News from

COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO PROJECTS $249.8 MILLION SURPLUS, NOTES POSITIVE ECONOMIC TRENDS

Comptroller Kevin Lembo today, in his monthly financial and economic update, projected a General Fund surplus of $249.8 million, noting gradual economic growth aided by the most recent federal stimulus package.

Economic indicators have been positively trending as Connecticut's economy has slowly begun to reopen and vaccinations have become widely available. Lembo noted the impact of the most recent stimulus package, which directly lead to an increase in consumer spending and personal savings among residents. The housing market has continued to perform at record rates, with the Northeast part of the country seeing the highest levels of growth. Strong stock market performance, vaccine availability and receding fears and worries about the pandemic have led to an increase in consumer confidence.

"Connecticut continues to slowly rebound from the drastic economic decline that coincided with the onset of the pandemic," Lembo said. "While our economy is currently experiencing several positive trends, prolonged joblessness and economic uncertainty continue to impact many families throughout the state. Lower income earners are still struggling to regain their footing as employment rates remain at historically high levels."

Connecticut's total employment is down 6.1 percent compared to one year ago, with over 103,000 jobs yet to be recovered. The leisure and hospitality sector continues to be hit the hardest, though all 10 job sectors are down from this time last year. Nationally, increased consumer spending has led to an increase in retail sales, particularly at restaurants and bars, a sector that was decimated during the height of the pandemic.

While recent economic indicators are trending upward and give reason for optimism, Lembo continued to highlight the need to monitor the uneven nature of the recovery.

"The good news is that we are finally witnessing consistent, positive trends after months of economic volatility," said Lembo. "However, there is still a lot of uncertainty ahead of us. As we begin to emerge on the other side of this pandemic, it is imperative to Connecticut's future success that we make sure no one is left behind."

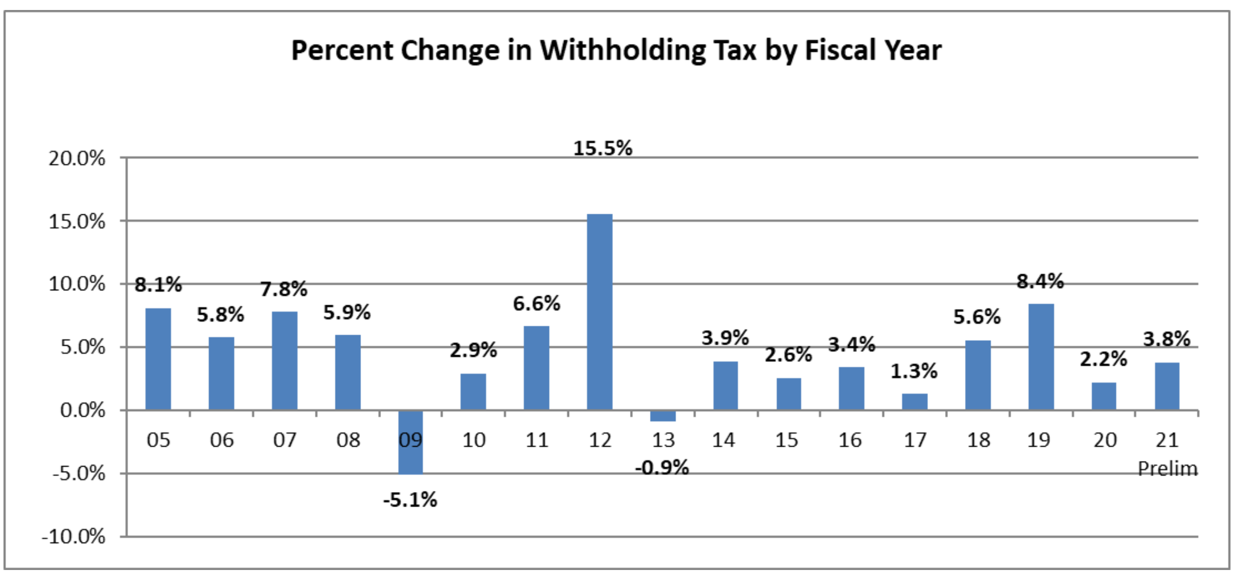
In a letter to Gov. Ned Lamont, Lembo noted that final payments in the month of May will be a key indicator in Connecticut's recovery and will add more clarity to the state's revenue picture.

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.*

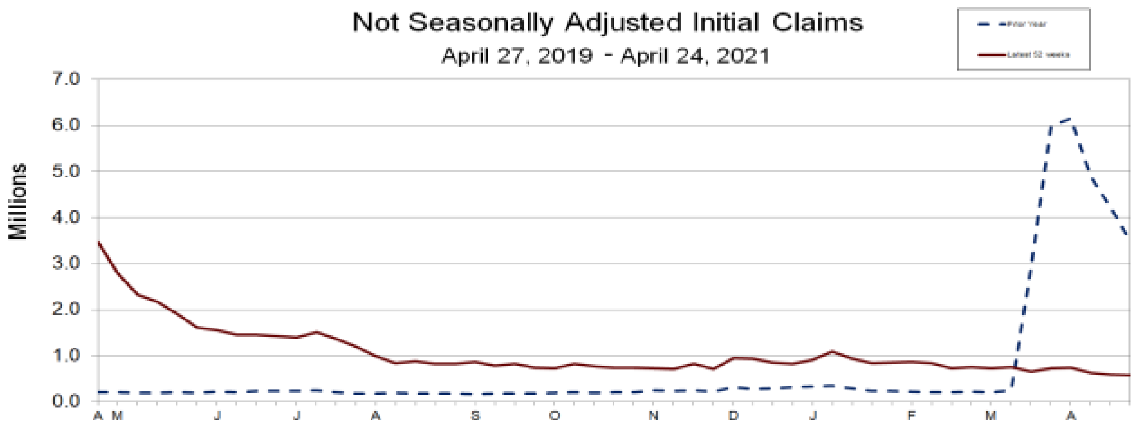
Employment and Withholding Receipts

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 March show withholding receipts growing by 3.8 percent above FY 2020 levels, an improvement over last month. This result coincides with job growth reported by Connecticut Department of Labor (DOL) in recent months. Based on this trend, the April 30th consensus revenue forecast raised the budget target for income tax withholdings by $150 million, right in line with year-to-date growth over the previous fiscal year.

