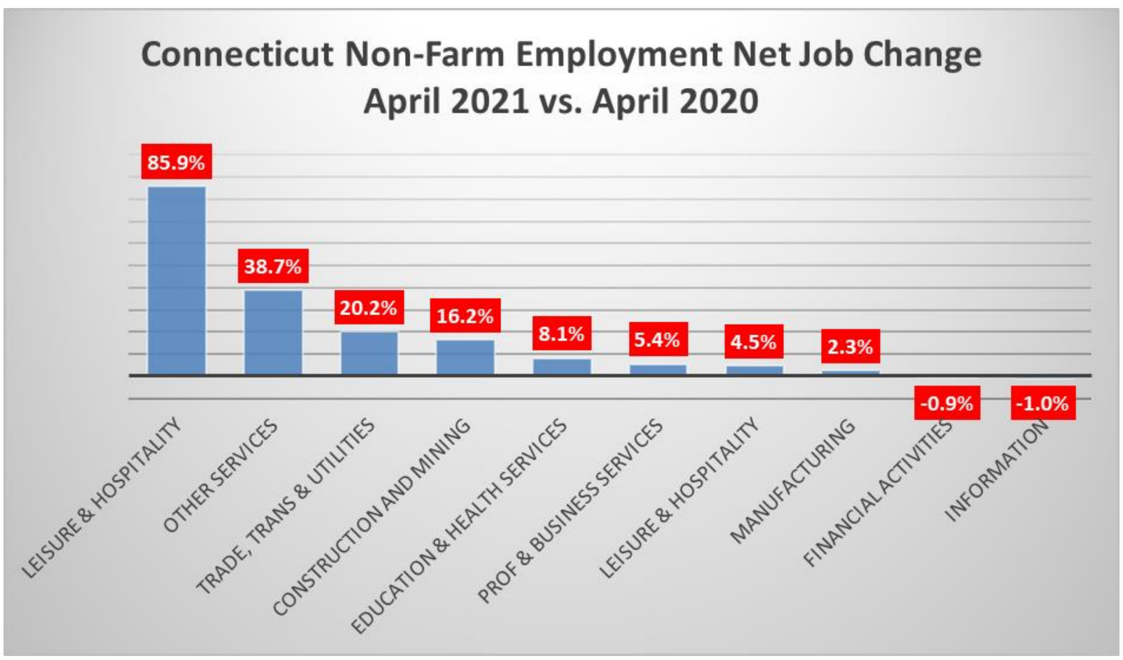



Connecticut's official unemployment rate stood at 8.1 percent in April 2021, down from 8.3 percent a month earlier and 8.6 percent from a year ago. The U.S. jobless rate in April was 6.1 percent, up one-tenth of a point from the previous month, but down significantly from the 14.8 percent rate in April 2020.

Among the major job sectors listed below, eight experienced gains and two experienced losses in April 2021 versus April 2020 levels. The leisure & hospitality sector, hardest hit during the pandemic, experienced the largest gains on a percentage basis, growing 85.9

percent from a year ago. This was followed by other services (+38.7%) and trade, transportation & utilities (+20.2%). Both financial activities and the information sector both lost jobs over the period.

| Payroll Employment Trend | | | | |
|---|---|---|---|---|
| *April 2021 Versus April 2020* | | | | |
| **Sector** | **April 2021 (P)** | **April 2020 (R)** | **Gain/Loss** | **% Change** |
| Construction and Mining | 58,100 | 50,000 | 8,100 | 16.2% |
| Manufacturing | 151,600 | 148,200 | 3,400 | 2.3% |
| Trade, Transportation & Utilities | 286,500 | 238,400 | 48,100 | 20.2% |
| Information | 28,300 | 28,600 | -300 | -1.0% |
| Financial Activities | 118,300 | 119,400 | -1,100 | -0.9% |
| Professional & Business Services | 206,300 | 195,800 | 10,500 | 5.4% |
| Education & Health Services | 324,700 | 300,500 | 24,200 | 8.1% |
| Leisure & Hospitality | 125,300 | 67,400 | 57,900 | 85.9% |
| Other Services | 58,800 | 42,400 | 16,400 | 38.7% |
| Government | 222,700 | 213,200 | 9,500 | 4.5% |
| **Total Connecticut Non-Farm Employment** | **1,580,600** | **1,403,900** | **176,700** | **12.6%** |
| Source: Connecticut Department of Labor | | | | |




# Income and Salary – Modest Income Growth, but Inflation Rises

April 2021 average hourly earnings at $33.69, not seasonally adjusted, were lower by $1.28 (-3.7%) from the April 2020 estimate ($34.97). The resultant average private sector weekly pay came in at $1,152.20, down $40.28 or 3.4 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 the 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.

