

## **Economic Summary**

Despite economic uncertainties such as interest rates and inflation, Connecticut's economy remains strong. Connecticut employers added 5,000 jobs in May, and April numbers were revised up to 1,200 added jobs after initially reporting that payroll was down 900 in April. Year-to-date Connecticut has gained 24,900 jobs in 2023. In May, Connecticut unemployment dropped to 3.7%, which was equal to the national unemployment rate (as opposed to higher) for the first time since June of 2020. Connecticut continues to see very low benefits filing with approximately 20,000 weekly unemployment claims, while employers currently have more than 100,000 jobs available.

There are several positive economic indicators at the national level as well.

The Federal Reserve paused the aggressive string of interest rate hikes it began in early last year to try to halt fast-rising prices. This pause offers a hint of relief for consumers who are grappling with pricier mortgages, credit cards and other loans after 10 consecutive rate hikes. The Federal Open Market Committee is next scheduled to meet July 25-26.

The Consumer Price Index (CPI) inflation report showed that inflation continued to moderate sharply on an overall basis in May. The Bureau of Labor Statistics reported the CPI rose 0.1% in May on a seasonally adjusted basis, after increasing 0.4% in April. Over the last 12 months, the all items increased 4.0%, down from 4.9% in April.

After several months of decreases, the Conference Board reported the U.S. consumer confidence index increased in June, and now stands at 109.7, up from 102.5 in May. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, rose to 79.5 from 71.5 in May. The Expectations Index has remained below 80 – the level associated with recession within the next year – every month since February 2022 (with the exception of a brief uptick in December 2022). However, June's reading is up sharply from last month.

## **Stock Market and State Revenue**

As of June 30th, the NASDAQ, S&P 500, and Dow Jones Industrial Averages were up 6.6%, 6.5%, and 4.6% respectively for the month, and 31.73%, 15.91% and 3.8% respectively year-to-date.

The performance of the stock market and overall economy has a significant impact on Connecticut tax revenue. In a typical year, estimated and final income tax payments account for approximately 25-30% of total state income tax receipts, but can be an extremely volatile revenue source. FY 2023 results show estimated and final payments are down a combined 31.9% compared with the same period from FY 2022.

## Labor Market Statistical Summary

<b>United States</b>	May 2023	April 2023	May 2022
Unemployment Rate	3.7%	3.4%	3.6%
Total Unemployed	6,100,000	5,700,000	6,000,000
Total Nonfarm Employment	156,105,000	155,766,000	152,291,000
Job Growth	+339,000	+253,000	+390,000
Covid Job Recovery	100.0%	100.0%	96.8%
Average Monthly Initial Unemployment Claims	237,750	237,000	207,000
Labor Force Participation Rate	62.6%	62.6%	62.3%
Average Hourly Wage	\$33.44	\$33.33	\$32.06

<b>Connecticut</b>	May 2023	April 2023	May 2022
Unemployment Rate	3.7%	3.8%	4.1%
Total Unemployed	71,100	72,600	79,800
Total Nonfarm Employment	1,691,500	1,686,500	1,666,600
Job Growth	+5,000	+1,200	+1,600
Covid Job Recovery	97.9%	96.2%	89.3%
Average Monthly Initial Unemployment Claims	4,342	3,187	2,312
Labor Force Participation Rate	64.2%	64.3%	66.0%
Average Hourly Wage	\$35.31	\$35.80	\$34.66

## National Job Growth

The Bureau of Labor Statistics reported the U.S. added 339,000 jobs in May after adding 253,000 in April. All sectors saw improvement year-over-year, but two sectors declined slightly month-over-month – Information (-9,000) and Manufacturing (-2,000). 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.



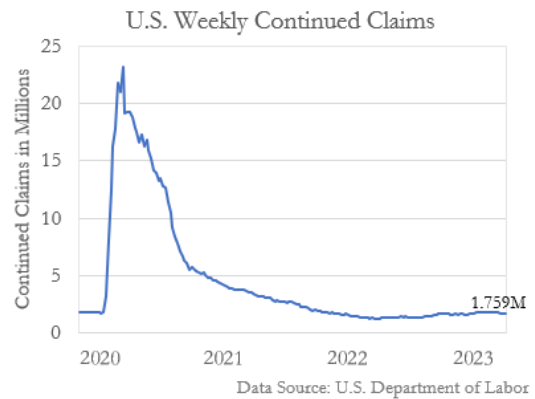
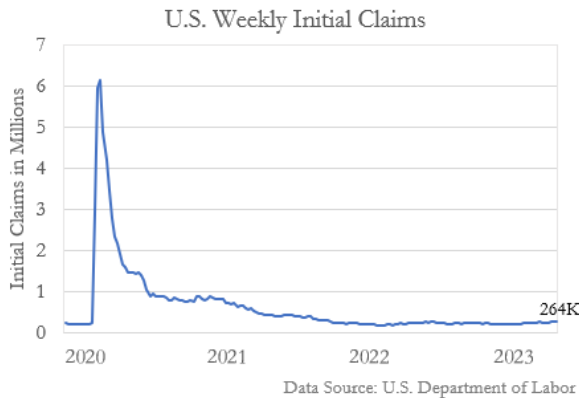
The U.S. has recovered 100% of the 21,991,000 jobs lost in March and April 2020 due to the COVID-19 lockdown, and certain industry sectors have gained jobs above their pre-pandemic levels.