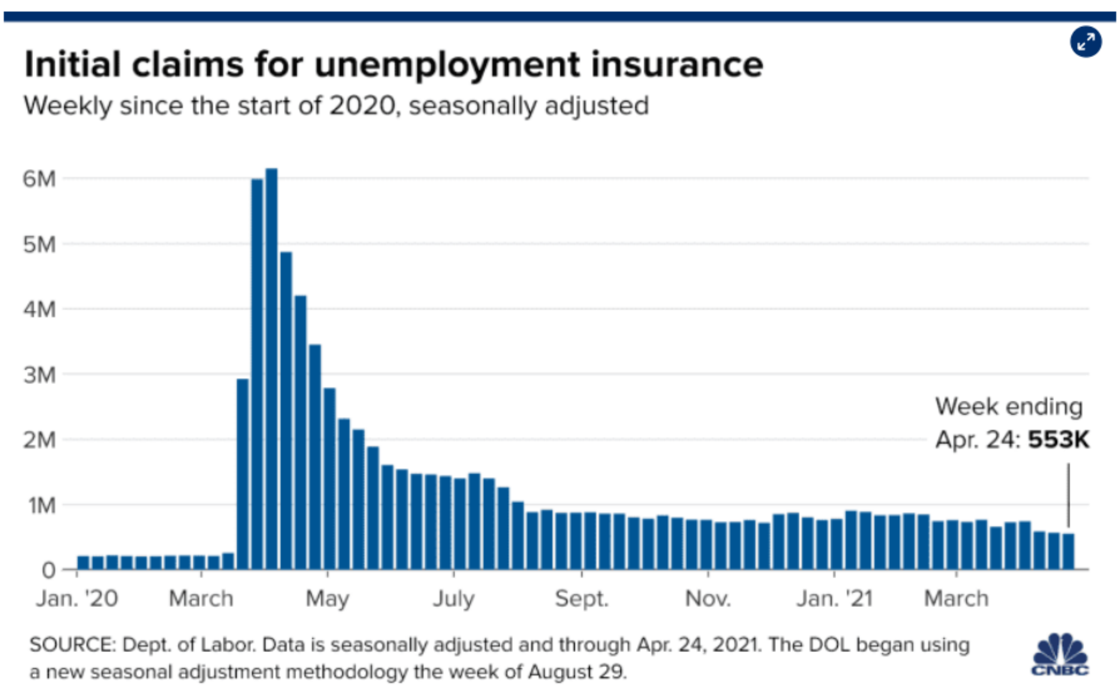


COVID-19 Jobs Picture – Improvement in April

The national jobs picture brightened in April as COVID-19 vaccination efforts accelerated and states began easing restrictions on businesses due to lower positivity rates. For the week ending April 24th, the U.S. Bureau of Labor Statistics (BLS) reported that seasonally adjusted initial claims totaled 553,000. While still very high by historical standards, this represented a decrease of 13,000 from the previous week's revised level of 566,000 and was the lowest since March 14, 2020, just before the pandemic shutdowns began. The BLS graph below shows the pattern, comparing the last year to the current year. The prior year's results are represented by the blue dashed line while the current year is shown as a solid red line.



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.
In the same release, BLS reported the total receiving unemployment benefits was approximately 16.6 million for the week ending April 10th, down from 17.4 million the previous week. 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	**April 10**	**April 3**	**Change**	**Prior Year**[1]
Regular State	3,813,109	3,886,198	-73,089	16,229,211
Federal Employees	15,389	15,897	-508	13,353
Newly Discharged Veterans	7,809	7,737	+72	8,202
Pandemic Unemployment Assistance[3]	6,974,068	7,309,604	-335,536	NA
Pandemic Emergency UC[4]	5,192,711	5,605,935	-413,224	NA
Extended Benefits[5]	471,216	492,999	-21,783	232
State Additional Benefits[6]	1,634	1,797	-163	5,850
STC / Workshare [7]	83,340	84,983	-1,643	62,328
TOTAL[8]	16,559,276	17,405,150	-845,874	16,319,176

Connecticut Jobs Picture – New Year Rebound Continues in March

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 quarter of 2021.

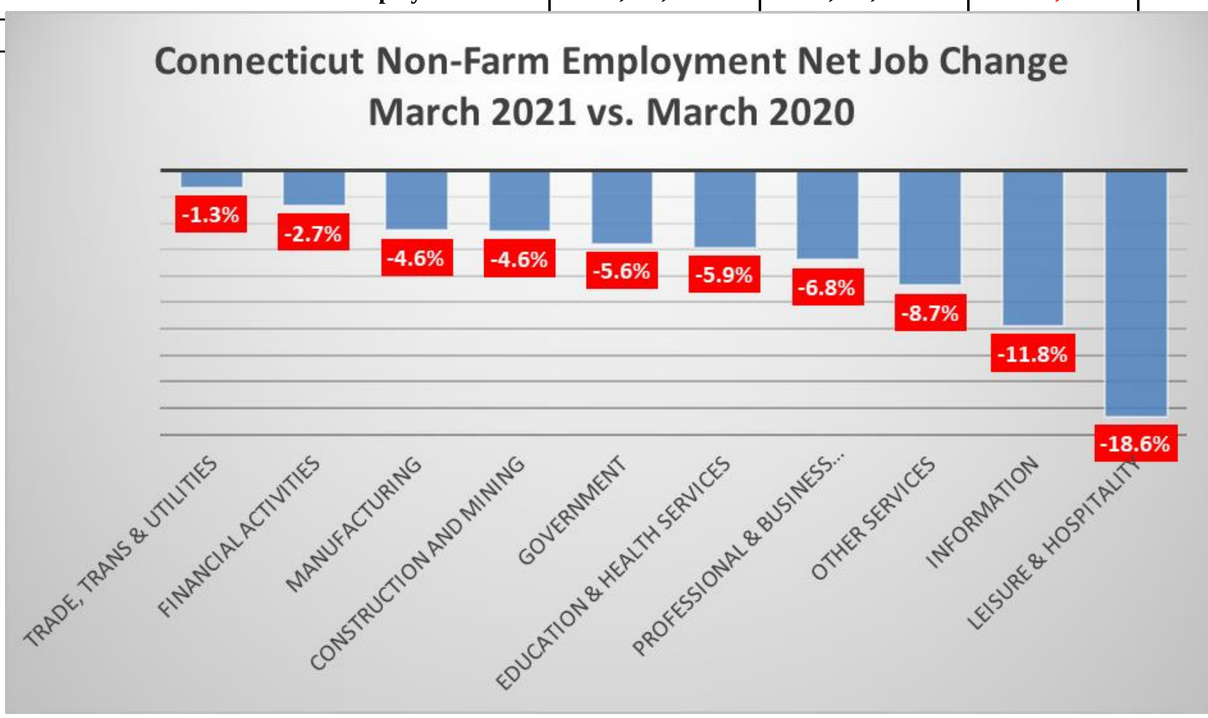
On April 15th DOL reported the preliminary Connecticut nonfarm job estimates for March 2021 from the business payroll survey administered by the U.S. Bureau of Labor Statistics (BLS). DOL's Labor Situation report showed the state gained 5,400 net jobs (0.3%) in March to a level of 1,580,300 jobs seasonally adjusted. This follows job growth of 3,100 positions in February and represents three consecutive months of employment gains. DOL noted the March job gains were broad-based, with seven of the ten major industry sectors experiencing improvement. The education & health services sector led the way (+5,400), followed by leisure & hospitality (+1,600) and construction (+1,000). The sectors that lost jobs in March included professional & business services (-2,600), trade, transportation & utilities (-2,100) and information (-100).

Connecticut's total payroll employment is now 103,000 positions below where it was a year ago, representing a decrease of 6.1 percent. The state has now recovered 176,400 of the 292,400 (or 60.3 percent) of the jobs lost in March and April 2020 due to the COVID-19 lockdown.