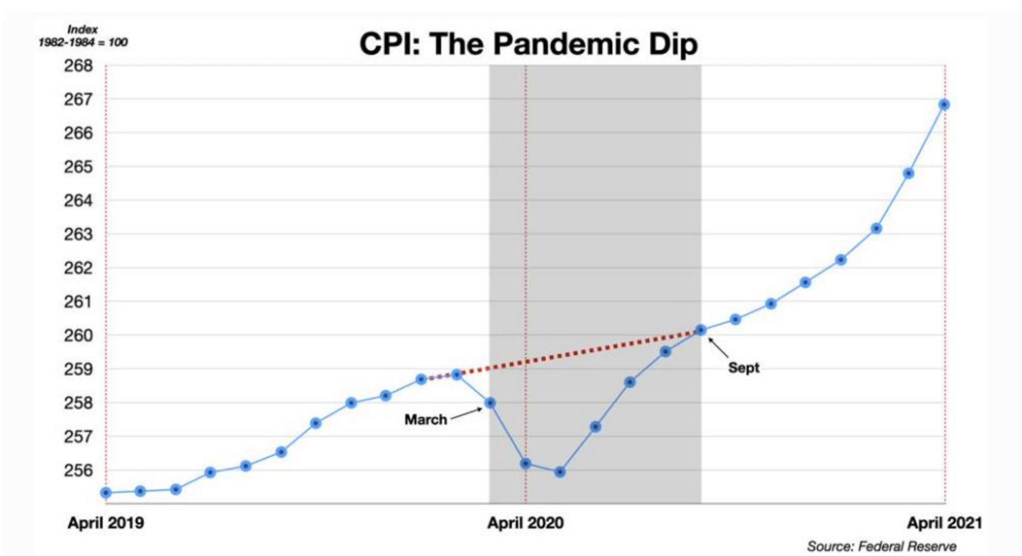
The 12-month percent change in the Consumer Price Index for All Urban Consumers (CPI-U, U.S. City Average, not seasonally adjusted) in April 2021 climbed to 4.2 percent.

# How Serious is Inflation – Temporary Spike or Long-Term Problem?

After being tame in recent years, inflation came in at an annual rate of 4.2 percent for the 12 months ended April 2021, according to the U.S. Labor Department. This was higher than most analysts expected and caused some anxiety among investors and turbulence in the stock market. The chart below shows year-over-year inflation (CPI) by month:

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Ave |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2021 | 1.4 | 1.7 | 2.6 | 4.2 | | | | | | | | | |
| 2020 | 2.5 | 2.3 | 1.5 | 0.3 | 0.1 | 0.6 | 1.0 | 1.3 | 1.4 | 1.2 | 1.2 | 1.4 | 1.2 |
| 2019 | 1.6 | 1.5 | 1.9 | 2.0 | 1.8 | 1.6 | 1.8 | 1.7 | 1.7 | 1.8 | 2.1 | 2.3 | 1.8 |

Others, including the Federal Reserve, were less concerned about inflation, seeing the April rise as a temporary spike. This group of analysts pointed to factors such supply chain disruptions amid rising consumer demand and a year-over-year comparison to April 2020, when prices were falling during the early days of the pandemic. This phenomenon was described as the pandemic dip by author George Calhoun in a Forbes Magazine article called *"The 'Inflation' Figures Are Grossly Inflated – Here's How."*

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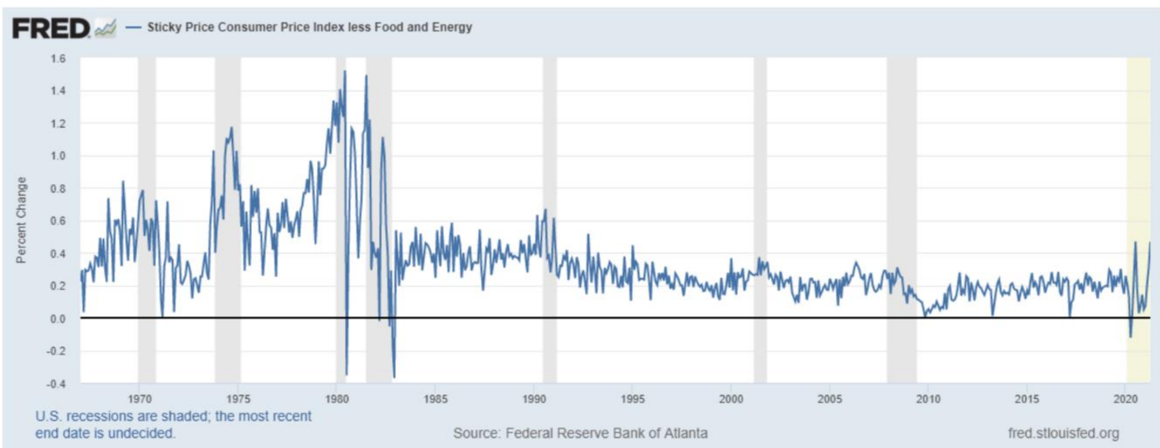
Without the pandemic dip and the associated base effect, inflation would have been 2.9 percent in April. Another factor cited by Calhoun is the headline inflation number versus core inflation, which excludes volatile items such as food and energy. Core inflation was one-third lower than the headline number for April and came in at 2.96 percent.

