News from
COMPTROLLER KEVIN LEMBO

FOR IMMEDIATE RELEASE FRIDAY, OCTOBER 1, 2021

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

COMPTROLLER LEMBO PROJECTS $266.6M SURPLUS IN FY22, URGES END TO CONGRESSIONAL BRINKSMANSHIP

Comptroller Kevin Lembo today, in his monthly financial and economic update, projected a General Fund surplus of $266.6 million for Fiscal Year 2022 while warning of the consequences the recent fight in Congress over a spending plan and a default on federal loans.

Connecticut's economy continues its path to recovery, Lembo said. New unemployment claims have decreased sharply from this time a year ago and the state has experienced eight consecutive months of job growth, recovering 68.9 percent of the jobs lost during the height of the pandemic. Yet, Lembo cited warning signs nationally that could threaten progress, including slow job growth, supply chain shortages, waning consumer confidence and brinksmanship in Congress.

"The current actions in Congress risk having a deleterious effect on the economy and, if members fail to raise the debt ceiling, could be debilitating," Lembo said. "While I'm pleased that a shutdown of the federal government has been avoided, this politically motivated brinksmanship is adding unnecessary volatility to the economy, having a chilling effect on consumer confidence and imposing preventable harm on American workers. Every member of Congress should act responsibly and resolve these issues before they transform from a partisan disagreement to a financial catastrophe. It's irresponsible to hold the American economy hostage for political gain and I hope everyone will come to their senses."

Nationally, consumer confidence has dipped for the third consecutive month. Job gains in August also underperformed expectations. Lembo noted, however, that the economic recovery from the pandemic has been erratic and can change rapidly. As an example, the stock market had a volatile quarter in response to the delta variant, debt ceiling alarms, and inflation fears.

In a letter to Governor Ned Lamont, Lembo noted that the underlying trends in Connecticut have the state well-positioned. While it remains quite early in the fiscal year, the state's revenues and expenditures are currently close to the adopted budget plan. Lembo's surplus projection differs slightly from one issued by the Office of Policy and Management earlier this month due to an anticipated increase in adjudicated claims in the SEBAC v. Rowland settlement.

Lembo noted that Connecticut's housing market remains strong, with sale prices of single-family homes continuing to rise. However, high prices and a lack of inventory has begun to drive down overall sales numbers and continues to squeeze would-be first-time homebuyers out of the market. Rental costs in Connecticut have increased 12.4 percent this year and, with the expiration of national and state eviction moratoriums, there is a growing concern about homelessness and housing insecurity.

"Policymakers in Connecticut are treating this issue with the necessary urgency and are now utilizing resources to help people stay in their homes," said Lembo. "Avoiding large-scale housing insecurity will be critical in getting our state economy moving again and combatting the effects of the pandemic."

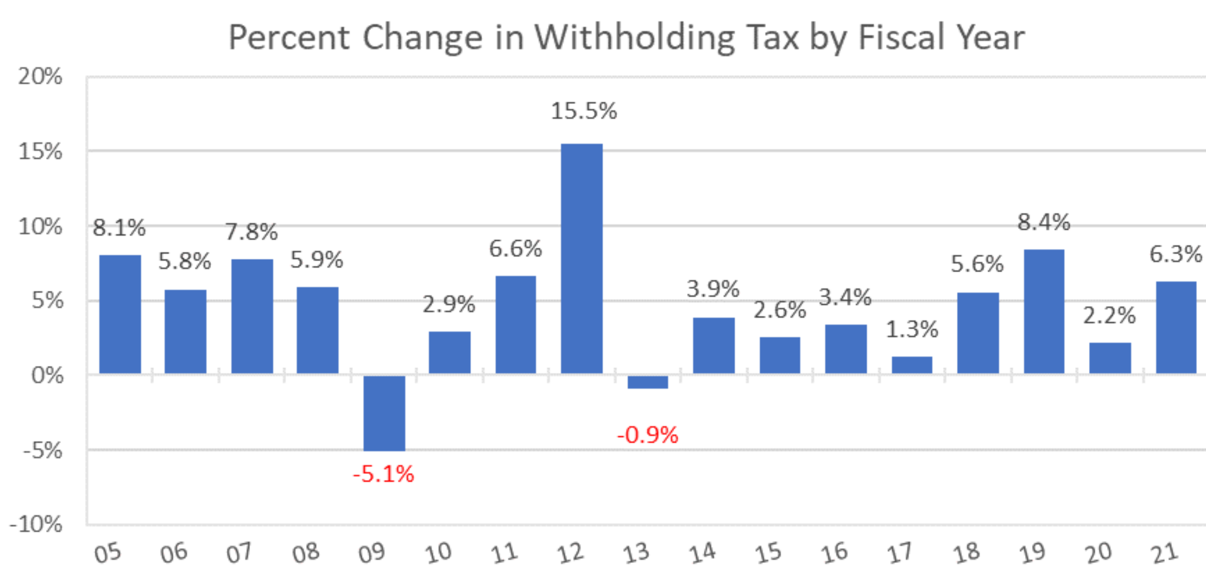
Lembo pointed to recent economic indicators and trends from national and state sources that show:

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.

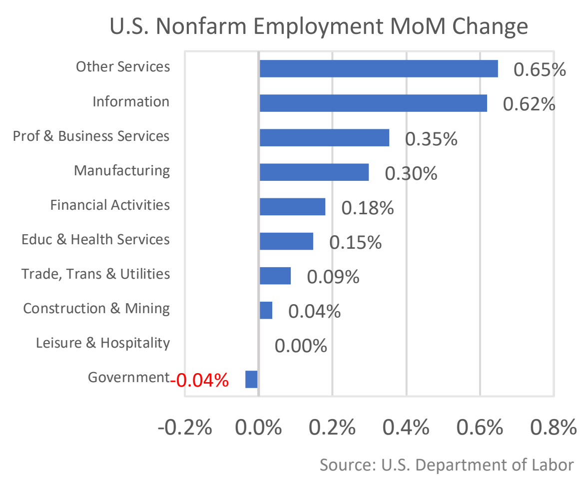
Despite historic levels of job losses at the start of the pandemic, income tax withholding still finished the fiscal year $75.3 million or 1.0 percent above its budget target. Compared with prior year realized amounts, FY 2021 withholding receipts performed even better, growing by $428.6 million or 6.3 percent over FY 2020 levels. Growth in withholding receipts reflected several factors, including the concentration of employment losses in the lower wage service sector, the ongoing recovery of jobs throughout the year, and having income tax withheld on enhanced unemployment benefits, including the additional $600 per week that was part of the Federal pandemic relief efforts.

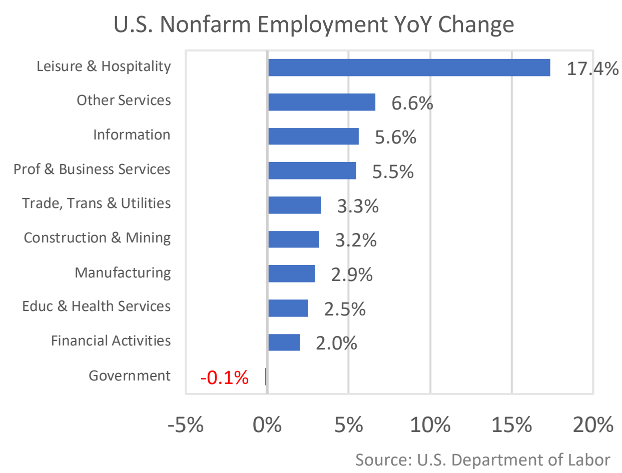


National Jobs & Unemployment Picture – Job Gains Disappoint in August

National job growth slowed down in August, after months of large gains. The Bureau of Labor Statistics (BLS) reported the U.S. added 235,000 jobs in August after adding 1,053,000 in July and 962,000 in June. Job gains occurred in professional and business services (+74,000), transportation and warehousing (+53,000), private education (+40,000), and manufacturing (+37,000). Nonfarm payroll employment is up by 17 million since April 2020 but is down by 5.3 million, or 3.5 percent, from its pre-pandemic level in February 2020.

