NATALIE BRASWELL
Connecticut State Comptroller

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COMPTROLLER BRASWELL PROJECTS $2.1B SURPLUS FOLLOWING NEW CONSENSUS REVENUE REPORT

Comptroller Natalie Braswell today, in her monthly financial and economic update, projected a General Fund surplus of $2.1 billion for Fiscal Year 2022 following a new consensus revenue forecast showing several revenue categories exceeding budgetary targets.

The jobs picture, both nationally and in Connecticut, continues to improve. The state added over 4,600 jobs in March and average weekly unemployment claims have reached a historic low. Yet high costs continue to prevent many from feeling the positive underlying trends in the economy.

"The economic data is largely positive, but the high cost of goods, including essentials like food and gas, are having a punishing effect on many Connecticut families," said Braswell. "There are many reasons to be positive about the direction of our state's economy and to celebrate the smart decisions that got us here, but there also remains an urgent need to help our residents weather this persistent crisis so they can fully reap the benefits of that work."

Braswell again noted her concerns with the high cost of housing, including rent. Limited inventory for single-family homes continues to inflate sales prices, locking many out of homeownership. The number of new listings is down 20% from this time a year ago, with sales prices up 7% in the same span. Those who can't find or afford homes of their own are facing different challenges in the rental market, where prices are up more than 12% in Connecticut from last year.

Connecticut has now recovered nearly 82% of the jobs lost at the onset of the COVID-19 lockdown. Two sectors — construction & mining, and trade, transportation & utilities — have now exceeded their pre-pandemic levels. There are more job openings nationally and in Connecticut than unemployed workers as competition for labor remains intense.

In a letter to Governor Lamont, Braswell noted that the adjusted revenue forecast, and continued strength in several key categories, resulted in a $381 million increase in her surplus projection since last month. If current projections hold, approximately $4.7 billion would be available to reduce unfunded pension liability and other types of debt.

"There's no denying the incredible progress we've made in stabilizing state finances and addressing chronic budgetary problems," said Braswell. "The state's Rainy Day Fund is at its all-time high. We're saving future taxpayers billions by persistently attacking decades-old pension debt. And we're doing it in a way that will guard against future tax increases and cuts to critical services. As the end of the legislative session draws near, I encourage policymakers to not undo that progress, and instead focus on sustainable ways to improve affordability, equity and opportunity for everyone in Connecticut."

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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.

Economic Summary

The U.S. labor market remains tight with high demand for labor and record job openings. Overall, the U.S. added 431,000 jobs in March as the unemployment rate dropped to 3.6%. Jobless claims and long-term unemployed numbers have dropped considerably reflecting figures seen before the pandemic. Additionally, five industry sectors have gained jobs above pre-pandemic levels. Connecticut added 4,600 jobs in March gaining momentum back after the Omicron-related dips in December and January. The state's unemployment rate fell to 4.6% in March while average jobless claims hit an all-time low. Inflation grew at the fastest pace in 40 years coming in at an annual rate of 8.5% in March. The Federal Reserve is expected to continue to increase interest rates to tame inflationary pressure while avoiding triggering a recession. The stock market fell in April after a small recovery in March amid hawkish comments from the Federal Reserve and continued uncertainty due to the Russian invasion of Ukraine. These factors contributed to a slight decrease in consumer confidence. GDP decreased at an annual rate of 1.4% in the first quarter of 2022, however, consumer spending increased reflecting heathy demand bolstered by higher prices.

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Labor Market Statistical Summary

United States	March 2022	February 2022	March 2021
Unemployment Rate	3.6%	3.8%	6.0%
Total Unemployed	5,952,000	6,270,000	9,691,000
Total Nonfarm Employment	150,925,000	150,494,000	144,431,000
Job Growth	+431,000	+750,000	+704,000
Covid Job Recovery	92.8%	90.9%	63.3%
Job Openings to Unemployed Ratio	-	1.8	0.9
Quit Rate	-	2.9%	2.6%
Average Monthly Initial Unemployment Claims	178,000	195,000	721,500
Labor Force Participation Rate	62.4%	62.3%	61.5%
Average Hourly Wage	$31.73	$31.60	$30.06

Connecticut	March 2022	February 2022	March 2021
Unemployment Rate	4.6%	4.9%	7.0%
Total Unemployed	86,200	91,100	129,000
Total Nonfarm Employment	1,646,400	1,641,800	1,598,700
Job Growth	+4,600	+5,400	+8,700
Covid Job Recovery	81.8%	80.2%	65.3%
Job Openings to Unemployed Ratio	-	1.2	0.7
Quit Rate	-	2.3%	2.0%
Average Monthly Initial Unemployment Claims	2,328	2,600	4,862
Labor Force Participation Rate	64%	63.6%	63.3%
Average Hourly Wage	$33.98	$34.12	$33.50

National Job Growth

The Bureau of Labor Statistics reported the U.S. added 431,000 jobs in March after adding 750,000 in February and 504,000 in January. This growth marks fifteen straight months of job gains. Total nonfarm payroll was 150,925,000 in March, which is up by 20.4 million since April 2020, but is down by 1.58 million, or 1%, from its pre-pandemic level in February 2020. Job gains occurred in leisure and hospitality (+112,000), professional and business services (+102,000), and trade, transportation, and utilities (+54,000). The following graphs display the month over month and year over year net change in nonfarm employment by sector. See Appendix 1 for detailed industry sector data.