Connecticut's official unemployment rate stood at 8.3 percent in March 2021, down from 8.5 percent a month earlier and significantly higher than the 3.8 percent pre-pandemic rate a year ago. The U.S. jobless rate in February was 6.0 percent, down two-tenths of a point from the previous month, but up from the 4.4 percent rate in March 2020.

Among the major job sectors listed below, all ten experienced losses in March 2021 versus March 2020 levels. The leisure & hospitality sector remains particularly hard hit, losing nearly one-fifth of its jobs for the period, followed by the information and other services sectors.

Payroll Employment Trend				
March 2021 Versus March 2020				
Sector	**March 2021 (P)**	**March 2020 (R)**	**Gain/Loss**	**% Change**
Construction and Mining	57,600	60,400	-2,800	-4.6%
Manufacturing	152,800	160,100	-7,300	-4.6%
Trade, Transportation & Utilities	289,300	293,100	-3,800	-1.3%
Information	27,600	31,300	-3,700	-11.8%
Financial Activities	119,200	122,500	-3,300	-2.7%
Professional & Business Services	203,000	217,800	-14,800	-6.8%
Education & Health Services	328,300	348,800	-20,500	-5.9%
Leisure & Hospitality	122,600	150,700	-28,100	-18.6%
Other Services	58,600	64,200	-5,600	-8.7%
Government	221,300	234,400	-13,100	-5.6%
Total Connecticut Non-Farm Employment	**1,580,300**	**1,683,300**	**-103,000**	**-6.1%**



Income and Salary – Modest Income Growth, but Inflation Rises

March 2021 average hourly earnings at $33.52, not seasonally adjusted, were lower by $0.27 (0.8%) from the March 2020 estimate ($33.79), but average number of hours increased. The resultant average private sector weekly pay came in at $1,146.38, up $14.41 or 1.3 percent from a year ago. 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 March 2021 climbed to 2.6 percent.

Housing – Strong Results Continue in March

Continuing a trend from recent months, Berkshire Hathaway HomeServices reported another month of strong results for the Connecticut housing market in March 2021 compared with March 2020. Sales of single-family homes grew 13.28 percent, with the median sale price increasing by 22.22 percent. New listings were up 3.94 percent this March versus last year and the median list price was up 19.68 percent, which may indicate the lack of new inventory is helping to drive prices higher. At the same time, the average sales price is up 37.09 percent pointing to a very robust market for higher priced homes. Average days on the market decreased 32.94 percent in March 2021 compared to the same month in the previous year (57 days on average compared with 85 in February 2020). Finally, on average sales prices came in above list prices in March, with the sales to list price ratio of 100.4 percent.

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

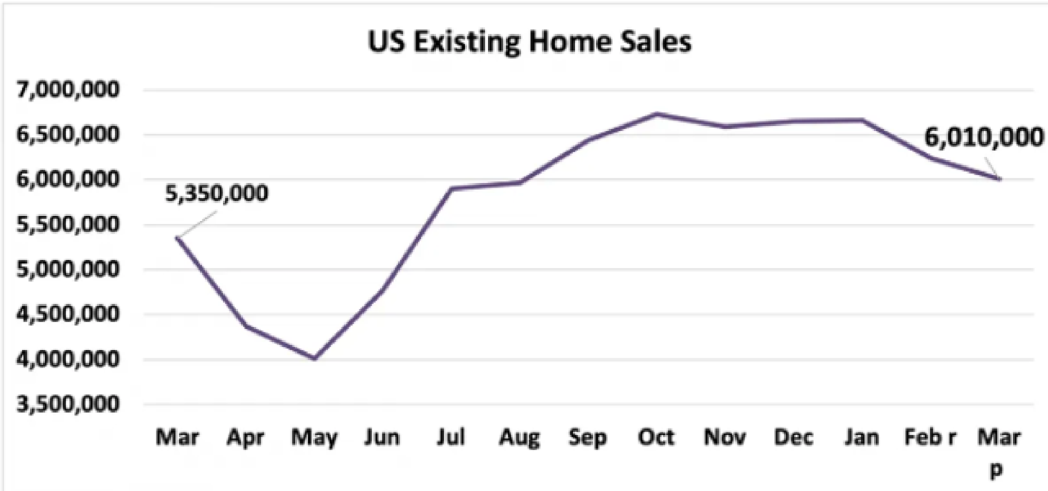
MARKET SUMMARY

MARCH 2021 | SINGLE FAMILY HOMES

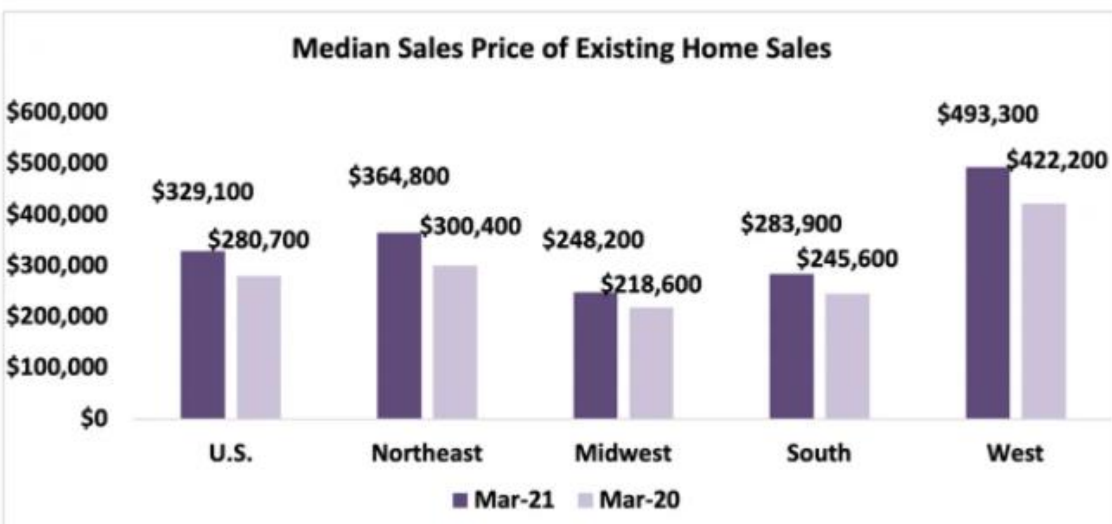
Market	Month to Date			Year to Date		
Summary	March 2021	March 2020	Percent Change	Year-To-Date 2021	Year-To-Date 2020	Percent Change
New Listings	4620	4445	3.94% ▲	10165	12064	-15.74% ▼
Sold Listings	2952	2606	13.28% ▲	8197	6792	20.69% ▲
Median Listing Price	$329,000	$274,900	19.68% ▲	$324,900	$265,000	22.6% ▲
Median Selling Price	$330,000	$270,000	22.22% ▲	$325,000	$260,000	25% ▲
Median Days on Market	33	59	-44.07% ▼	40	66	-39.39% ▼
Average Listing Price	$508,035	$381,470	33.18% ▲	$515,951	$385,172	33.95% ▲
Average Selling Price	$504,453	$367,980	37.09% ▲	$508,075	$369,497	37.5% ▲
Average Days on Market	57	85	-32.94% ▼	60	89	-32.58% ▼
List/Sell Price Ratio	100.4%	97.6%	2.87% ▲	99.8%	97.3%	2.58% ▲

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

Total existing-home sales, (completed transactions that include single-family homes, townhomes, condominiums, and co-ops) decreased 3.7 percent from February to a seasonally adjusted annual rate of 6.01 million in March. Year-over-year sales were up 12.3 percent from a year ago (5.35 million in March 2020).