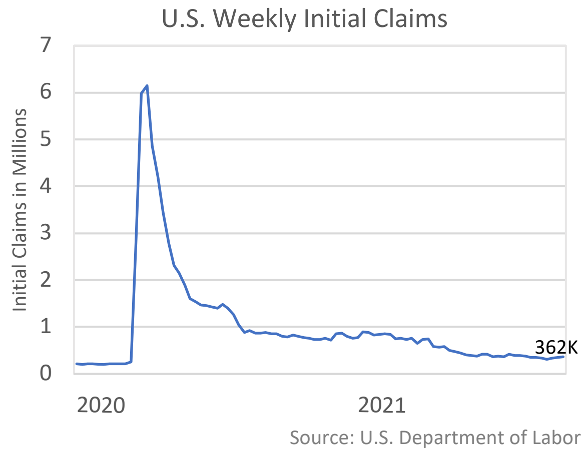
The graphs below display the month over month and year over year net change in employment by sector. All sectors except government and leisure and hospitality experienced gains from last month while only government declined year over year.

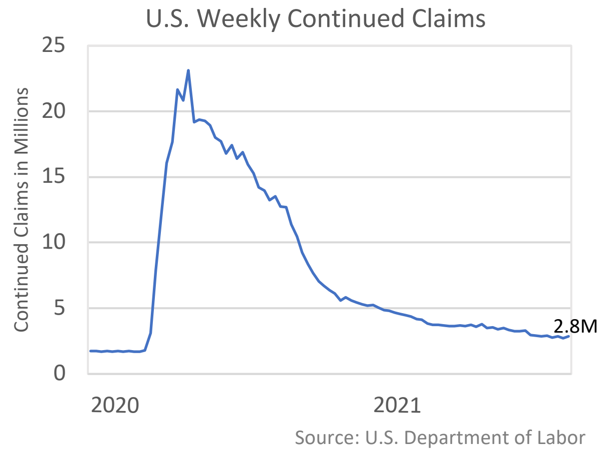




In August, the national unemployment rate declined by 0.2 percentage points to 5.2 percent, which is still higher than pre-pandemic levels (3.5%). The number of unemployed people decreased to 8.4 million, following a large decrease in July. The number of long-term unemployed people, those jobless for 27 weeks or more, decreased by 246,000 to 3.2 million, and account for 37.4 percent of the total unemployed in August.

For the week ending September 25th, BLS reported that seasonally adjusted initial claims totaled 362,000. This is still high by historical standards and represented an increase of 11,000 from the previous week's level of 351,000. For the week ending September 18th, BLS reported seasonally adjusted continued claims totaled 2,802,000, a decrease of 18,000 from the previous week's revised level of 2,820,000. As can be seen in the graphs below, despite clear improvement in claims for unemployment insurance, there is still a way to go for the jobs recovery to reach pre-pandemic levels.





BLS reported the total receiving unemployment benefits was approximately 5 million for the week ending September 11th, down from 11.3 million the previous week and down from 27.2 million the previous year. This large decrease is due to the expiration of the federal Pandemic Unemployment Assistance (PUA) program and the Pandemic Emergency Unemployment Compensation (PEUC) program. 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	September 11	September 4	Change	Prior Year
Regular State	2,500,927	2,366,632	+134295	12,324,348
Federal Employees	8,481	7,816	+665	13,242
Newly Discharged Veterans	5,651	5,457	+194	14,142
Pandemic Unemployment Assistance	1,059,248	4,896,125	-3,836,877	12,273,350
Pandemic Emergency UC	991,813	3,644,555	-2,652,742	2,078,381
Extended Benefits	431,340	287,704	+143,636	287,970
State Additional Benefits	1,359	1,157	+202	2,343
STC/Workshare	28,762	40,860	-12,098	212,198
TOTAL	5,027,581	11,250,306	-6,222,725	27,205,974

Source: U.S. Department of Labor

Additional Federal Assistance Expired

Federal unemployment benefits under the CARES Act expired September 4th. This included Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), and Mixed Earner Unemployment Compensation (MEUC) programs. The federal High Extended Benefits Program ended on September 11th in Connecticut, which impacted approximately 11,000 claimants.

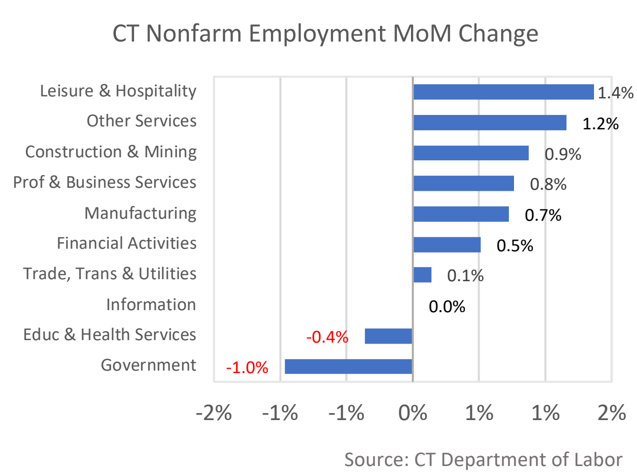
According to DOL, Connecticut has about 125,000 weekly filers, all of whom will be impacted by the expiration of the $300 Federal Pandemic Unemployment Compensation (FPUC) supplement. Of those filers, CTDOL estimates that: 48,000 are using state or extended benefits unemployment programs that will not change with the end of federal CARES Act unemployment programs; 54,000 claimants are using a federal program and may be eligible to transfer to a state program; and 23,000 filers will have their benefits expire with no option to move to another program.

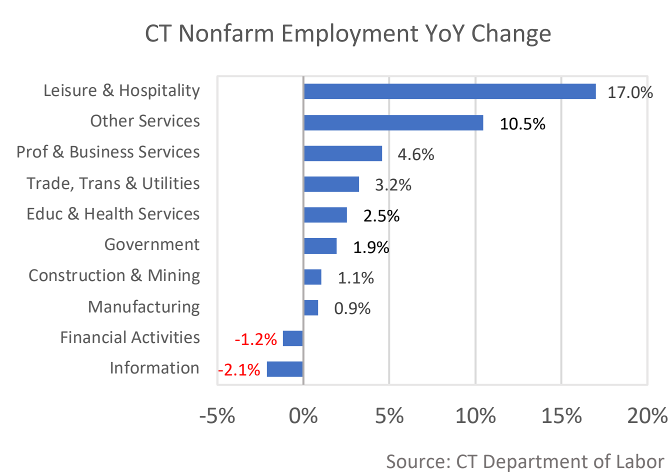
Governor Lamont established the Back to Work CT Program in May of 2021 with a goal to incentivize long-term unemployed people to return to the workforce. Eligibility requirements include those who have filed past unemployment compensation claims and obtained a full-time job for eight consecutive weeks between May and December 2021 to earn a one-time $1,000 payment. The program ends December 31st, 2021.

Connecticut Jobs Picture – Continued Gains in August

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 Connecticut's labor market is gradually improving through 2021.

On September 16th, DOL reported the preliminary Connecticut nonfarm job estimates for August 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 3,300 net jobs (0.2%) in August to a level of 1,605,300 jobs seasonally adjusted. This follows job growth of 11,100 positions in July and represents eight consecutive months of employment gains. The graphs below display the month over month and year over year net change in employment by sector followed by a chart with the numeric gains and losses.