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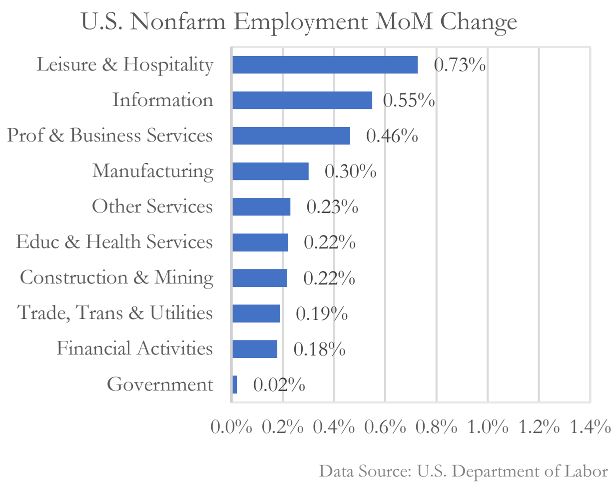

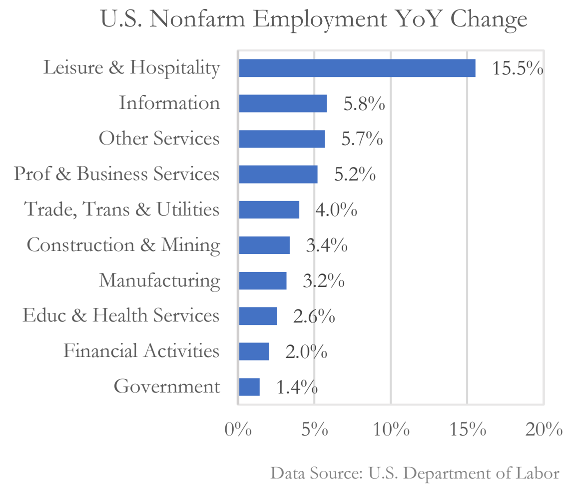

Five industry sectors have gained jobs above their pre-pandemic levels: construction, trade transportation and utilities, professional and business services, information, and financial activities. The U.S. has recovered 92.8% of the 21,991,000 jobs lost in March and April 2020 due to the COVID-19 lockdown, and thirteen states have recovered 100% of the jobs lost.

The Great Resignation has turned into the Great Reshuffling as more people are switching jobs and less are leaving the workforce. The labor force participation rate for prime working age Americans (25-54) has increased steadily over the past year and now sits at 82.7%. However, there are still 1.8 job openings for every unemployed person. One reason there are still so many job openings even though people are getting back to work is due to reduced immigration—a trend starting in 2016 and worsened by the pandemic. Approximately 2 million fewer working-age immigrants live in the United States than if pre-pandemic trends continued, according to Econofact. Subsectors such as administrative services, agriculture and extraction, healthcare and social assistance, and leisure and hospitality, which have a higher percentage of foreign workers, currently have the greatest number of unfilled jobs. The United States' slowed population growth on top of reduced immigration poses a challenge for the future of the labor market.

National Unemployment

The Bureau of Labor Statistics reported the U.S. unemployment rate was 3.6% in March, a decrease from 3.8% in February. The national unemployment rate is now just 0.1 higher than pre-pandemic levels (3.5%), just two years later.

The total number of unemployed people was 6 million, edging closer to pre-pandemic levels (5.7 million). The number of long-term unemployed people, those jobless for 27 weeks or more, decreased to 1.4 million, and account for 23.9% of the total unemployed in March. This indicates people are rejoining the labor force and looking for employment as wages increase and a record number of jobs are available.

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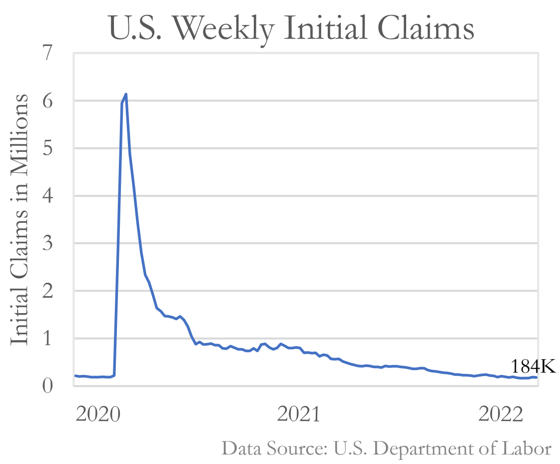
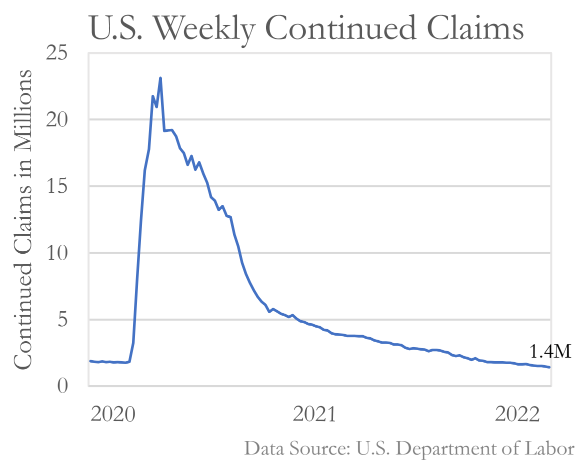
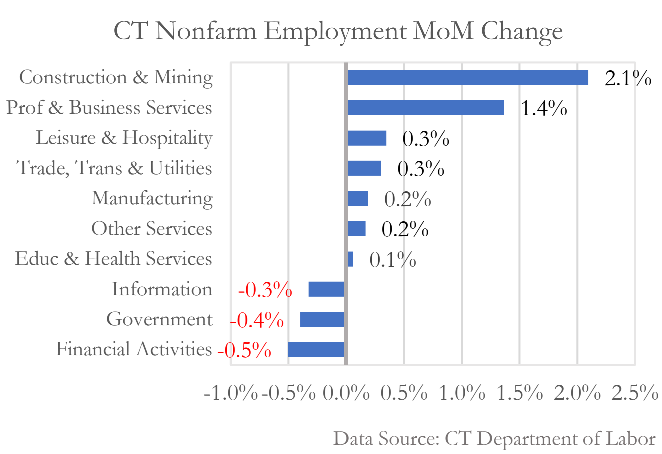
For the week ending April 16th, seasonally adjusted initial claims totaled 184,000, while average weekly initial claims were 177,250. For the week ending April 9th, seasonally adjusted continued claims totaled 1,417,000, while average weekly continued claims were 1,481,750.