Nationally, home prices have remained strong during the pandemic. NAR reported the median existing-home price for all housing types in March was $329,100, up 17.2 percent from March 2020 ($280,700), as prices increased in every region. March's national price growth marks 109 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 (+21.4%), followed by the West (+16.8%). The South grew 15.6 percent and the Midwest increased 13.5 percent.



Housing inventory near historic lows continues to drive housing prices. NAR notes housing inventory at the end of March totaled 1.07 million units, up 3.9 percent from February, but down 28.2 percent from a year ago (1.46 million).

Commercial Real Estate – Lower Delinquency Rates in March

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 April 1st report found delinquency rates for mortgages backed by commercial and multifamily properties decreased in March 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 third straight month in March. In all, 95.0 percent of outstanding loan balances were current, up from 94.8 percent in February.

Loans backed by lodging and retail properties, the sectors most directly affected by the pandemic, continue to see the greatest levels of stress. The overall share of retail and industrial loan balances that are delinquent decreased in March, while office property loans remained flat. The percent of multifamily properties with non-current loan balances increased slightly.

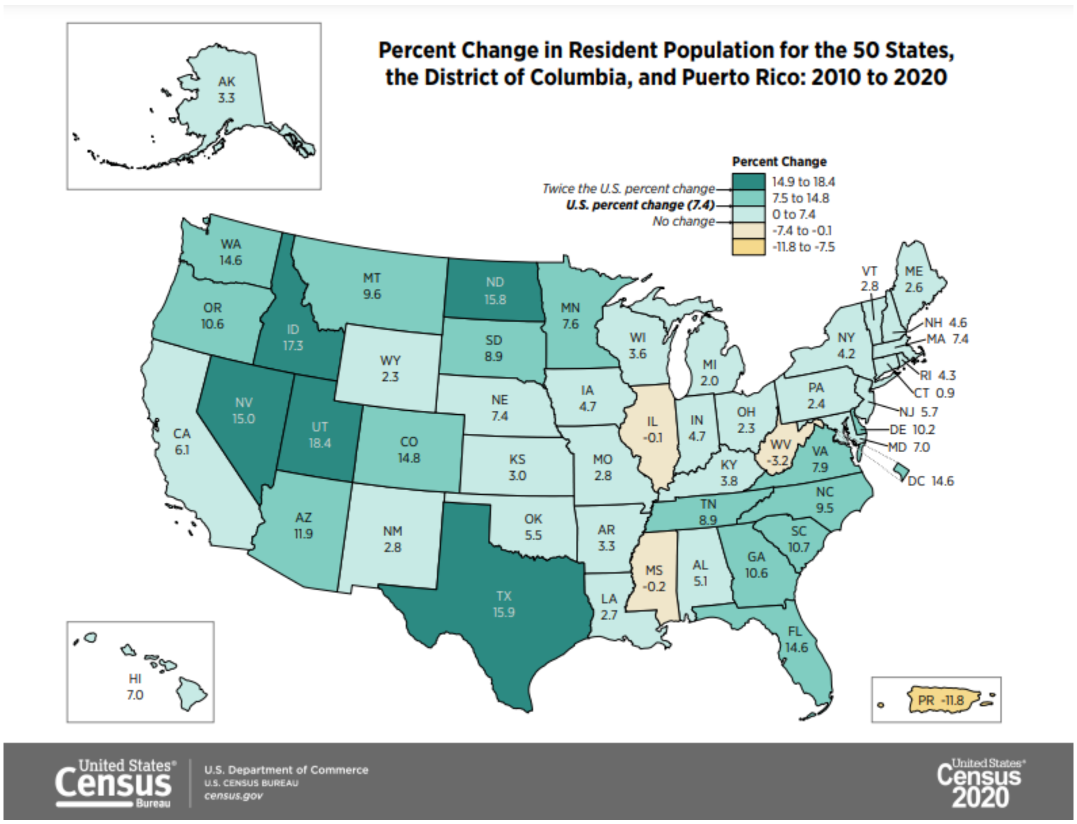
	Percent of Balance Not Current	
Commercial Loan Type	**March 2021**	**February 2021**
Lodging Loans	20.5%	20.6%
Retail Loans	9.5%	10.8%
Industry Property Loans	1.2%	2.7%
Office Property Loans	2.4%	2.4%
Multifamily Property Loans	1.8%	1.7%

Source: Mortgage Bankers Association CREF Loan Performance Survey for March 2021

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 48th 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 – Positive Results in April

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 has been a positive month for stocks with all three indices experiencing gains.

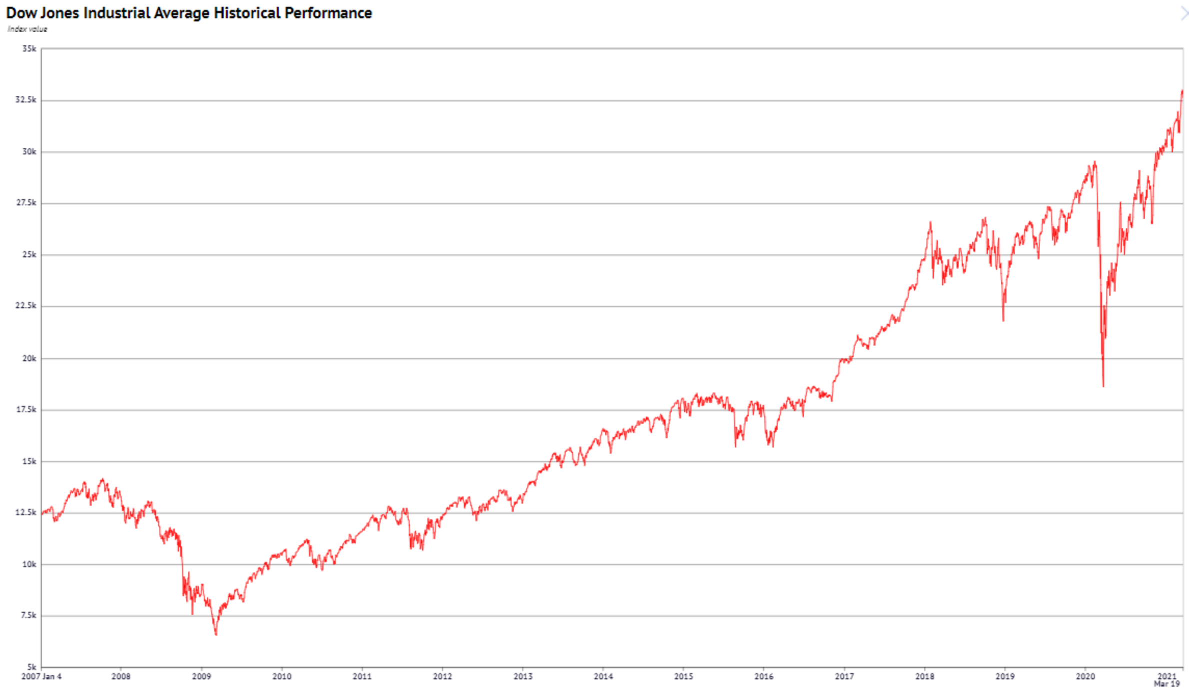
Year-to-date, the DOW has increased 10.7 percent, the NASDAQ has gained 8.3 percent and the S&P is up 11.3 percent as of this writing. Just over a year ago, in late March, the stock market was in free fall as the pandemic-related shutdowns were taking place. As the charts below illustrate, all three 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