One forward looking statistic that economists use to predict long term inflation is called the Sticky Price Consumer Price Index. This indicator also excludes more volatile items such as food and energy. The Federal Reserve Economic Data (FRED) describes the measure as follows:

*"The Sticky Price Consumer Price Index (CPI) is calculated from a subset of goods and services included in the CPI that change price relatively infrequently. Because these goods and services change price relatively infrequently, they are thought to incorporate expectations about future inflation to a greater degree than prices that change on a more frequent basis."*

The chart below from FRED shows the longer-term trend for the Sticky Price CPI. In this context, while elevated, April 2021 still looks more in line with recent months.




It remains to be seen how high inflation will be in the coming months. However, the confluence of anomalies and short-term factors in April argues that more information is needed before the threat of inflation becomes a serious long-term concern. For now, the Federal Reserve's emphasis of nurturing the jobs recovery seems like the right focus, especially with so many Americans still out of work.

# Housing – Strong Results for Connecticut Continue in April

Continuing a trend from recent months, Berkshire Hathaway HomeServices reported another month of strong results for the Connecticut housing market in April 2021 compared with April 2020. Sales of single-family homes grew 14.58 percent, with the median sale price increasing by 21.53 percent. Reflecting a comparison from the beginning of the pandemic lock down, new listings were up 90.70 percent this April versus last year. The median list price was up 17.53 percent while the average list price is up 48.53 percent pointing to a very robust market for higher priced homes. Average days on the market decreased 29.87 percent in April 2021 compared to the same month in the previous year (54 days on average compared with 77 in April 2020). Finally, on average sales prices came in above list prices in April, with the sales to list price ratio of 101.6 percent.

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

## MARKET SUMMARY

### APRIL 2021 | SINGLE FAMILY HOMES

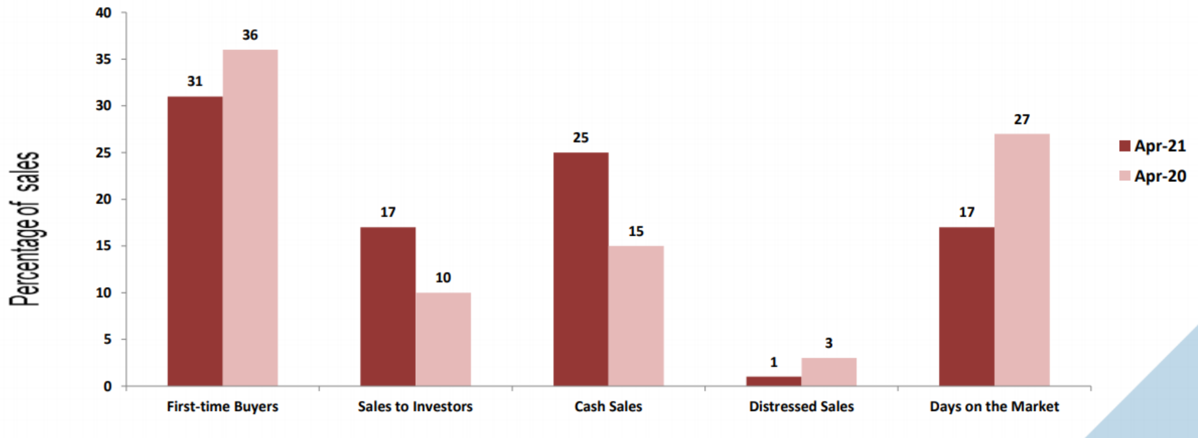
| Market | Month to Date | | | Year to Date | | |
|---|---|---|---|---|---|---|
| Summary | April 2021 | April 2020 | Percent Change | Year-To-Date 2021 | Year-To-Date 2020 | Percent Change |
| New Listings | 5248 | 2752 | 90.7% ▲ | 15470 | 14816 | 4.41% ▲ |
| Sold Listings | 3050 | 2662 | 14.58% ▲ | 11359 | 9453 | 20.16% ▲ |
| Median Listing Price | $334,950 | $285,000 | 17.53% ▲ | $328,300 | $274,900 | 19.43% ▲ |
| Median Selling Price | $341,500 | $281,000 | 21.53% ▲ | $330,000 | $267,500 | 23.36% ▲ |
| Median Days on Market | 21 | 45 | -53.33% ▼ | 35 | 61 | -42.62% ▼ |
| Average Listing Price | $571,358 | $396,130 | 44.23% ▲ | $529,941 | $388,279 | 36.48% ▲ |
| Average Selling Price | $568,606 | $382,819 | 48.53% ▲ | $523,531 | $373,268 | 40.26% ▲ |
| Average Days on Market | 54 | 77 | -29.87% ▼ | 58 | 85 | -31.76% ▼ |
| List/Sell Price Ratio | 101.6% | 98.1% | 3.65% ▲ | 100.3% | 97.5% | 2.87% ▲ |

For the U.S. housing market, the National Association of Realtors (NAR) reported existing-home sales fell in April 2021, marking the third consecutive monthly decrease. Three of the four major U.S. regions had month-over-month sales declines in April, but all four experienced double-digit year-over-year gains.

Total existing-home sales, (completed transactions that include single-family homes, townhomes, condominiums, and co-ops) decreased 2.7 percent from March to a seasonally adjusted annual rate of 5.85 million in April. Year-over-year sales were up 33.9 percent from a year ago (4.37 million in April 2020).