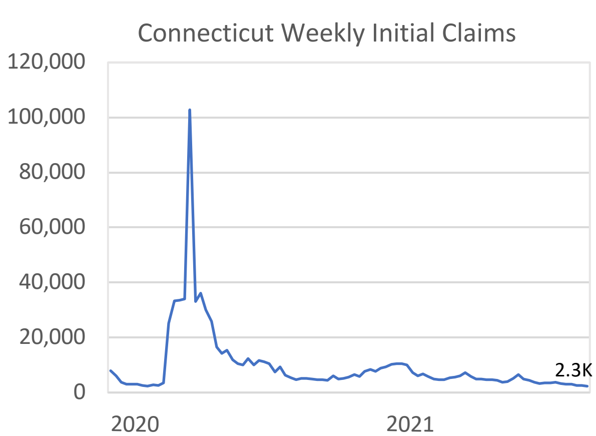
Nonfarm Employment by Sector							
Sector	August 2021 (P)	July 2021 (R)	August 2020 (R)	MoM Change	MoM Rate	YoY Change	YoY Rate
Information	27,600	27,600	28,200	0	0.0%	-600	-2.1%
Financial Activities	117,700	117,100	119,100	600	0.5%	-1,400	-1.2%
Manufacturing	152,800	151,700	151,500	1,100	0.7%	1,300	0.9%
Construction & Mining	57,700	57,200	57,100	500	0.9%	600	1.1%
Government	225,600	227,800	221,300	-2,200	-1.0%	4,300	1.9%
Educ & Health Services	330,500	331,700	322,300	-1,200	-0.4%	8,200	2.5%
Trade, Trans & Utilities	287,700	287,300	278,700	400	0.1%	9,000	3.2%
Prof & Business Services	211,100	209,500	201,900	1,600	0.8%	9,200	4.6%
Other Services	61,200	60,500	55,400	700	1.2%	5,800	10.5%
Leisure & Hospitality	133,400	131,600	114,000	1,800	1.4%	19,400	17.0%

Source: CT Department of Labor

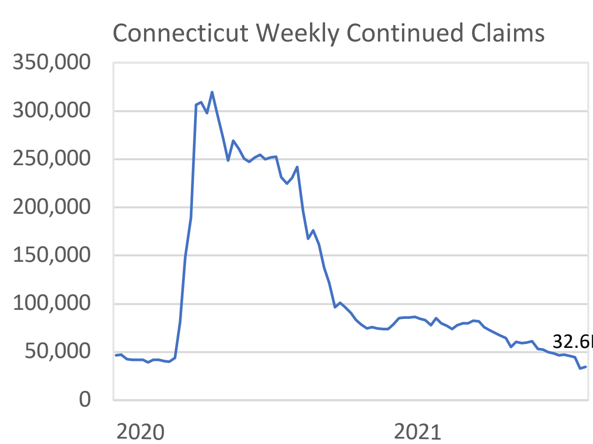
On a month-to-month basis, DOL noted that eight of the ten major industry sectors experienced improvement, or no change, while two experienced decline. Leisure and hospitality lead the way (+1,800 jobs), followed by professional and business services (+1,600), and manufacturing (+1,100). The sectors that lost jobs include education and health services (-1,200) and government (-2,200) which includes all federal, state, and local employment, including public education and Native American casino employment located on tribal reservation land. The private sector added 5,500 jobs.

On a year-over-year basis, eight sectors experienced gains and two experienced losses. The leisure & hospitality sector, hardest hit during the pandemic, experienced the largest gains (+19,400), growing 17 percent from a year ago. Information and financial activities both lost jobs over the same period.

According to the Department of Labor, for the week ending September 25th, initial claims totaled 2,301. Unemployment claims for first-time filers were an average of 4,699 per week in August 2021, up from July 2021 (3,937), but much lower by 5,374 claims (-53.4%) from the average weekly count of 10,073 in August 2020. Continued claims totaled 32,602. These numbers have reached pre-pandemic lows.

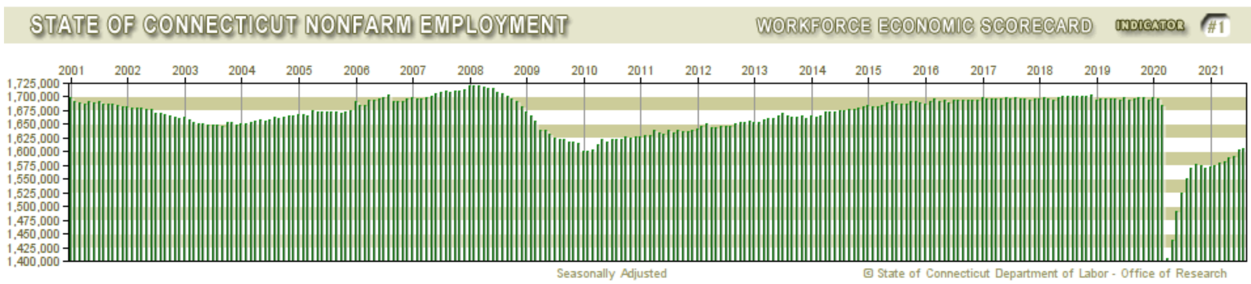


Source: U.S. Department of Labor

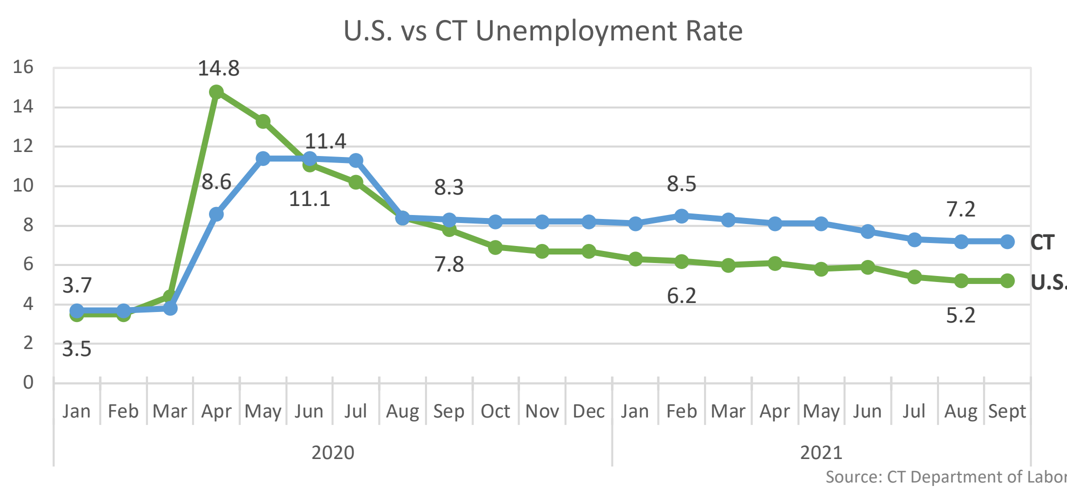


Source: U.S. Department of Labor

Connecticut reached its pandemic-related employment low in April of 2020. The state's total payroll employment is now 55,800 positions higher than August 2020, representing an increase of 3.6 percent. Connecticut has now recovered 68.9 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 7.2 percent in August, down from 7.3 percent a month earlier and 8.4 percent from a year ago. Connecticut's unemployment rate remains one of the highest across the country but continues to improve gradually each month. Danté Bartolomeo, Interim Commissioner of CT DOL said, "These numbers are good and going in the right direction, especially the July job data that set another high bar for job growth. In large part, these positive economic trends are because Connecticut's leadership and residents are taking COVID-19 seriously. Vaccines and other public health precautions have a direct benefit to our economy—COVID variants like Delta have an opportunity to push the economy back on its heels, so it's critical that we all work together to keep that from happening."