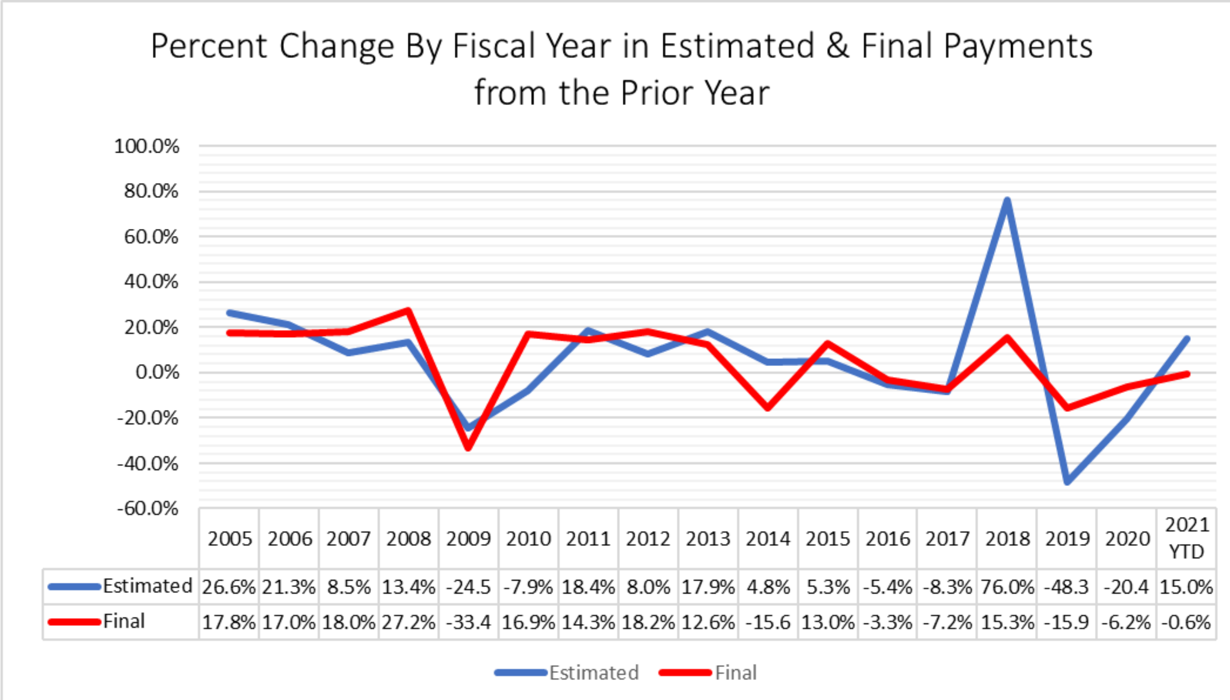
To give more perspective on the performance of the stock market over the longer term, the chart below shows the level of the DOW from 2007 to the present:



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 eight months of FY 2021 indicate better than expected results through March 2021. To date, combined estimated and final payments are up 11.3 percent above FY 2020's level, with estimates up 15.0 percent and finals down -0.6 percent.

Reflecting this trend, the April 30th consensus revenue forecast reached by the Office of Policy and Management (OPM) and the Office of Fiscal Analysis (OFA) increased the projection for estimated and final income taxes by $100.0 million compared with the prior month. However, this category is still running below the original targets in the FY 2021 budget plan by $198.2 million or -7.0 percent.



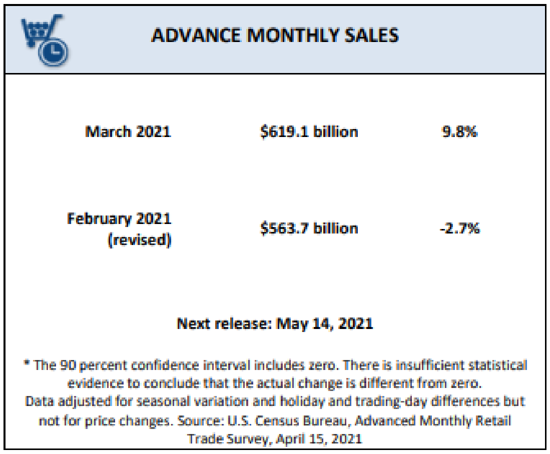
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 YTD
Estimated	26.6%	21.3%	8.5%	13.4%	-24.5	-7.9%	18.4%	8.0%	17.9%	4.8%	5.3%	-5.4%	-8.3%	76.0%	-48.3	-20.4	15.0%
Final	17.8%	17.0%	18.0%	27.2%	-33.4	16.9%	14.3%	18.2%	12.6%	-15.6	13.0%	-3.3%	-7.2%	15.3%	-15.9	-6.2%	-0.6%

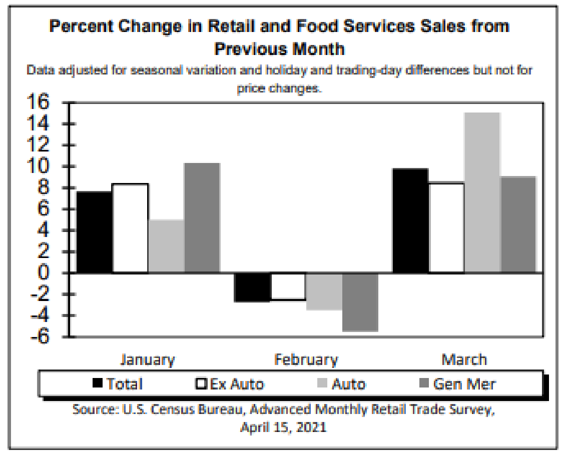
April is normally the key month for the final payments portion of the income tax. In a typical year, 60 to 70 percent of final payments are collected, representing over a billion dollars in revenue for the General Fund. This year, the Department of Revenue Services (DRS) has extending the filing and payment deadline for Connecticut individual income tax returns to Monday, May 17th. This change aligns Connecticut with the Federal filing deadline, which was postponed as part of the American Rescue Plan Act. In terms of timing, this revenue will still fall within FY 2021 – so that is not an issue. Rather the delay will make it more difficult to project revenues to year-end.