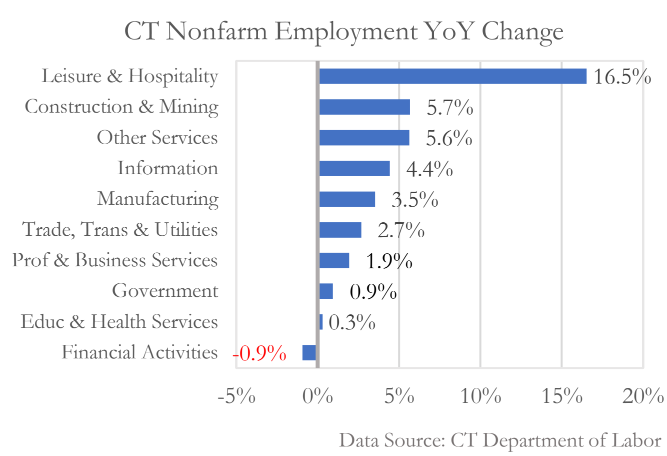




Connecticut Job Growth

The Connecticut Department of Labor reported the state added 4,600 jobs in March after adding 5,400 in February and 600 in January. Total nonfarm payroll was 1,646,400 in March, which is up 236,800 since April 2020, but is down by 52,600, or 3.1%, from its pre-pandemic level in February 2020. Seven industry sectors increased month over month, while three declined. The largest job gains occurred in professional and business services (+2,900), construction and mining (+1,300), and trade, transportation, and utilities (+900). Job declines occurred in government (-900), financial activities (-600), and information (-100). The following graphs display the month over month and year over year net change in nonfarm employment by sector.





Two industry sectors have gained jobs above their pre-pandemic levels: construction and mining, and trade, transportation and utilities. Connecticut has recovered 81.8% of the 289,400 jobs lost in March and April 2020 due to the COVID-19 lockdown. See Appendix 2 for detailed industry sector data.

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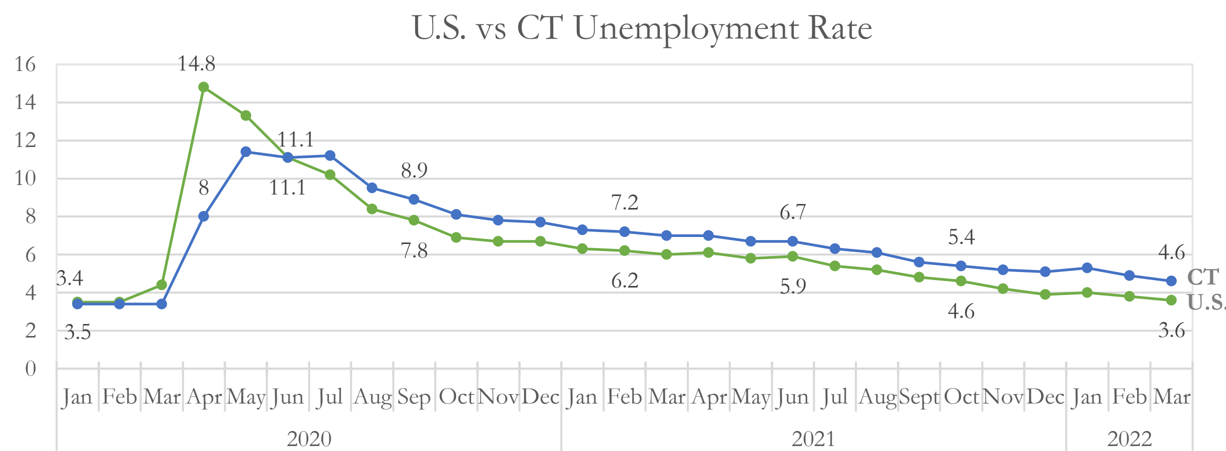
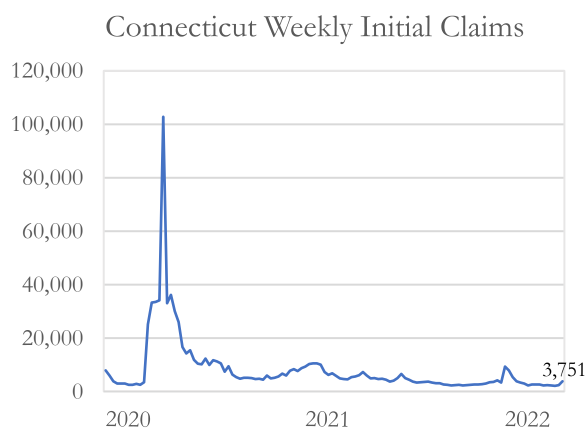
Connecticut Unemployment