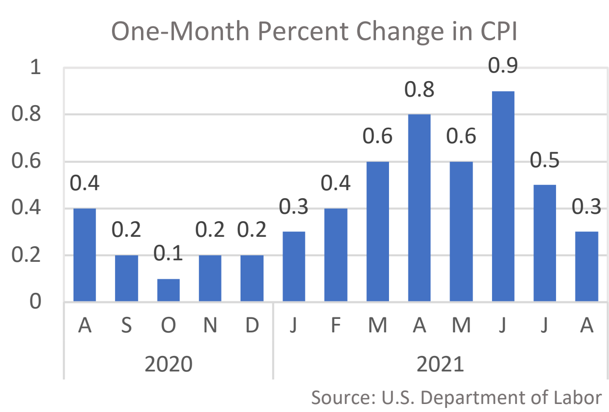
Income and Salary

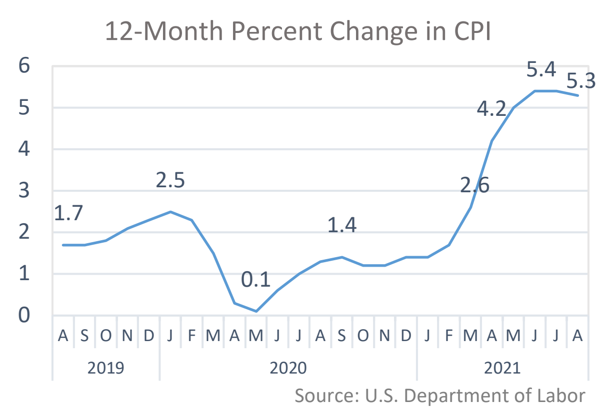
According to the U.S. Department of Labor, in August, national average hourly earnings for all employees on private nonfarm payrolls increased by 17 cents to $30.73, following increases in the prior 4 months. The data for recent months suggest that the rising demand for labor associated with the recovery from the pandemic may have put upward pressure on wages. However, because average hourly earnings vary widely across industries, the large employment fluctuations since February 2020 complicate the analysis of recent trends in average hourly earnings.

In Connecticut, August average hourly earnings at $33.88, not seasonally adjusted, were higher by $0.06 (0.2%) from the August 2020 estimate ($33.82). The resultant average private sector weekly pay came in at $1,165.47, up $5.44 or 0.5 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 Slows Down in August

Inflation came in at an annual rate of 5.3 percent for the 12 months ending in August, a 0.3 percent increase month over month, according to the U.S. Department of Labor. This is the slowest rate inflation has grown in seven months. Prices of gasoline, food and new cars rose, while prices of airfare, hotels, and used cars decreased. Core CPI, which excludes food and energy, came in at an annual rate of 4 percent for the 12 months ending in August, a 0.1 percent increase month over month. The following graphs display one-month and 12-month percent changes in CPI. While still high, it appears that price increases may be plateauing as we move into the fourth quarter.





The Personal Consumption Expenditures (PCE) index is the Federal Reserve's preferred measure of inflation because it includes a wider range of goods, accounts for substitution between goods, and is based on surveys of what businesses are selling rather than what households are buying. According to the Bureau of Economic Analysis, the PCE price index excluding food and energy increased 0.3 percent from last month and now stands at an annual rate of 3.6%. This annual rate of 3.6% remains unchanged since June but is still the highest rate in thirty years.

Federal Reserve Chairman Jerome Powell said "The rapid reopening of the economy has brought a sharp run-up in inflation, [but] a number of factors suggest that these elevated readings are likely to prove temporary. The baseline outlook is for continued progress toward maximum employment, with inflation returning to levels consistent with our goal of inflation averaging 2 percent over time."

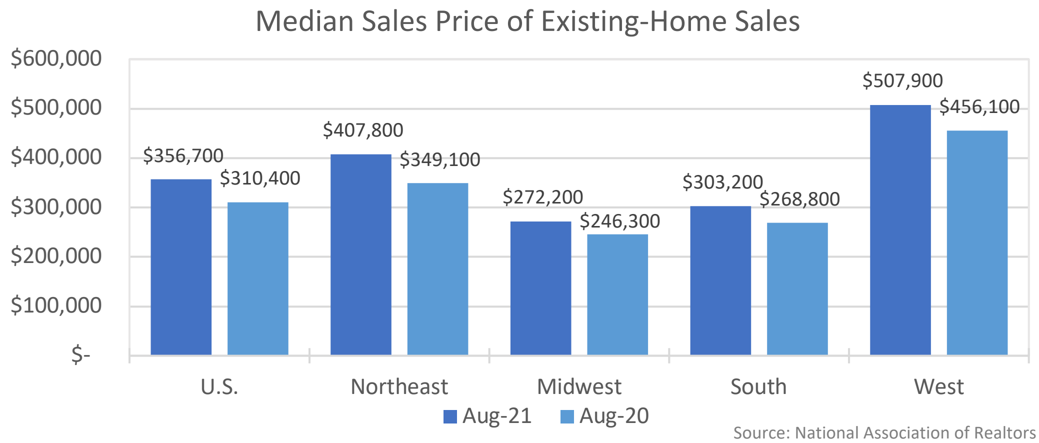
National Housing Market

The National Association of Realtors (NAR) reported existing-home sales decreased 2 percent to a seasonally adjusted annual rate of 5.88 million in August. Four of the four major U.S. regions had month-over-month sales declines. Year-over-year sales dropped 1.5 percent from a year ago (5.97 million in August 2020).

NAR reported the median existing-home price for all housing types was $356,700, up 14.9 percent from August 2020 as prices increased in every region. August's national price growth marks 114 straight months of year-over-year gains dating back to March 2012. All regions of the country experienced price growth from a year ago. The largest regional gains on a percentage basis were in the Northeast (+16.8%), followed by the South (+12.8%), the West (+11.4%), and the Midwest (+10.5%).

August's inventory totaled 1.29 million units, down 1.5% from July and down 13.4% from one year ago (1.49 million). Unsold inventory sits at a 2.6-month supply at the current sales pace, unchanged from July but down from 3 months in August 2020.

"Sales slipped a bit in August as prices rose nationwide. Although there was a decline in home purchases, potential buyers are out searching, but much more measured about their financial limits, and simply waiting for more inventory. Securing a home is still a major challenge for many prospective buyers—a number of potential buyers have merely paused their search, but their desire and need for a home remain" said Lawrence Yun, NAR's chief economist.



Connecticut Housing Market – Sales Down, Prices Up in August

In Connecticut, sales continued to decline in August while prices rose. Berkshire Hathaway HomeServices reported year over year sales of all property types decreased 12.05 percent and new listings were down 11.56 percent. However, median sales price increased by 8.2 percent and median list price increased by 6.56 percent. Average sales price increased 4.67 percent and average list price increased 2.19 percent. Average days on the market decreased 45.31 percent—64 days in August 2020 and 35 days in August of 2021. On average, sales prices came in above list prices, with a list/sell price ratio of 101.8 percent. The table below contains more detailed data for the Connecticut housing market.

Connecticut Market Summary

	August 2021	August 2020	% Change	YTD 2021	YTD 2020	% Change
New Listings	5,601	6,333	-11.56%	45,257	44,735	1.17%
Sold Listings	5,195	5,907	-12.05%	35,758	31,103	14.97%
Median List Price	$325,000	$305,000	6.56%	$314,900	$279,900	12.50%
Median Selling Price	$330,000	$305,000	8.20%	$320,000	$275,000	16.36%
Median Days on the Market	20	36	-44.44%	23	46	-50%
Average Listing Price	$494,993	$484,379	2.19%	$494,381	$415,056	19.11%
Average Selling Price	$498,105	$475,875	4.67%	$495,392	$402,699	23.02%
Average Days on the Market	35	64	-45.31%	45	75	-40%
List/Sell Price Ratio	101.8%	99.1%	2.65%	101.4%	98.0%	3.45%

Source: Berkshire Hathaway HomeServices

Commercial Real Estate – Delinquency Rates Continue Downward

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 continued to decline. In all, 96.6 percent of outstanding loan balances were current, up from 95.5 percent in July.