Consumer Spending – Stimulus Checks & Reopening Results in March Rebound

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

On April 15th, the Commerce Department reported that U.S. advance retail sales were $619.1 billion in March 2021, an increase of 9.8 percent from the previous month.





Analysts noted the jump was larger than expected and reflected a combination of factors including a rebound from February's weather-related spending drop, the release of $1,400 federal stimulus checks from the American Rescue Plan Act and expanded business re-openings associated with the COVID-19 vaccination roll-out.

Increases in retail sales were broad-based in March, with all categories showing growth. Spending on sporting goods, up 23.5 percent, experienced the highest increase on a percentage basis, followed by clothing & accessories at 18.3 percent and motor vehicles & parts at 15.1 percent. In addition, building materials & garden supplies (+12.1%), electronics & appliance stores (+10.5%) and general merchandise retailers (+9.0%) all saw healthy gains. In a sign of expanded business reopening, sales at restaurants and bars were up 13.4 percent in March.

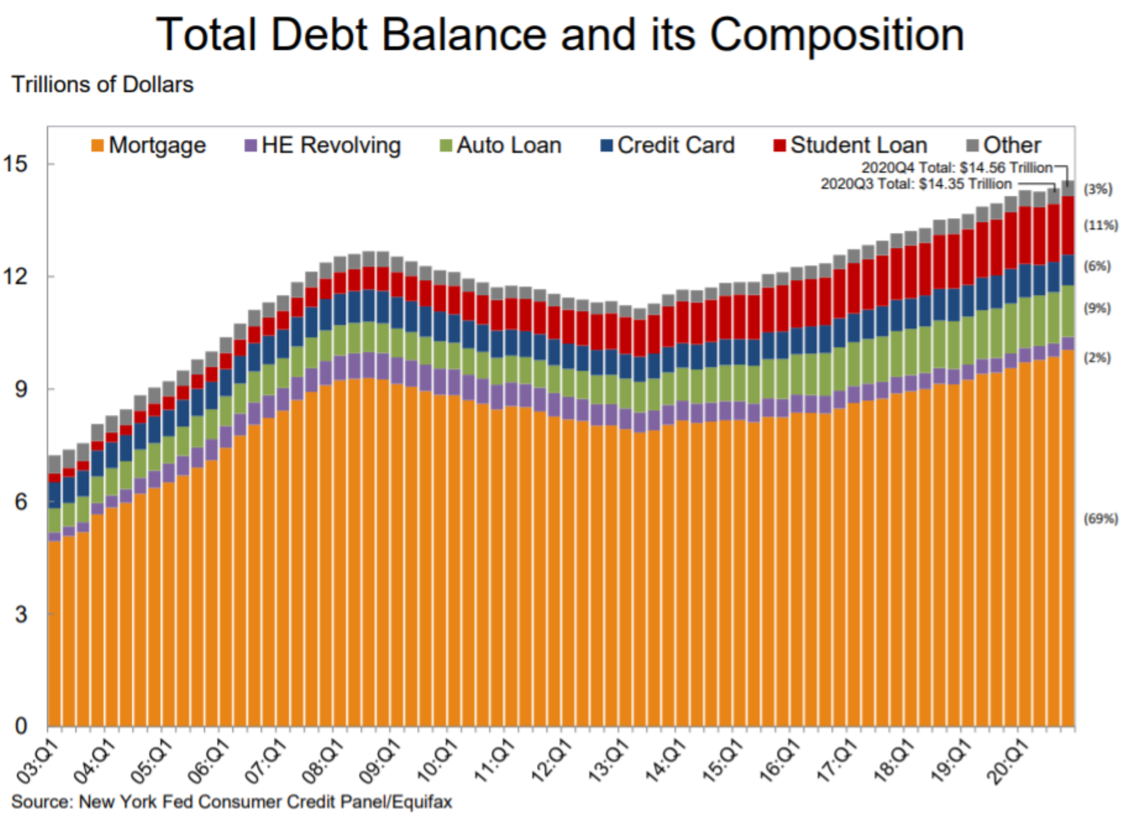
So-called core retail sales increased 6.9 percent in March after declining a revised 3.4 percent in February. This category excludes automobiles, gasoline, building materials and food services.

Consumer Debt and Savings Rates

According to the Federal Reserve Bank of New York, aggregate household debt balances increased in the fourth quarter of 2020, driven in part by a sharp increase in mortgage originations. Total household debt increased by $206 billion (1.4 percent) to $14.56 trillion in the quarter ending December 31, 2020. The total debt balance is now $414 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—surpassed $10 trillion in the fourth quarter, increasing by $182 billion to $10.04 trillion at the end of December. Outstanding student loans, the second largest category of household debt, totaled $1.56 trillion in the fourth quarter, a $9 billion increase from the third quarter. Auto loan balances increased by $14 billion in the fourth quarter, reaching $1.37 trillion. Balances on home equity lines of credit (HELOC) saw a $13 billion decline, the 16th consecutive decrease since the fourth quarter of 2016, bringing the outstanding balance to $349 billion.

Credit card balances increased by $12 billion over the quarter, but they were still $108 billion lower than they had been at the end of 2019. The Federal Reserve reported this represents the largest year over year decline since the series began in 1999 and is consistent with continued weakness in consumer spending and revolving balance paydowns by card holders during the fourth quarter.



Federal Reserve Report on Household Use of Stimulus Checks

A recent Federal Reserve study has found a remarkable amount of stability among households in their use of three rounds of stimulus checks. Households began receiving the first economic impact payments in mid-April 2020 as part of the CARES Act. The second round was issued starting at the end of December 2020 as part of the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. The third round was authorized in March 2021 under the American Rescue Plan Act.

The Federal Reserve survey asked what share of payments the household has already or expects to 1) spend or donate, 2) save or invest, or 3) use to pay down debts. Results summarized in the table below found consistent responses for the three rounds:

How Households Use Their Stimulus Checks			
Stimulus Round	1	2	3
Reporting month	June	January	March
Average percentage spent	29.2	25.5	24.7
Average percentage saved	36.4	37.1	41.6
Average percentage toward debt	34.5	37.4	33.7

Source: New York Fed Survey of Consumer Expectations (SCE).