Nationally, home prices have remained strong during the pandemic. NAR reported the median existing-home price for all housing types in April was $341,600, up 19.1 percent from April 2020 ($286,800), as prices increased in every region. April's national price growth marks 110 straight months of year-over-year gains. 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 (+22.0%), followed by the West (+19.9%). The South grew 15.8 percent and the Midwest increased 13.5 percent.

In its monthly report, NAR noted first time buyers are having trouble securing their first home in the current market for a number of reasons, including lack of housing inventory, competition with investors, a growing number of cash sales and properties leaving the market quickly. The chart below compares April 2021 to April 2020 and shows a decrease in the percentage of sales going to first time buyers and a corresponding increase in sales to investors. Days on the market have decreased in the past year. In addition, cash sales make up a larger portion of the market, putting first time home buyers at a disadvantage.




## *Commercial Real Estate – Lower Delinquency Rates in April*

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. One source that conducts a monthly commercial real estate loan performance survey is the Mortgage Bankers Association (MBA).

MBA's May 3rd report found delinquency rates for mortgages backed by commercial and multifamily properties decreased slightly in April 2021, reaching the lowest level since the onset of the COVID-19 pandemic. MBA reported the balances of commercial and multifamily mortgages that are not current dropped for the fourth straight month in April. In all, 95.1 percent of outstanding loan balances were current, up from 95.0 percent in March.

Loans backed by lodging and retail properties, the sectors most directly affected by the pandemic, continue to see the greatest levels of stress, but also the most improvement in April. The overall share of retail loan balances that are delinquent decreased in April along with multifamily property loans. Non-current rates for other property types were modestly higher during the month, including for industrial and office properties.

| | Percent of Balance Not Current | |
|---|---|---|
| **Commercial Loan Type** | **April 2021** | **March 2021** |
| Lodging Loans | 20.2% | 20.5% |
| Retail Loans | 9.3% | 9.5% |
| Industry Property Loans | 1.9% | 1.2% |
| Office Property Loans | 2.6% | 2.4% |
| Multifamily Property Loans | 1.7% | 1.8% |
| *Source: Mortgage Bankers Association CREF Loan Performance Survey for April 2021* | | |

Regarding the survey results, Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research noted "New and early-stage delinquencies have fallen significantly from earlier in the pandemic, but later-stage delinquency rates have stayed high, as lenders and servicers work through the options for troubled properties."

# Connecticut Population Count

Based on the 2020 Census, the U.S. Census Bureau recently issued new population counts for states. Connecticut's resident population as of April 1, 2020 was listed as 3,605,944. This represented an increase of 31,847 or 0.9 percent from the 2010 Census count. Connecticut ranked 48$^{th}$ among states in population growth for the period.

The fastest growing states on a percentage basis were Utah (+18.4%), Idaho (+17.3%), Texas (+15.9%), North Dakota (15.8%) and Nevada (15.0%). Three state lost population over the past decade, including West Virginia (-3.2%), Mississippi (-0.2%) and Illinois (-0.1%).

# Stock Market – Volatility Returns in May

As calendar 2020 came to end, the overall economy has 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.

The new year has seen generally upward movement, with increased volatility toward the end of the month, especially in January and February. April was general a positive month for stocks, but volatility returned in May with mid-month drops for all three indices. Year-to-date, the DOW has increased 12.3 percent, the NASDAQ has gained 6.5 percent and the S&P is up 11.6 percent as of this writing. Just over a year 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:

## DOW Jones Industrial Average


## NASDAQ Composite Index

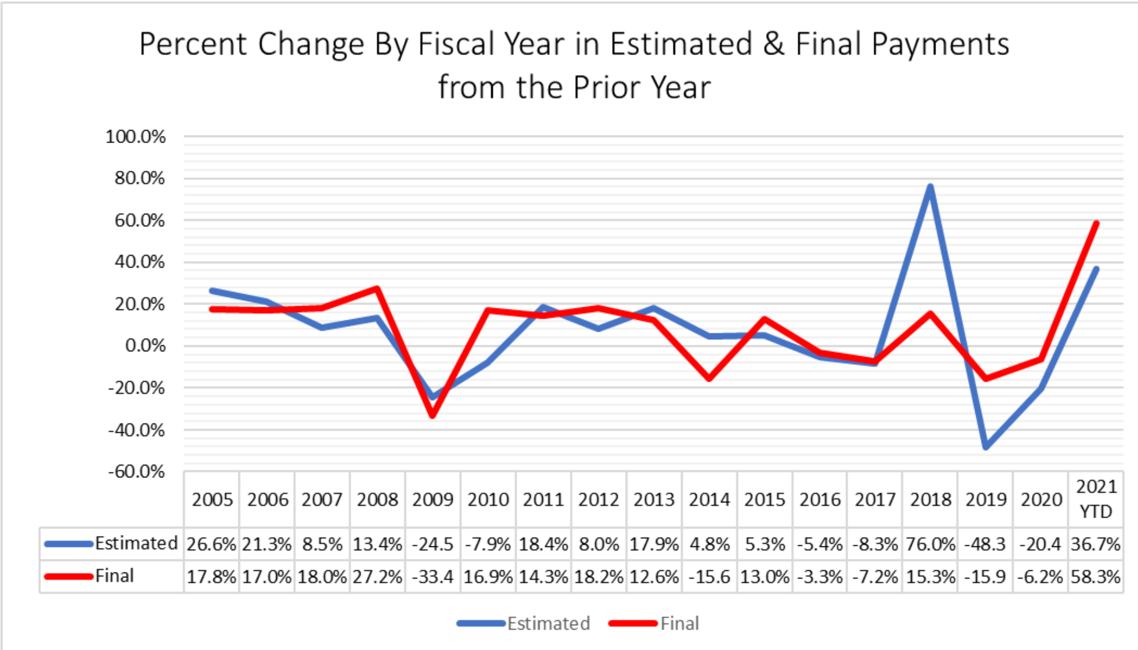

## S&P 500 Index

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


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

FY 2020 results showed estimated and final payments were down a combined 13.2 percent compared with the previous year. Preliminary estimates for the first ten months of FY 2021 indicate better than expected results through April 2021. To date, combined estimated and final payments are 42.8 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, likely skewing results. At the same time, the current FY 2021 projection for estimated and final income tax payments now exceeds the original budget plan by $101.8 million or 3.6 percent. This most recent projection reflects strong collection results through May.



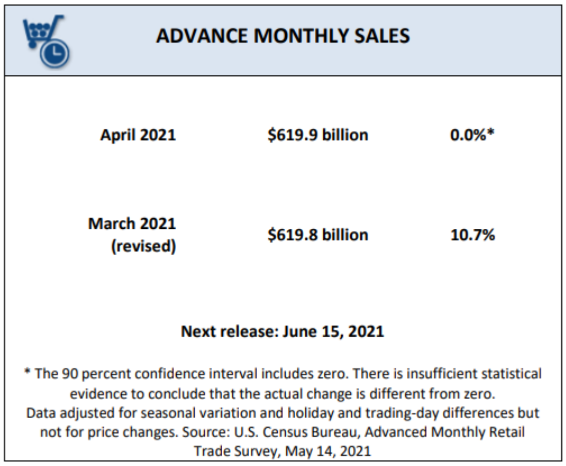

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimated | 26.6% | 21.3% | 8.5% | 13.4% | -24.5 | -7.9% | 18.4% | 8.0% | 17.9% | 4.8% | 5.3% | -5.4% | -8.3% | 76.0% | -48.3 | -20.4 | 36.7% |
| 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% | 58.3% |

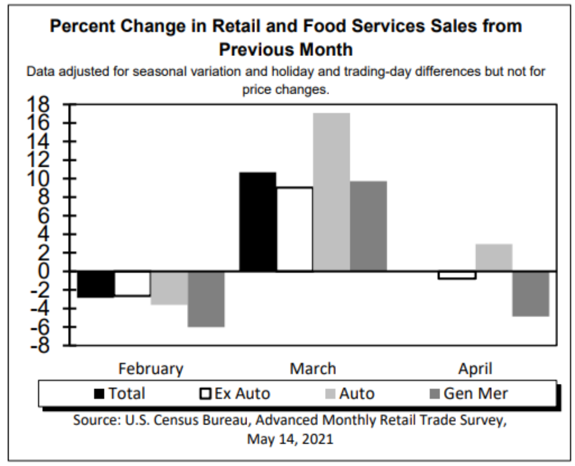
# Consumer Spending – April Sales Flat After March Surge

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

On May 14th, the Commerce Department reported that U.S. advance retail sales were $619.9 billion in April 2021, virtually unchanged from the previous month. In March retail sales jumped a revised 10.7 percent as households received their $1,400 federal stimulus checks from the American Rescue Plan Act.

April results were mixed. The biggest gainers on a percentage basis were restaurants and bars, which saw an increase of 3 percent, as COVID restrictions were lifted and more businesses re-opened. This was followed by motor vehicle & parts dealers (+2.9%) and electronics & appliance stores (+1.2%). Sectors that experienced a step back in April included clothing & accessory retailers (-5.1%), general merchandise stores (-4.9%), and sporting goods, hobby & musical instrument shops (-3.6%)




So-called core retail sales dropped 1.5 percent in April, after rising a revised 7.6 percent in March. This category excludes automobiles, gasoline, building materials and food services.

Analysts believe retail sales will continue to recover in the coming months as the economy reopens further and due to the increased level of savings many households have accumulated during the pandemic.