Loans backed by lodging and retail properties, the sectors most directly affected by the pandemic, continue to see the greatest levels of stress, but both improved in August. The overall share of industry, office, and multifamily property loan balances that are delinquent decreased from last month.

Percent of Balance Not Current

	August 2021	July 2021	Percent Change
Lodging Loans	13.4%	15.5%	-2.1%
Retail Loans	8.5%	9.0%	-0.5%
Industry Property Loans	1.5%	1.8%	-0.3%
Office Property Loans	2.0%	3.2%	-1.2%
Multifamily Property Loans	1.2%	1.5%	-0.3%

Source: Mortgage Bankers Association

Regarding the survey results, Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research noted, "Delinquency rates for mortgages backed by commercial and multifamily properties have broadly improved in recent months as the U.S. economy continues to heal from the COVID-19 pandemic. There should be continued downward pressure on delinquency rates as more later-stage delinquencies are worked through. What happens with early-stage delinquencies will largely be a function of the broader economy."

Rental Market

According to Apartment Guide's August 2021 Rent Report, the national average rent price for a one-bedroom apartment was $1,636, up 1.7 percent from last month and up 8.3 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.

According to the most recent U.S. Census Bureau Household Pulse Survey, 68,619 Connecticut tenants reported they were not caught up on rent and 139,549 Connecticut tenants reported low confidence in their ability to make next month's rent payment.

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. "In August, rent and owners' equivalent rent both climbed 0.3% from July. Record high home prices hurts affordability, delaying the transition to homeownership for many renters. While rental vacancies are falling, this translates to a higher rental demand which is expected to push up rent prices" says Nadia Evangelou, Senior Economist and Director of Forecasting for the National Association of Realtors.

Eviction in Connecticut

The National CDC and statewide ban on evictions have both ended. State protections including mandatory rental assistance applications, 30-day notice, and required information sharing have been extended to February 15th, 2022.

According to the Connecticut Fair Housing Center, since January of 2021, landlords have filed 6,045 eviction cases and courts have carried out 2,455 eviction orders so far. Areas with the largest numbers include Bridgeport (850), Hartford (771), and Waterbury (565). According to the most recent U.S. Census Bureau Household Pulse Survey, 31,853 Connecticut tenants reported it is likely they will have to leave their current home in the next two months due to eviction.

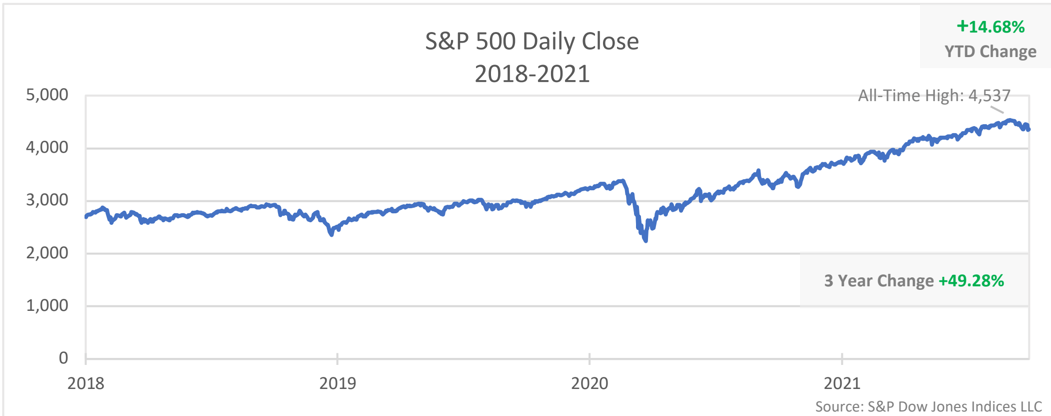
To address the eviction crisis, the federal government allocated $45 billion in rental assistance to be distributed at the state level. Connecticut established the UniteCT Program to provide landlords and tenants with rental and utility assistance. As of September 29th, 17,385 cases had been approved and $99 million dollars had been allocated out of $212.3 million budgeted. With $96 million of payments in progress, the rent relief program has dispersed 92% of the Emergency Rental Assistance (ERAP1) budget. The average amount dispersed is $5,698.41.

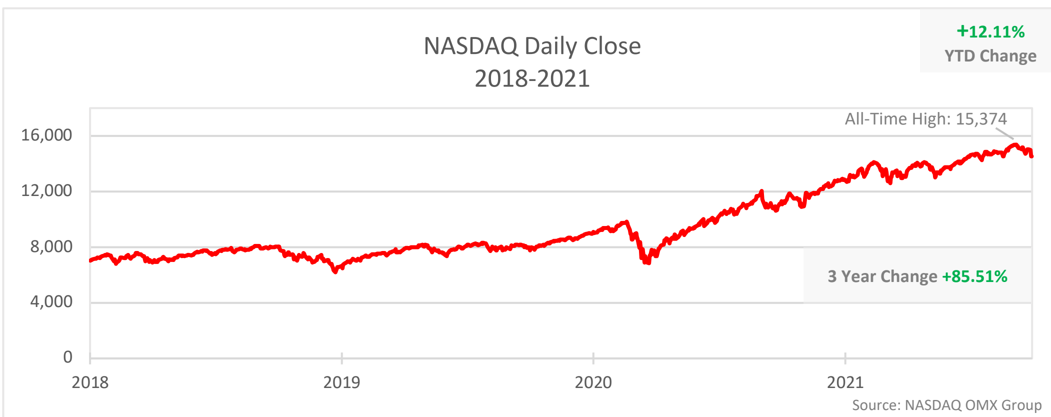
Experts are concerned a wave of evictions could generate far reaching social and economic issues. Evictions taint a tenant's record and can reduce credit ratings. This further deters the ability to secure safe, affordable housing which affects employment, educational opportunities, health outcomes, and 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. With Delta variant cases increasing across the country, officials are concerned a wave of evictions could create long-lasting economic and health problems.

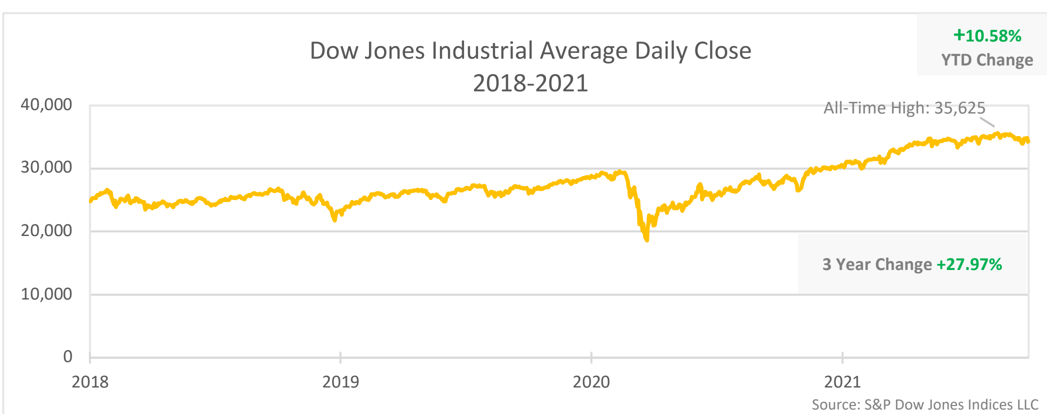
Stock Market

The stock market had a volatile third quarter with September marking a tough month for investors. Concerns about the debt-ceiling, rising interest rates, the COVID-19 delta variant, and inflation fears added uncertainty to the market. Over the month, the Dow Jones Industrial Average dropped 1,517 points or -4.4%. The S&P 500 dropped 215 points or -4.76% and the NASDAQ dropped 811 points or -5.3%. This is the worst month year-to-date for all three indices yet follows all-time highs in late August and early September.