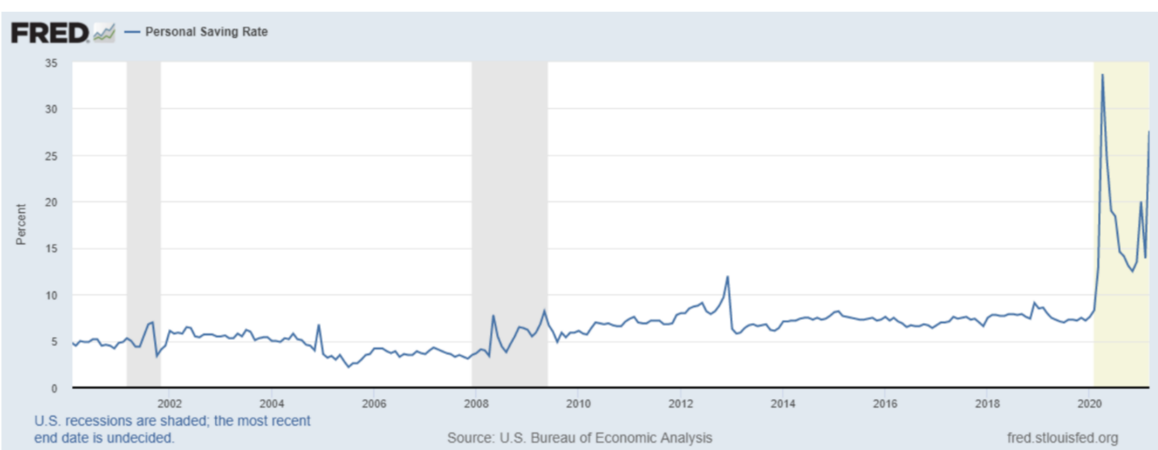
Notes: Round 1 results are based on 1,423 respondents to the June 2020 special SCE survey who reported receiving a stimulus check. Rounds 2 and 3 results are based on 1,062 and 1,007 respondents to the January and March 2021 Core SCE surveys, respectively, who received or expected to receive second- and third-round stimulus checks.

As can be seen, the majority of relief payments were either saved or used to pay down debt. The authors conclude their findings indicate that high levels of unemployment, uncertainty around the duration of the pandemic and constraints on many activities had an impact on spending. However, as the economy reopens and fear and uncertainty recede, the higher levels of saving should facilitate more spending in the future.

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.

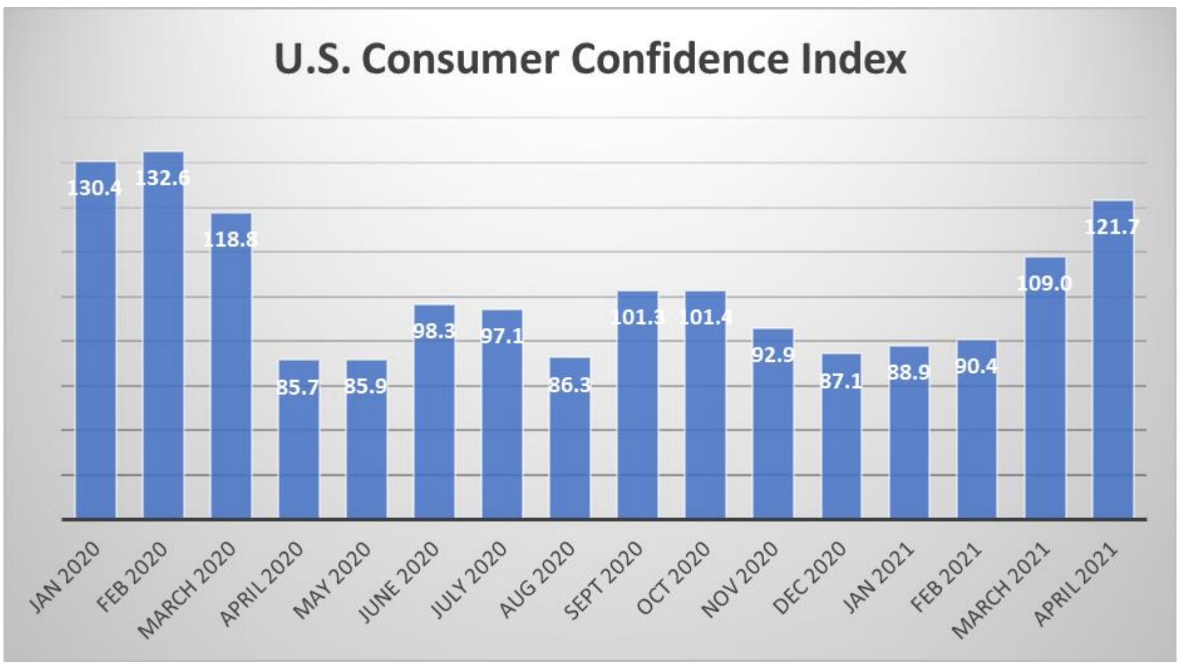


BEA reported that personal income increased $4.21 trillion (21.1 percent) in March and disposable personal income (DPI) increased $4.18 trillion (23.6 percent). In addition, personal consumption expenditures (PCE) increased $616.0 billion (4.2 percent). PCE or consumer spending included growth of $403.0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

Consumer Confidence – Up Sharply Again in April

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 rose sharply again in April, representing the fourth consecutive increase and the highest level since February 2020. The Index now stands at 121.7, up from March's revised reading of 109.0. The result was better than analysts expected. Economists polled by The Wall Street Journal projected that the indicator would come in at 113.0. The rise in confidence was driven by an improving job market and the recent round of federal stimulus checks.



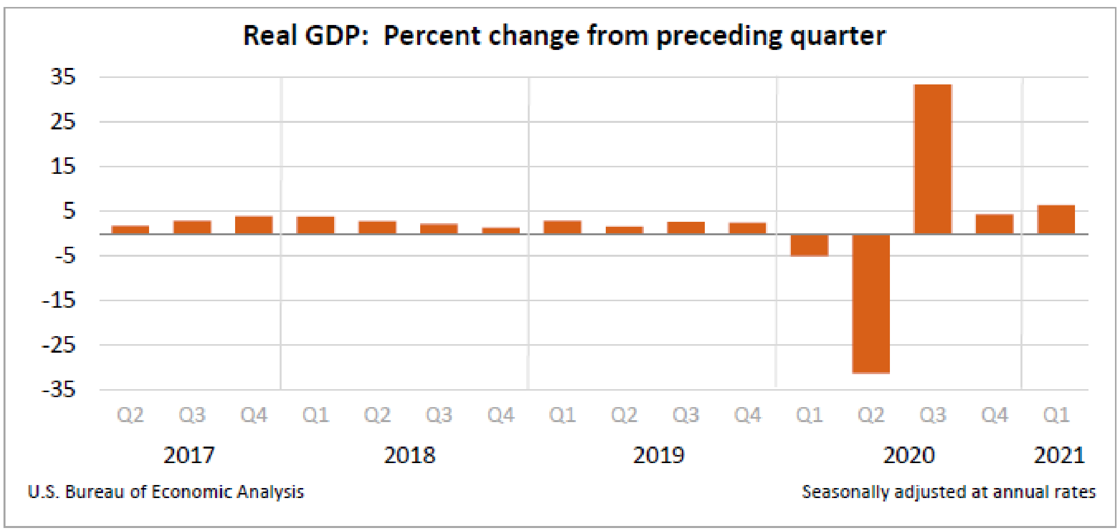
The Consumer Confidence Index is made up of two parts, including the Present Situation Index, which looks at current conditions and the Expectation Index, which measures consumers' views of anticipated conditions for the next six months.

The Conference Board reported the Present Situation improved significantly in April, increasing from 110.1 to 139.6, suggesting the economic recovery strengthened further early in the second quarter of 2021. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, rose more modestly from 108.3 to 109.8.