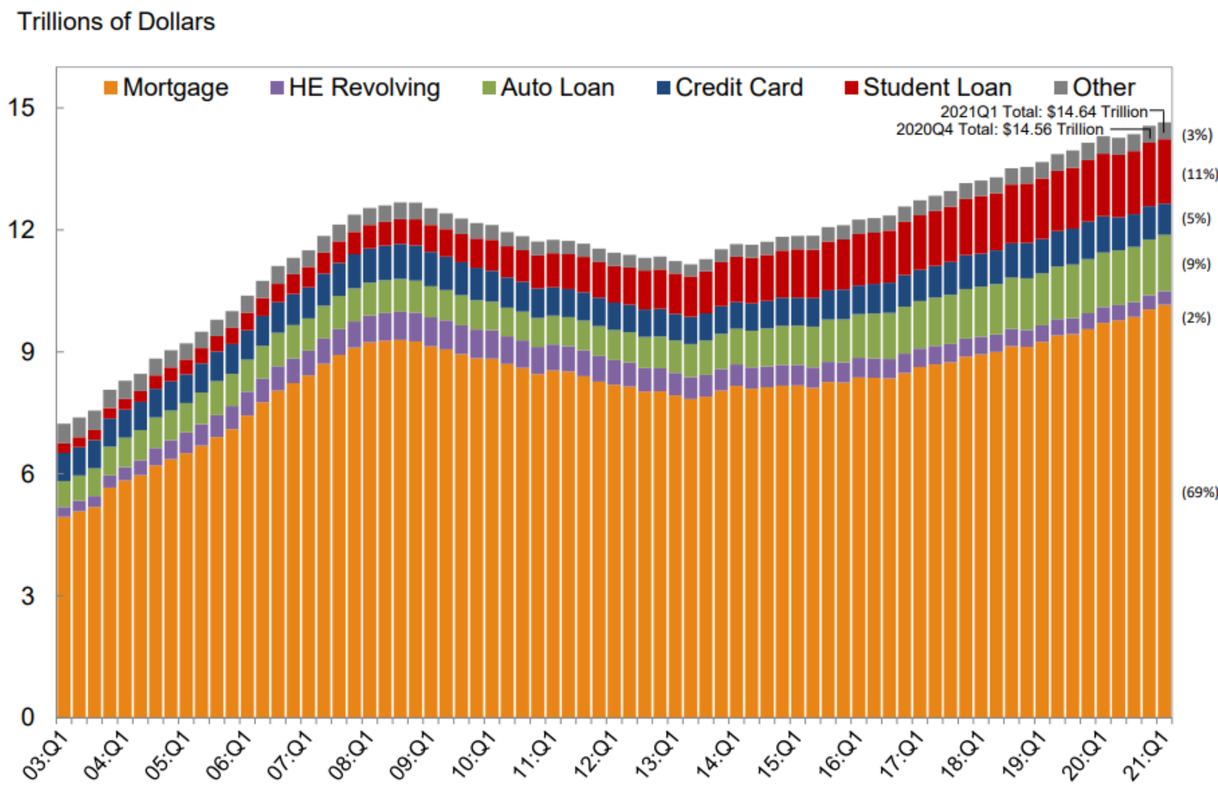
## *Consumer Debt and Savings Rates – Mortgage Debt Up, Credit Cards Down*

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 is 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.

## Total Debt Balance and its Composition




Source: New York Fed Consumer Credit Panel/Equifax

The Federal Reserve notes aggregate delinquency rates across all debt categories have continued to decline since the beginning of the pandemic recession. This reflects an uptake in forbearances that were provided by the CARES Act or voluntarily offered by lenders. The chart below illustrates the change in flow into serious delinquency from the first quarter of 2020 versus 2021. Student loans represent the most striking change due to a Department of Education decision to report loans as current status if they are eligible for CARES Act forbearances.

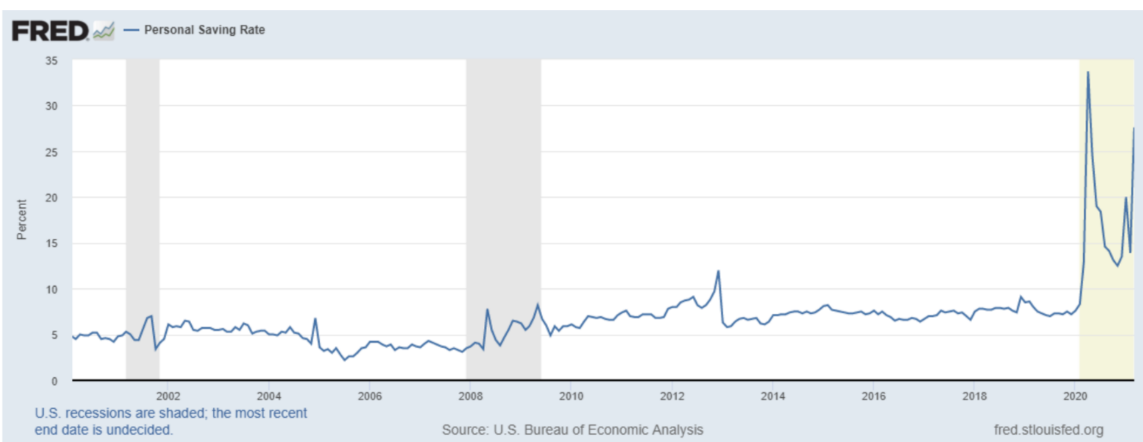
**Flow into Serious Delinquency (90 days or more delinquent)**

| CATEGORY [1] | Q1 2020 | Q1 2021 |
|---|---|---|
| MORTGAGE DEBT | 1.17% | 0.42% |
| HOME EQUITY LINE OF CREDIT | 0.77% | 0.50% |
| STUDENT LOAN DEBT | 8.87% | 1.02% |
| AUTO LOAN DEBT | 2.37% | 1.72% |
| CREDIT CARD DEBT | 5.31% | 3.78% |
| OTHER | 4.74% | 3.25% |
| ALL | 2.38% | 0.86% |

# *Personal Savings Rate*

In its April 30th release, the Bureau of Economic Analysis (BEA) reported the personal-saving rate was 27.6 percent in March 2021, a big jump from the revised 13.9 percent in February. The increase was largely driven by in 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.