A year and a half ago, in late March 2020, the stock market was in free fall as pandemic-related shutdowns were taking place. As the charts below illustrate, all three indices have made significant gains since then. To give a broader perspective, three-year results are shown below:

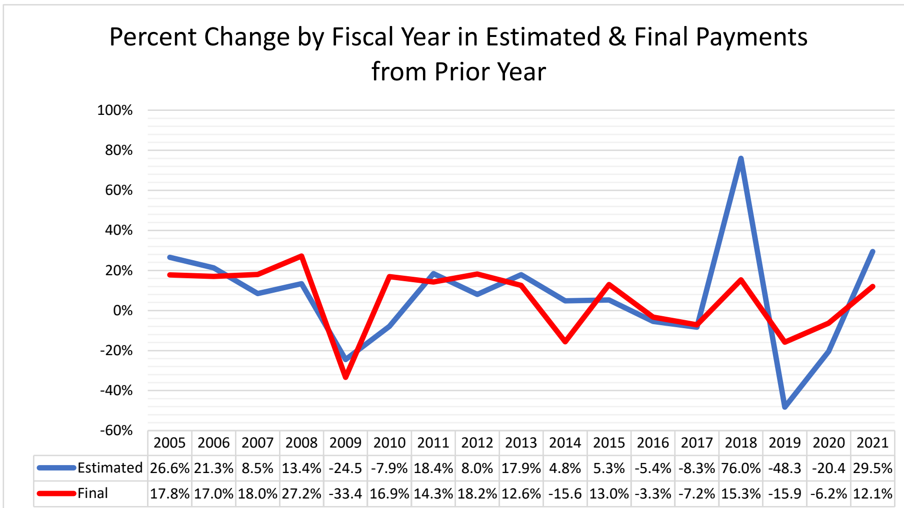






The performance of the stock market has a significant impact on the State of Connecticut's revenues. In a typical year, estimated and final income tax payments account for approximately 30 percent of total state income tax receipts, but can be an extremely volatile revenue source.

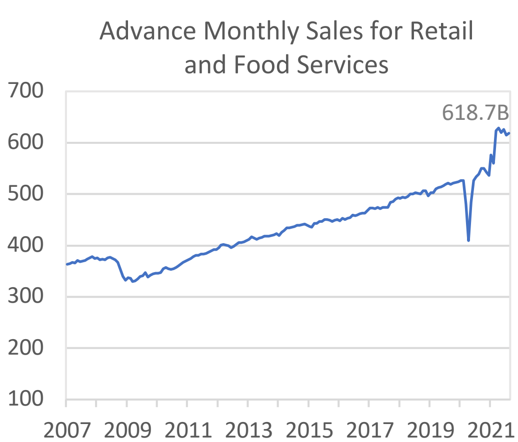
FY 2020 results showed estimated and final payments were down a combined 13.2 percent compared with the previous year. According to unaudited FY 2021 results, combined estimated and final payments are 19.9 percent above FY 2020's level, with estimates up 29.9 percent and final payments up 12.1 percent. This reflects the strong performance of the stock market.

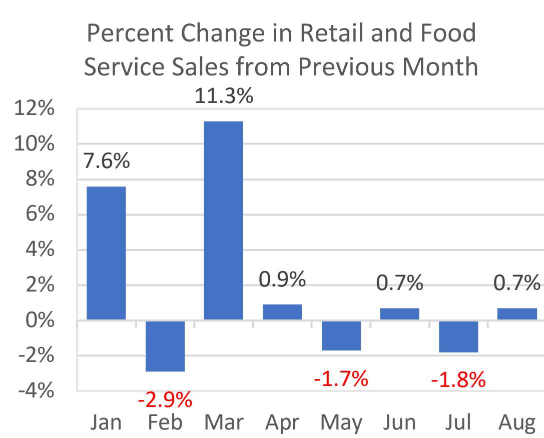


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Estimated	26.6%	21.3%	8.5%	13.4%	-24.5	-7.9%	18.4%	8.0%	17.9%	4.8%	5.3%	-5.4%	-8.3%	76.0%	-48.3	-20.4	29.5%
Final	17.8%	17.0%	18.0%	27.2%	-33.4	16.9%	14.3%	18.2%	12.6%	-15.6	13.0%	-3.3%	-7.2%	15.3%	-15.9	-6.2%	12.1%

Consumer Spending Increases in August

Consumer spending is the main engine of the U.S. economy, accounting for more than two-thirds of total economic output. On September 16th, the U.S. Department of Commerce reported that U.S. advance retail sales were $618.7 billion in August, up 0.7 percent from July. This result was better than expected—economists surveyed by Bloomberg projected a decrease in retail sales.





Source: U.S. Department of Commerce

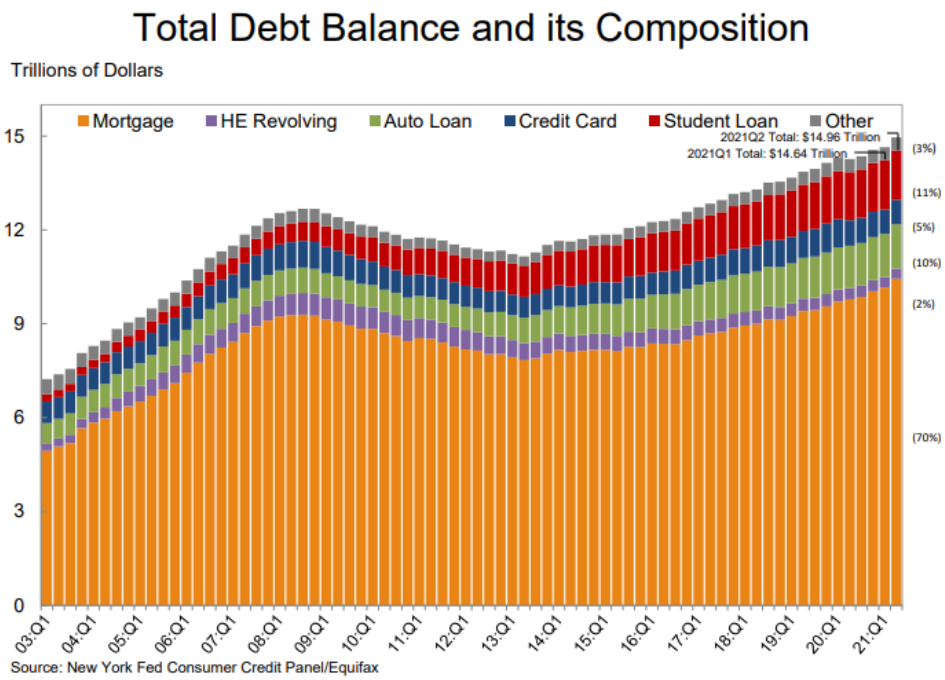
The sectors with the biggest gains were non-store retailers (+5.3%), furniture stores (+3.7%), and general merchandise stores (+3.5%). Sectors that experienced a step back included motor vehicle and parts dealers (-3.6%), electronics and appliance stores (-3.1%), and sporting goods, hobby, musical and bookstores (-2.7%). Core retail sales increased 0.8 percent in August, after decreasing 1.5 percent in July. This category excludes automobiles, gasoline, building materials and food services.

Consumer spending in 2021 has been quite unpredictable, swinging up and down month over month as consumers navigate a recovering economy and surges of new COVID-19 variants. As the summer ended, it appears demand may be shifting back to goods over services as spending on clothes, furniture, department stores and online shopping increased while food services and drinking places remained flat.