The Connecticut Department of Labor reported the state unemployment rate was 4.6% in March, down from 4.9% in February. This is still slightly higher than pre-pandemic levels (3.4%) but demonstrates how fast unemployment has recovered compared to previous recessions. The total number of unemployed people was 86,200 in March, edging closer to pre-pandemic levels (71,800).

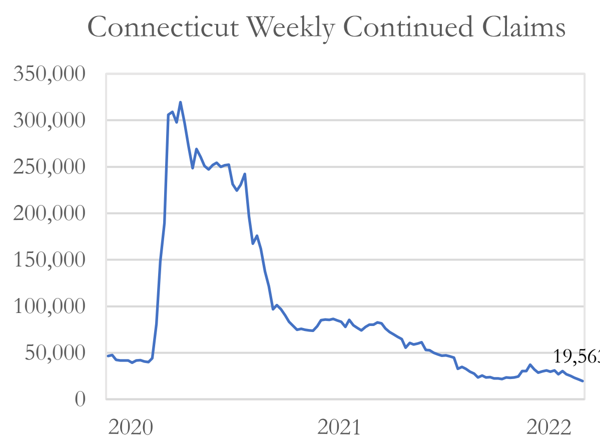


Data Source: CT Department of Labor

Unemployment claims for first-time filers were an average of 2,275 per week in March, down 19.8% (-562) from last month and 70.8% (-5,505) from last year. This level of average weekly initial claims is below the February 2020 (2,937) average weekly claims tally, and is an all-time series low going back to 1980 when data collection began.



Data Source: U.S. Department of Labor



Data Source: U.S. Department of Labor

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Connecticut Housing & Rental Market

Berkshire Hathaway HomeServices reported year over year sales of single-family homes decreased 21% and new listings were down 20% in March. Median sales price increased by 7% and median list price increased by 6%. Average days on the market decreased to 48 days from 58 a year ago. On average, sales prices came in above list prices, with a list/sell price ratio of 102.5%. Inventory sits at a 1.4-month supply at the current sales pace, down from last month and last year. See Appendix 3 for detailed Connecticut Housing Market data.

March 2022 Connecticut Housing Market

Sales	New Listings	Median Sales Price	Avg Days on Market
2,492	**3,925**	**$355,000**	**48**
-21%	-20%	+7%	-17%

Data Source: Berkshire Hathaway HomeServices

Apartment List reported national average rent was $1,333 in March, up 0.8% from last month and up 17.1% from last year. Every state saw rent prices increase year over year. In Connecticut, average rent increased 12% year over year, from $1,372 to $1,533. 35% of households in Connecticut rent their homes, and approximately 52% of Connecticut renters are cost burdened, meaning they spend more than 30% of household income on housing costs.

Inflation

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) increased 1.2% in March for an annual rate of 8.5% which is the largest 12-month increase since December 1981. Gasoline, shelter, and food were the largest contributors to this month's increase, with gasoline accounting for half. Core CPI, which excludes food and energy, rose 0.3% in March for an annual rate of 6.5%. The Bureau of Economic Analysis reported the Personal Consumption Expenditure (PCE) price index increased 0.9% from last month and now stands at an annual rate of 6.6%.

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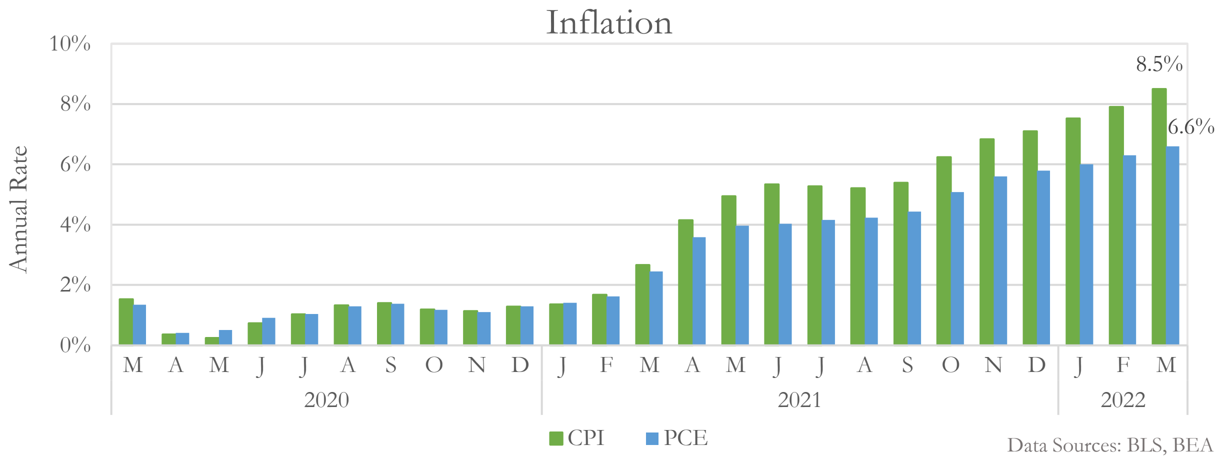