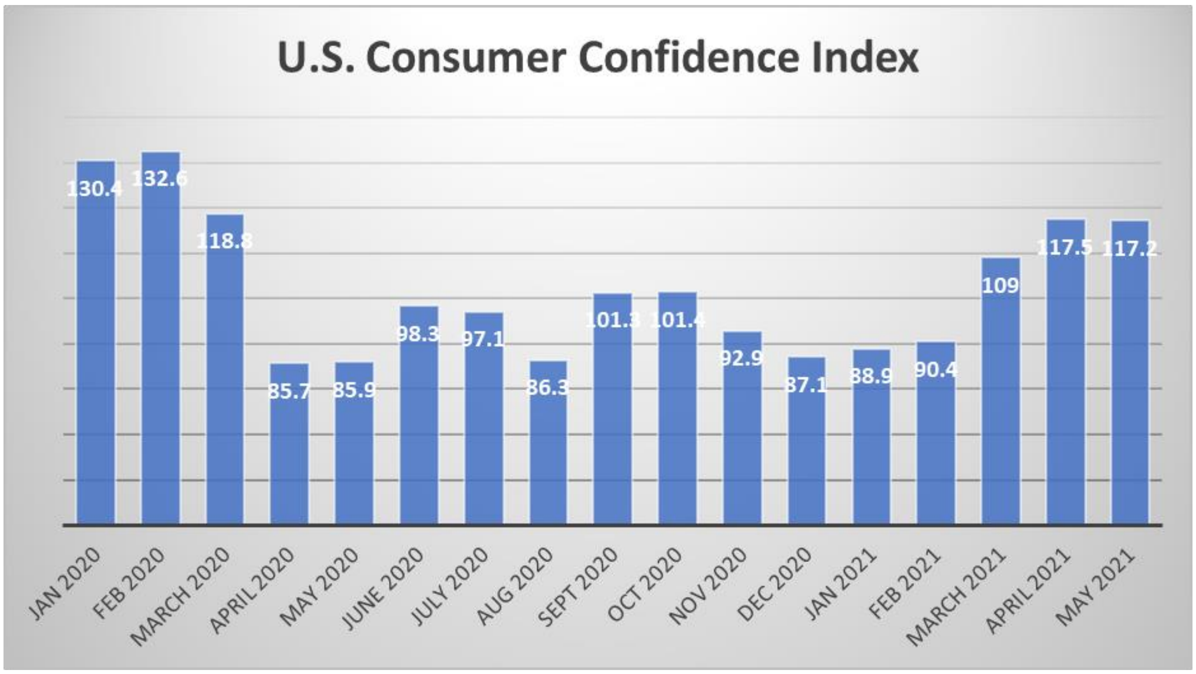



BEA reported that personal income increased $4.21 trillion (21.1 percent) in March and disposable personal income (DPI) increased $4.18 trillion (23.6 percent). In addition, personal consumption expenditures (PCE) increased $616.0 billion (4.2 percent). PCE or consumer spending included growth of $403.0 billion for goods and $213.1 for services.

# *Consumer Confidence – Holds Steady in May after Big April Jump*

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 held steady in May, following a significant rise in April. The Index now stands at 117.2, down marginally April's revised reading of 117.5. The results came in lower than economists expected.




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.

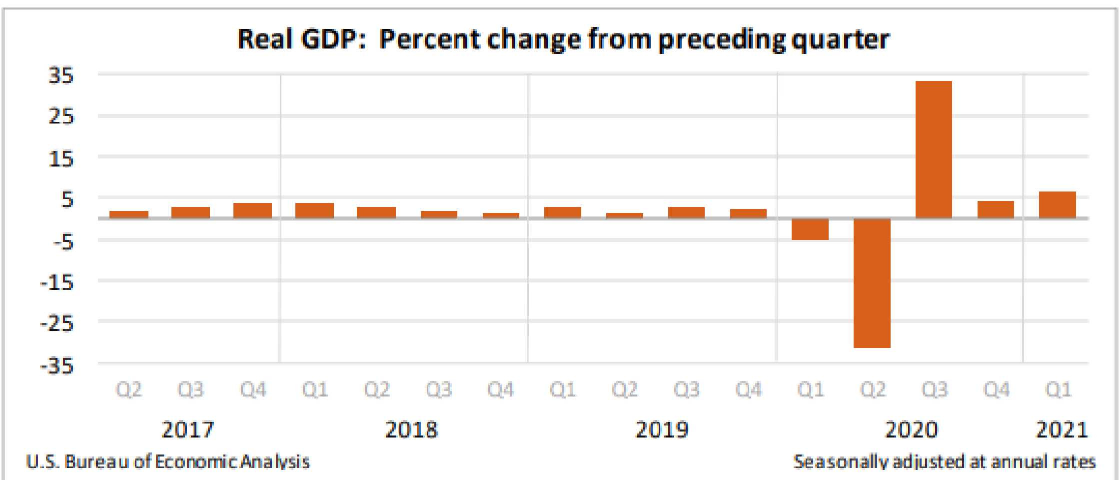
In May survey the Present Situation Index improved, increasing from 131.9 to 144.3. However, the Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, fell from 107.9 to 99.1. The Conference Board reported that optimism in the short-term retreated due to expectations of slowing growth and a softening labor market in the coming months.