Consumer Debt

According to the Federal Reserve Bank of New York, total household debt increased by $313 billion in the second quarter of 2021 to $14.96 trillion, a 2.1 percent rise from the first quarter. Balances are $812 billion higher than at the end of 2019 and $691 billion higher than quarter 2 of 2020. The 2.1 percent increase in aggregate balances was the largest since 2013 and marked the largest nominal increase in debt balances since 2007.

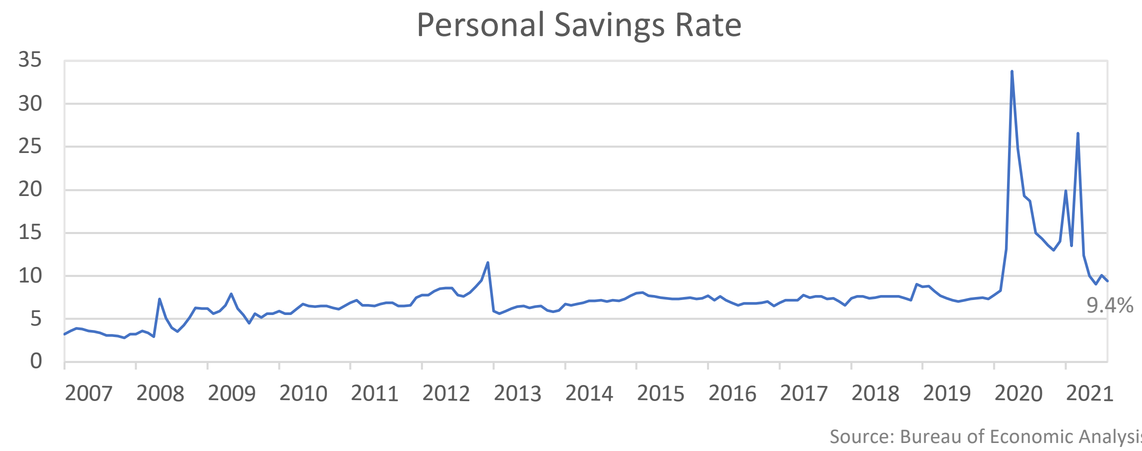
Mortgage balances – the largest component of household debt – increased by $282 billion to $10.44 trillion at the end of June. Outstanding student loans, the second largest category of household debt, totaled $1.57 trillion, a $14 billion decrease from last quarter. Auto loan balances increased by $33 billion, reaching $1.4 trillion. Balances on home equity lines of credit decreased by $13 billion, the 18th consecutive decrease since the fourth quarter of 2016, bringing the outstanding balance to $322 billion. Credit card balances increased by $17 billion but remain $140 billion lower than they had been at the end of 2019.



Delinquency rates have remained low since the beginning of the pandemic, reflecting forbearances provided by the CARES Act and lenders, which protect borrowers' credit records from the reporting of skipped or deferred payments. As of June, 2.7% of outstanding debt was in some stage of delinquency, a two-percentage point decrease from the fourth quarter of 2019, just before the pandemic. Of the $405 billion of debt that is delinquent, $316 billion is seriously delinquent (at least 90 days late).

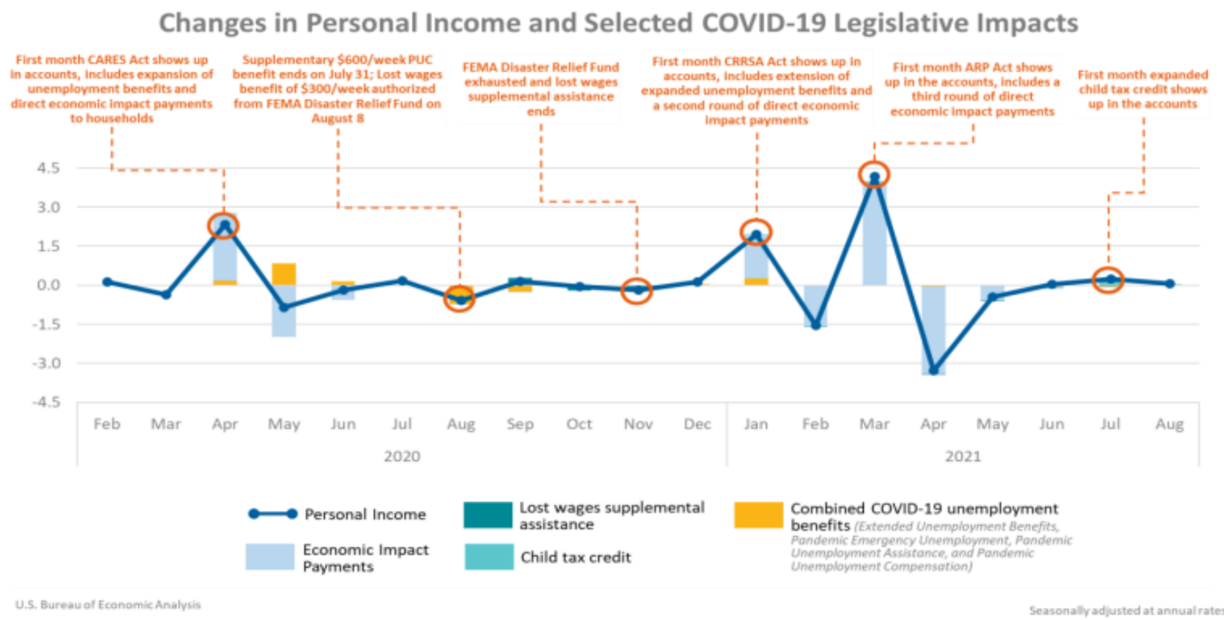
Personal Saving Rate Declines in August

In its October 1st, release, the Bureau of Economic Analysis (BEA) reported the personal-saving rate was 9.4 percent in August, a decrease from 10.1 percent in July. The personal saving rate is defined as personal saving as a percentage of disposable personal income. As seen in the chart below, the savings rate tends to increase during recessionary periods as consumers cut back on discretionary spending.



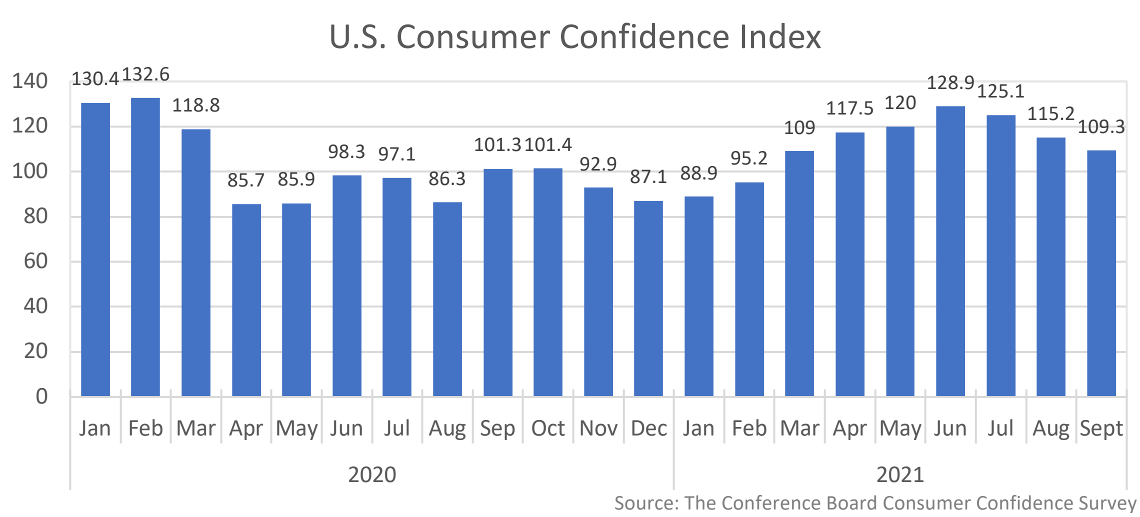
In August, personal income increased $35.5 billion (0.2 percent) while personal consumption expenditures (PCE) increased $130.5 billion (0.8 percent). As a result, disposable personal income (DPI) increased $18.9 billion (0.1 percent). According to the BEA, the increase in personal income in August reflected increases in private wages and salaries and increases in government social benefits reflecting advance Child Tax Credit payments authorized by the American Rescue Plan. These were partly offset by a decrease in unemployment insurance from the Pandemic Unemployment Compensation program.