Business and Economic Growth – 1st Quarter 2021 GDP

According to an April 29th 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 advance 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.

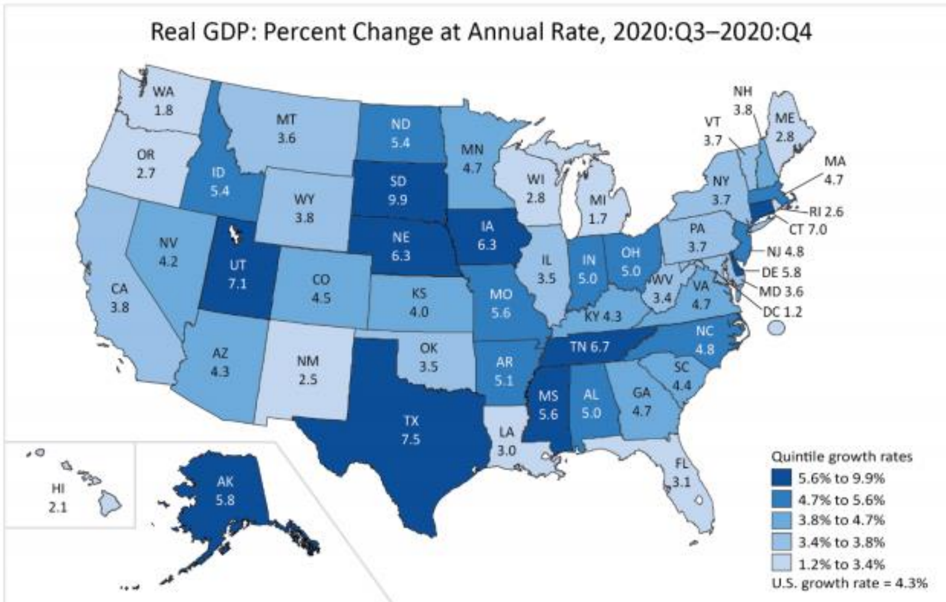
According to BEA, the first-quarter growth in real GDP resulted from increases in consumer spending, business investment, government spending, and housing investment. These gains were partially offset by decreases in inventory investment and exports. Imports, a subtraction in the calculation of GDP,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



BEA noted 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.

State Level GDP Results for 4th Quarter and the Full 2020 Year

On March 26th, BEA reported updated state level GDP data. Real gross domestic product (GDP) increased in all 50 states and the District of Columbia in the fourth quarter of 2020, as real GDP for the nation increased at an annual rate of 4.3 percent. The percent change in real GDP in the fourth quarter ranged from 9.9 percent in South Dakota to 1.2 percent in the District of Columbia.



U.S. Bureau of Economic Analysis

Connecticut fared better than both the national and the New England regional averages, with its GDP growing 7.0 percent, which ranked 4th in the U.S. overall. The Connecticut industries experiencing the largest gains on a percentage basis were finance & insurance (+2.27%), nondurable goods manufacturing (+0.70%) and health care & social assistance (+0.66%).

For the full year in 2020, BEA reported real GDP decreased in all 50 states and the District of Columbia. The percent change in real GDP ranged from -0.1 percent in Utah to -8.0 percent in Hawaii. Connecticut ranked 34th overall for 2020 and experienced a decline of 4.1 percent, a larger GDP decrease than either the national average of -3.5 percent or the New England regional average of -4.0 percent.

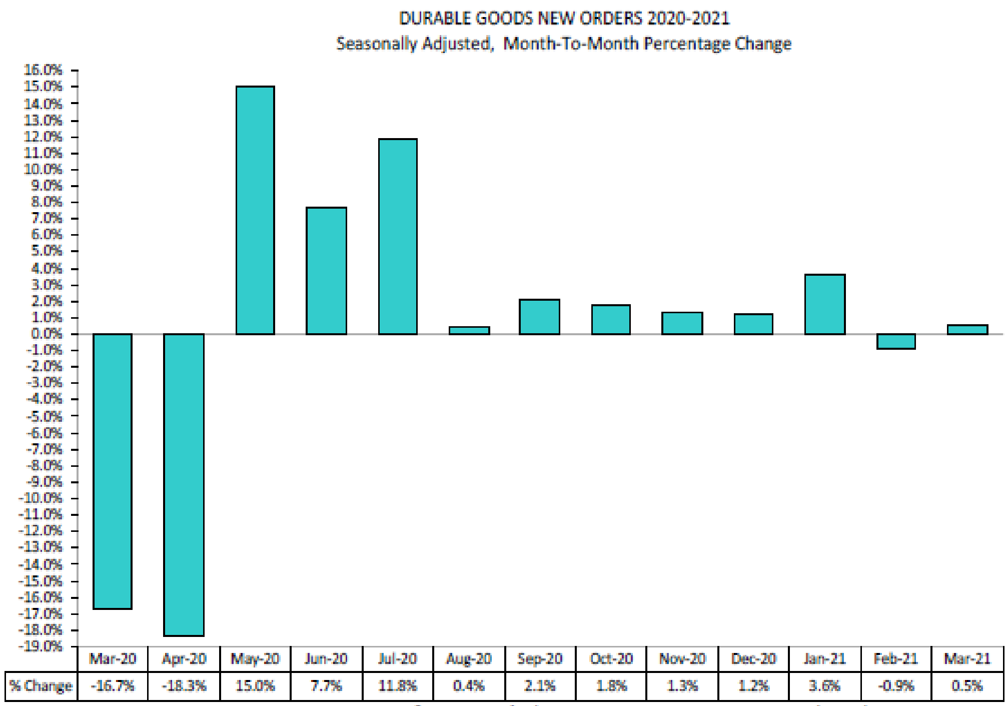
BEA is scheduled to release first quarter 2021 GDP results for states on June 25, 2021.

Durable Goods – Up Ten of the Last Eleven Months

According to an April 26th report by the U.S. Department of Commerce, new orders for manufactured durable goods increased $1.4 billion or 0.5 percent in March to $256.3 billion. Durable goods orders dropped 0.9 percent in February, which was largely attributed to severe cold weather in Texas and other parts of the southern United States.

March's increase was driven by higher demand for fabricated metal products, up $1.2 billion or 3.6 percent to $35.4 billion. Other positive categories for new orders included machinery, communications equipment, and computers & other electronic products.

Overall, new orders for transportation equipment were down 1.7 percent in March, with significant drops for both defense and non-defense aircraft. One bright spot in this category was motor vehicles and parts, which rose 5.5 percent in March after a sharp 9.1 percent decline in February.



Source: U.S. Census Bureau, Manufacturers' Shipments, Inventories, and Orders, April 26, 2021.

Orders for so called core capital goods increased 0.9 percent in March after declining 0.8 percent the previous month. Core capital goods are defined as non-defense capital goods excluding aircraft, which is considered a proxy for business spending. Looking forward, economists believe the combination of the new federal stimulus bill, warmer weather, and the continuing vaccination roll-out all point to a growing economy in the coming months.