Factors driving inflation include the Russian invasion of Ukraine, global supply-chain disruptions, raw material shortages, labor shortages and strong consumer demand. In response, the Federal Reserve began its tightening cycle last month, announcing an increase in the Federal Funds Rate by 0.25% for a target range between 0.25% and 0.5%. Federal Reserve Chairman, Jerome Powell, endorsed a 0.5% rate hike that will be considered during the Federal Open Market Committee's (FOMC) May meeting.

Despite the continued upward trend, some economists predict inflation is peaking. Core CPI, which strips out volatile food and energy, grew at a slower rate in March. The global oil market most likely overreacted to Russia's invasion of Ukraine as oil prices have come down from the highs in March (which accounted for half of the headline figure). Supply-chain issues may be fading too as producers increase their inventory and consumers spend less on goods. Even so, analysts forecast price reductions may not occur until the end of this year.

GDP

The Bureau of Economic Analysis reported U.S. real gross domestic product (GDP) decreased at an annual rate of 1.4% in the first quarter of 2022. This follows a 6.9% real GDP increase in the fourth quarter of 2021. Real GDP increased 5.7% in 2021, following a decrease of 3.4% in 2020.

GDP is calculated by adding public consumption, private investment, government spending, and the difference between exports and imports. In the first quarter of 2022, public consumption, or consumer spending, remained strong as spending on services outweighed spending on goods. Private investment decreased mainly due to weakened wholesale and retail trade. Government spending decreased primarily due to a decrease in defense spending and a reduction in government assistance payments as federal programs expired. The U.S. is currently in a trade deficit, importing more than it exports which greatly contributed to the Q1 decrease even though U.S. exports hit a record high in March.

In the first quarter of 2022, an increase in COVID-19 cases related to the Omicron variant, high inflation, and the Russian invasion of Ukraine likely contributed to decreased activity. However, consumer and business spending remains strong indicating continued high demand.

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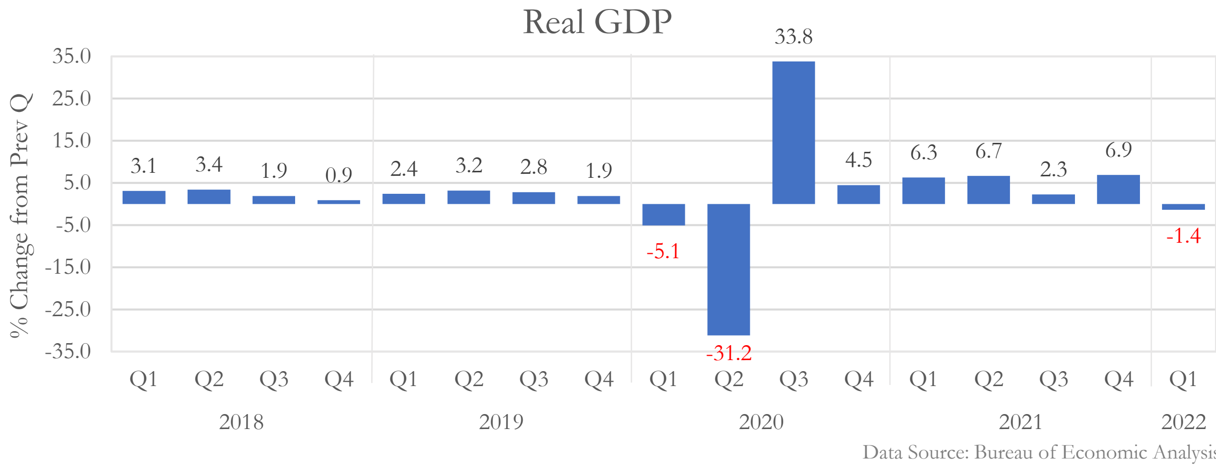
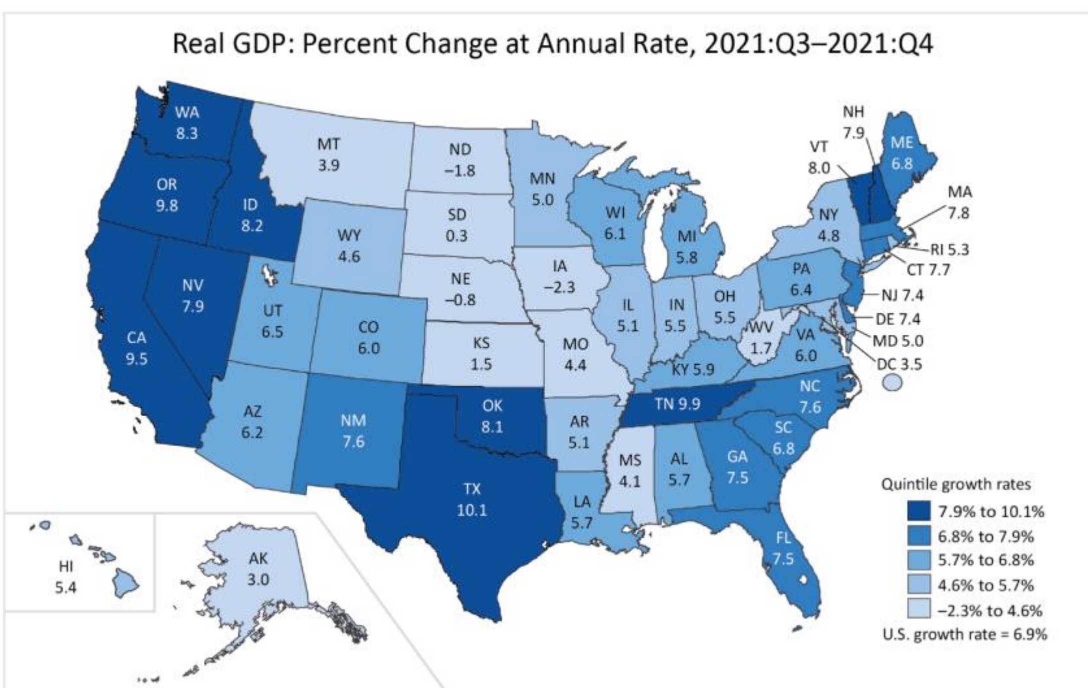