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 16 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 Drops in September

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 now stands at 109.3, down from August's revised reading of 115.2.

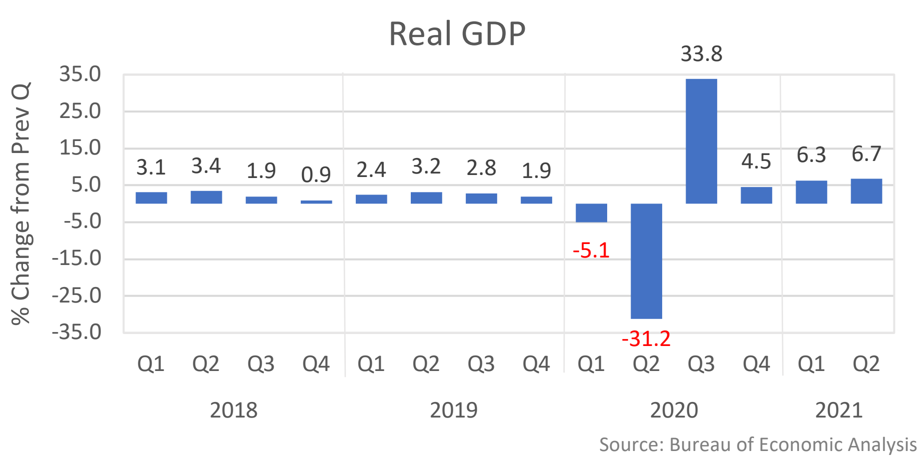


The Consumer Confidence Index is made up of two parts, including the Present Situation Index, which looks at current conditions and the Expectation Index, which measures consumers' views of anticipated conditions for the next six months. In the September survey, the Present Situation Index decreased from 148.9 to 143.4. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, decreased from 92.8 to 86.6.

Lynn Franco, Senior Director of Economic Indicators at The Conference Board noted, "consumer confidence dropped in September as the spread of the Delta variant continued to dampen optimism. Concerns about the state of the economy and short-term growth prospects deepened, while spending intentions for homes, autos, and major appliances all retreated again. Short-term inflation concerns eased somewhat but remain elevated. Consumer confidence is still high by historical levels—enough to support further growth in the near-term—but the Index has now fallen 19.6 points from the recent peak of 128.9 reached in June. These back-to-back declines suggest consumers have grown more cautious and are likely to curtail spending going forward."

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

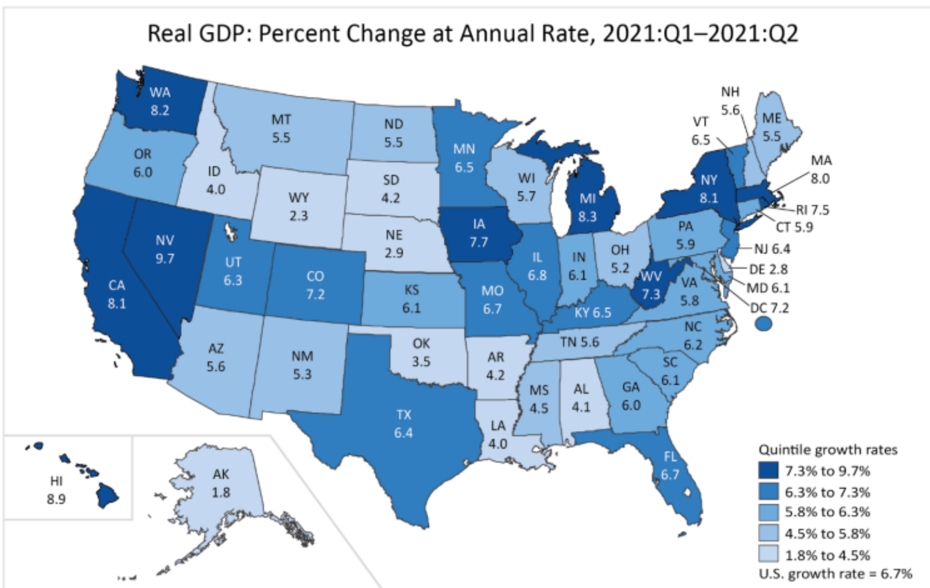
According to a September 30th report from the Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 6.7 percent in the second quarter of 2021. This follows a 6.3 percent real GDP increase in the first quarter of 2021. BEA noted the second quarter results 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.

State Level GDP – 2nd Quarter 2021

On October 1st, BEA reported state level GDP data for the second quarter of 2021. Real gross domestic product (GDP) increased in all 50 states and the District of Columbia in the second quarter of 2021, as real GDP for the nation increased at an annual rate of 6.7 percent. The percent change in real GDP in the first quarter ranged from 9.7 percent in Nevada to 1.8 percent in the Alaska.

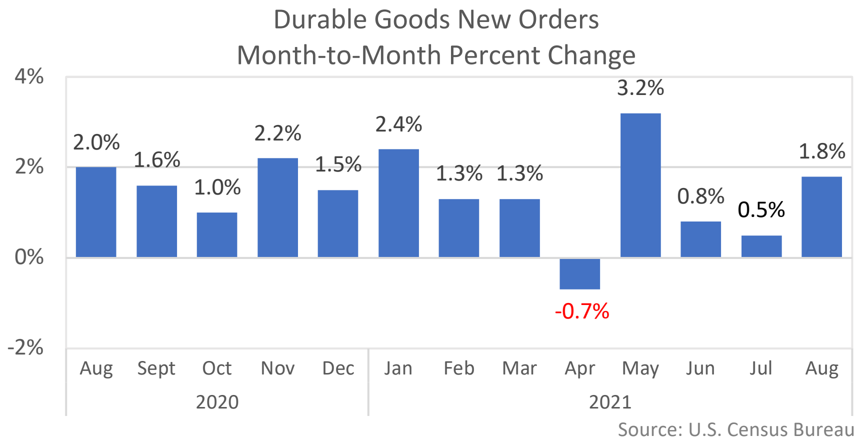


U.S. Bureau of Economic Analysis

Connecticut's GDP growth rate of 5.9 percent ranked 29th in the nation and came in below the New England regional average of 7.1 percent. The Connecticut industries experiencing the largest gains on a percentage basis were accommodation and food services (+1.36%), information (+1.26%), and professional, scientific, and technical services (+0.98%).

Durable Goods

According to a September 27th report by the U.S. Department of Commerce, new orders for manufactured durable goods increased $4.6 billion or 1.8 percent in August to $263.5 billion. The increase follows a 0.5 percent increase in July and marks fifteen months of increases out of the last sixteen.



August's increase was driven by transportation equipment, specifically, nondefense aircraft and parts. Excluding transportation, new orders increased 0.2 percent. The largest increases for new orders included manufacturing with unfilled orders (+3.3%), fabricated metal products (+2.0%), and computer and electronic products (+1.4%). Orders for so called core capital goods increased by 0.5 percent in August. Core capital goods are defined as non-defense capital goods excluding aircraft, which is considered a proxy for business spending.

***** END *****