Lynn Franco, Senior Director of Economic Indicators at The Conference Board noted "Overall, consumers remain optimistic, and confidence should remain resilient in the short term, as vaccination rates climb, COVID-19 cases decline further, and the economy fully reopens."

# Business and Economic Growth – 1st Quarter 2021 GDP

According to a May 27th report from the Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 6.4 percent in the first quarter of 2021, according to bureau's second estimate. This follows a 4.3 percent real GDP increase in the fourth quarter of 2020. BEA noted the first quarter results reflected continued economic recovery, the reopening of business establishments and the impact of the federal government's ongoing response to COVID-19.

According to BEA, the first-quarter growth in real GDP resulted from increases in consumer spending, business investment, government spending, and housing investment. These gains were partially offset by decreases in inventory investment and exports. Imports, a subtraction in the calculation of GDP, increased.




BEA reported the growth in consumer spending in the first quarter reflected increases in goods, led by motor vehicles and parts, as well as services, particularly food services and accommodations. Gains in business investment were driven by growth in information processing equipment and software. Government spending increases reflected federal payments made to banks for processing and administering the Paycheck Protection Program loan applications and purchases of COVID-19 vaccines for distribution to the public.

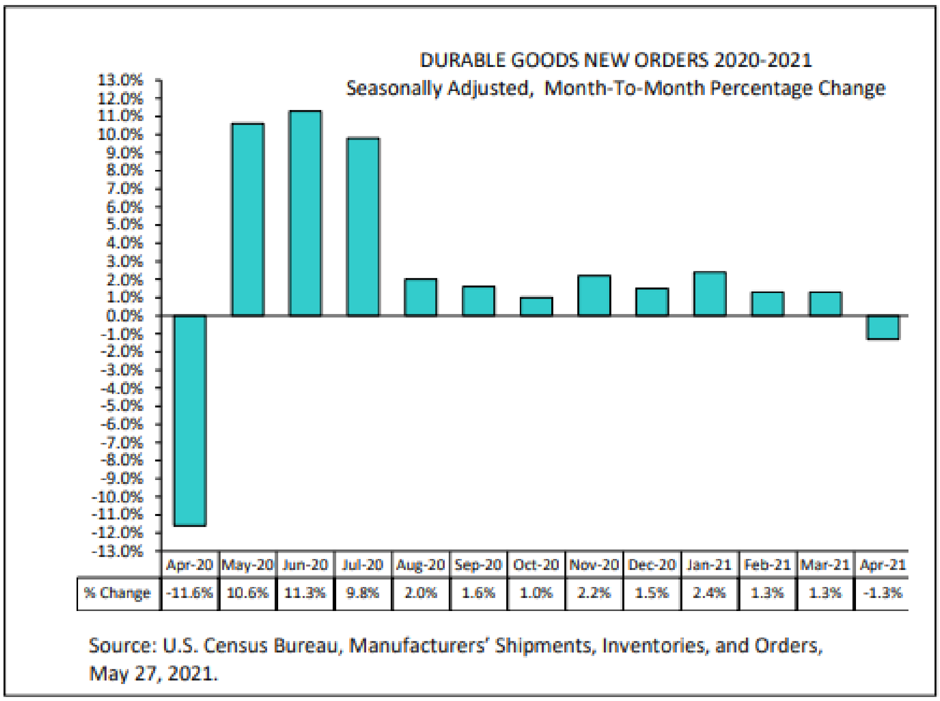
# *Durable Goods – Up Ten of the Last Eleven Months*

According to a May 27th report by the U.S. Department of Commerce, new orders for manufactured durable goods decreased $3.2 billion or 1.3 percent in April to $246.2 billion.

The step-back in April follows eleven consecutive months of growth, including a 1.3 percent increase in March 2021.

April's decline was driven by a 6.7 percent decrease for new order of transportation equipment.  Analysts noted this included a 6.2 percent drop in motor vehicle orders in the midst of a global chip shortage that has caused supply chain disruptions and price increases. Excluding transportation new orders increase one percent in April.

Positive categories for new orders included computers & related products (+4.6%), primary metals (+3.0%) and machinery (+1.4%).




On a positive note, orders for so called core capital goods increased 2.3 percent in April, after rising 1.6 percent the previous month.  Core capital goods are defined as non-defense capital goods excluding aircraft, which is considered a proxy for business spending.