The Bureau of Economic Analysis also reported real gross domestic product increased in 47 states and the District of Columbia in the fourth quarter of 2021. The percent change in real GDP in the fourth quarter ranged from 10.1% in Texas to -2.3 % in Iowa. Information services increased 20.1% nationally and contributed increases in all 50 states and the District of Columbia.

Connecticut's GDP growth rate of 7.7% ranked 12th in the nation, coming in above national growth and the New England regional average of 7.6%. Connecticut industries experiencing the largest gains on a percentage basis were accommodation and food services (+1.24%), information services (+1.13%), and professional, scientific, and technical services (+0.91%). Connecticut's annualized GDP came in at $308.7 billion for the fourth quarter. The map below depicts the annual growth rate in GDP by state.



U.S. Bureau of Economic Analysis

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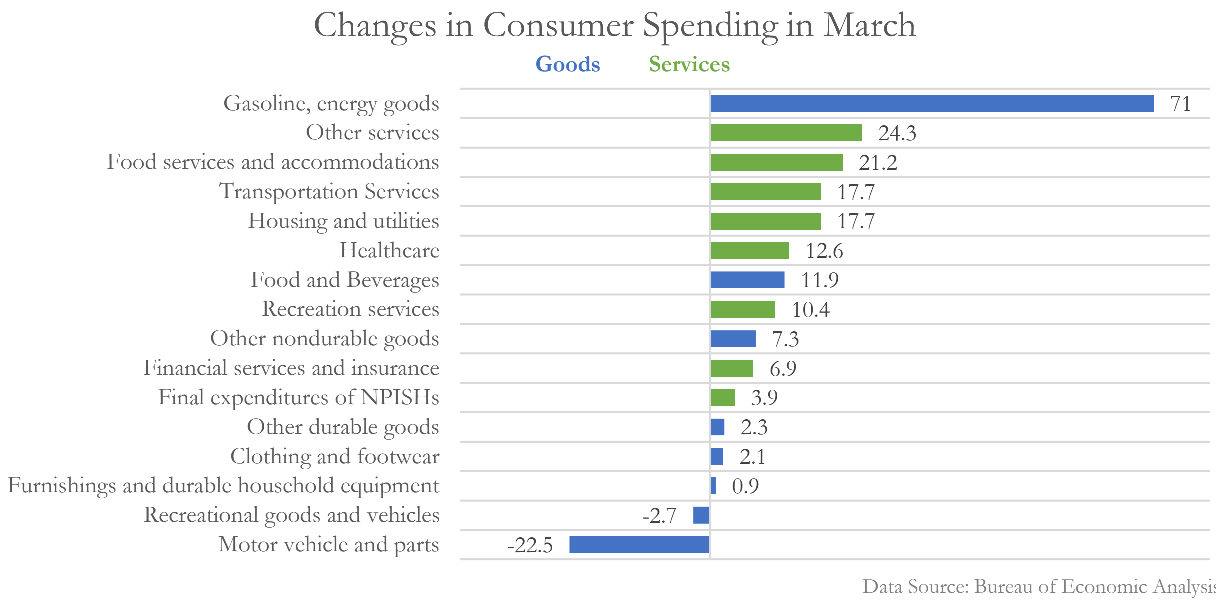
Consumer Spending, Saving and Debt

The Bureau of Economic Analysis reported consumer spending increased $185 billion (1.1%) in March. Spending on both goods and services increased with the largest increases being gasoline, food, international travel, food services and accommodations, and housing. The personal-saving rate was 6.2% in March, down from 6.8% in February. Personal income increased $107.2 billion (0.5%) in March due to an increase in compensation, interest on assets, and government social benefits (primarily Medicare and Medicaid).



The Federal Reserve Bank of New York reported total household debt increased by $333 billion in the fourth quarter of 2021, a 2.2% rise from the previous quarter, and the largest increase since 2007. Balances now stand at $15.58 trillion, reflecting an increase of $1 trillion during 2021, and are $1.4 trillion higher than at the end of 2019. The large increase can partly be attributed to higher prices. Consumers had to borrow more in 2021 to secure a new home or car. Delinquency rates remain at record lows due to forbearance programs and higher savings throughout the pandemic.

Stock Market and State Revenue

April was a tough month for investors as the stock market plunged following its small recovery in March. The Russian invasion of Ukraine, record high inflation, and the Fed's shifting monetary policy contributed to volatility this month. As of April 29th, over the month, the Dow Jones Industrial Average dropped 1,701 points or 4.91% and recorded its largest daily drop since October of 2020. The S&P 500 dropped 398 points or 8.8% marking its worst month since March 2020. The NASDAQ dropped 1,886 points or 13.26% and marked its worst month since October of 2008.

However, over the long-term, the stock market continues to perform well. The last ten years have been characterized by a bull market until the short-lived, yet severe, plunge in March 2020. The S&P 500 dropped over 35% in one month, but thanks to economic stimulus and near-zero interest rates,

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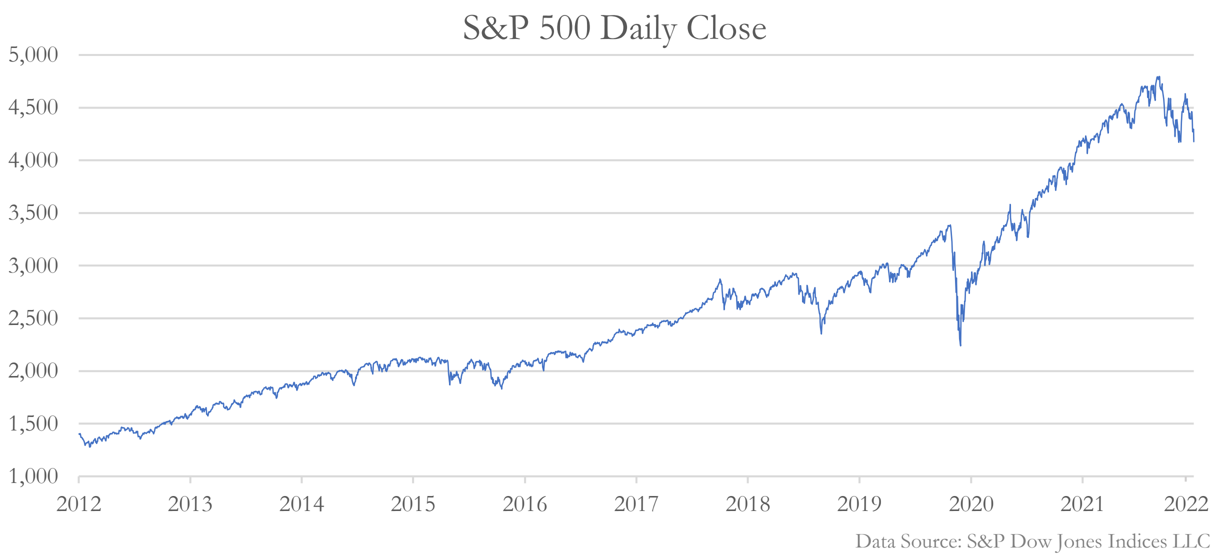
the S&P 500 rebounded in a matter of months. In FY22 the S&P 500 hit an all-time high in early January but continues to experience increased volatility. Below is the S&P 500's daily close over the last ten years.



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% of total state income tax receipts, but can be an extremely volatile revenue source. Both categories of tax receipts grew by a combined 22.2% over year-to-date results in the previous fiscal year.

The revenue volatility cap, introduced by former Comptroller Kevin Lembo and passed by the legislature, automatically captures excess revenue in volatile revenue categories and deposits them in the state's Budget Reserve Fund. As a result of that policy, and continued bipartisan support for maintaining it, the state's reserves have reached their statutory cap. Due to increased revenue projections, the projected volatility transfer for FY22 has been revised up from $969 million to $1.87 billion. The following graph displays the volatility transfers to the Budget Reserve Fund since the policy's inception in 2018.

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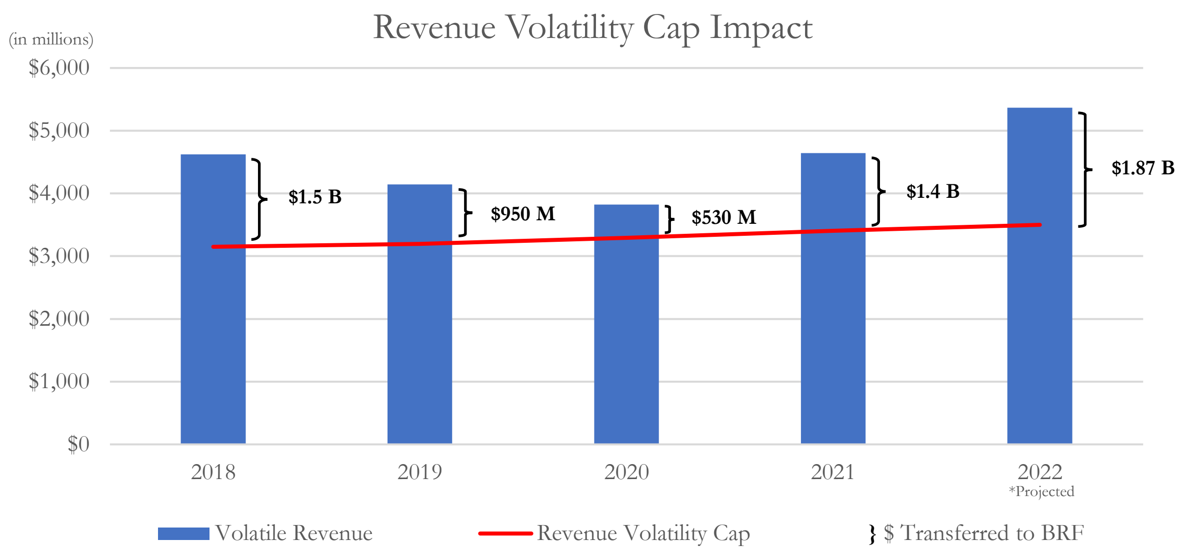

Withholding Receipts

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 FY21 $75.3 million or 1% above its budget target. Compared with prior year realized amounts, FY21 withholding receipts performed even better, growing by $428.6 million or 6.3% over FY20 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.

Through the first nine months of FY22, income tax withholding continues to perform well. Third quarter collections were strong, exceeding monthly targets as wages increase and employee bonuses were paid out. The budget plan called for growth in withholding receipts of 1.8% over FY21 realized amounts. To date through March 31st, collections are coming in 11.3% above the same period in FY 21.

Consumer Confidence

The Conference Board reported the U.S. consumer confidence index decreased slightly to 107.3 from March's revised reading of 107.6. In the April survey, the Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, decreased from 153.8 to 152.6. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, increased slightly from 76.7 to 77.2. High gas prices and the war in Ukraine continue to concern consumers and purchasing intentions have moderated as interest rates increased.

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Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector

Sector	March 2022 (P)	February 2022 (R)	March 2021 (R)	MoM Change	MoM Rate	YoY Change	YoY Rate
Government	22,169,000	22,164,000	21,859,000	5,000	0.0%	310,000	1.4%
Financial Activities	8,911,000	8,895,000	8,733,000	16,000	0.2%	178,000	2.0%
Trade, Trans & Utilities	28,604,000	28,550,000	27,503,000	54,000	0.2%	1,101,000	4.0%
Construction & Mining	8,178,900	8,161,100	7,911,700	17,800	0.2%	267,200	3.4%
Educ & Health Services	24,142,000	24,089,000	23,541,000	53,000	0.2%	601,000	2.6%
Other Services	5,660,000	5,647,000	5,356,000	13,000	0.2%	304,000	5.7%
Manufacturing	12,657,000	12,619,000	12,268,000	38,000	0.3%	389,000	3.2%
Prof & Business Services	22,116,000	22,014,000	21,021,000	102,000	0.5%	1,095,000	5.2%
Information	2,929,000	2,913,000	2,768,000	16,000	0.5%	161,000	5.8%
Leisure & Hospitality	15,509,000	15,397,000	13,423,000	112,000	0.7%	2,086,000	15.5%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector

Sector	March 2022 (P)	February 2022 (R)	March 2021 (R)	MoM Change	MoM Rate	YoY Change	YoY Rate
Financial Activities	117,700	118,300	118,800	-600	-0.5%	-1,100	-0.9%
Government	224,700	225,600	222,600	-900	-0.4%	2,100	0.9%
Information	30,600	30,700	29,300	-100	-0.3%	1,300	4.4%
Educ & Health Services	334,200	334,000	333,200	200	0.1%	1,000	0.3%
Other Services	60,100	60,000	56,900	100	0.2%	3,200	5.6%
Manufacturing	158,400	158,100	153,000	300	0.2%	5,400	3.5%
Trade, Trans & Utilities	297,800	296,900	290,000	900	0.3%	7,800	2.7%
Leisure & Hospitality	144,600	144,100	124,100	500	0.3%	20,500	16.5%
Prof & Business Services	215,000	212,100	210,900	2,900	1.4%	4,100	1.9%
Construction & Mining	63,300	62,000	59,900	1,300	2.1%	3,400	5.7%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary

	Mar 2022	Mar 2021	% Change	YTD 2022	YTD 2021	% Change
New Listings	3,925	4,925	-20.30%	8,852	10,701	-17.28%
Sold Listings	2,492	3,137	-20.56%	7,063	8,525	-17.15%
Median List Price	$349,000	$329,900	5.79%	$339,900	$329,000	3.31%
Median Selling Price	$355,000	$331,000	7.25%	$345,000	$330,000	4.55%
Median Days on the Market	23	34	-32.35%	29	41	-29.27%
Average Listing Price	$554,097	$526,052	5.33%	$537,733	$538,656	-0.17%
Average Selling Price	$561,397	$522,179	7.51%	$539,326	$530,125	1.74%
Average Days on the Market	48	58	-17.24%	49	61	-19.67%
List/Sell Price Ratio	102.5%	100.4%	2.06%	101.4%	99.8%	1.66%

Data Source: Berkshire Hathaway HomeServices

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