Job openings increased to 10.1 million in April with unemployment at 6.1 million, so there is still more than 1 job for every unemployed person.

### National Unemployment

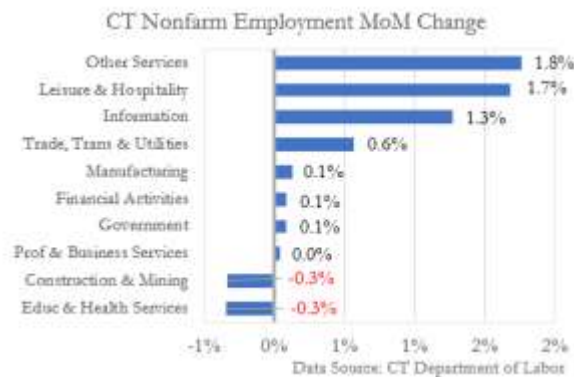
The Bureau of Labor Statistics reported the U.S. unemployment rate at 3.7%, up from 3.4% seen in March. The total number of unemployed people in May was 6.1 million compared to 5.7 million in April.

For the week ending June 17, seasonally adjusted initial claims totaled 264,000, a 20-month high, while average weekly initial claims were 255,750 (long-term average is closer to 350,000). For the week ending June 10, seasonally adjusted continued claims totaled 1,759,000, while average weekly continued claims were 1,770,000.



### Connecticut Job Growth

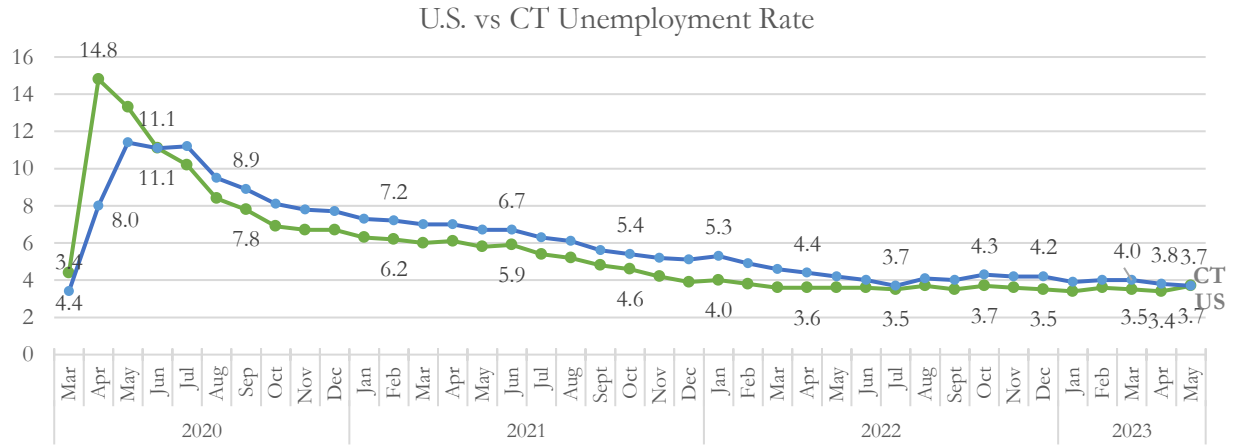
Connecticut payroll was up 5,000 jobs in May, and April job growth was also revised upward to 1,200 jobs. Eight industry sectors increased month-over-month, while two declined slightly. The following graphs display the month-over-month and year-over-year net change in nonfarm employment by sector.



Overall, Connecticut has recovered 97.9% of the 289,400 nonfarm jobs lost in March and April 2020 due to the COVID-19 lockdown. See Appendix 2 for detailed industry sector data.

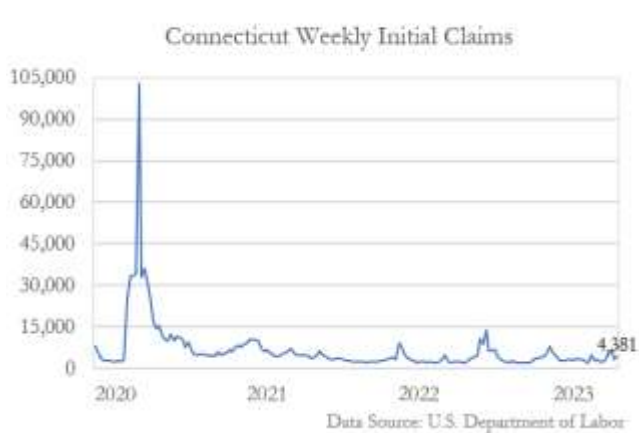
### **Connecticut Unemployment**

The Connecticut unemployment rate was 3.7% for May 2023, which is the same as unemployment at the national level.

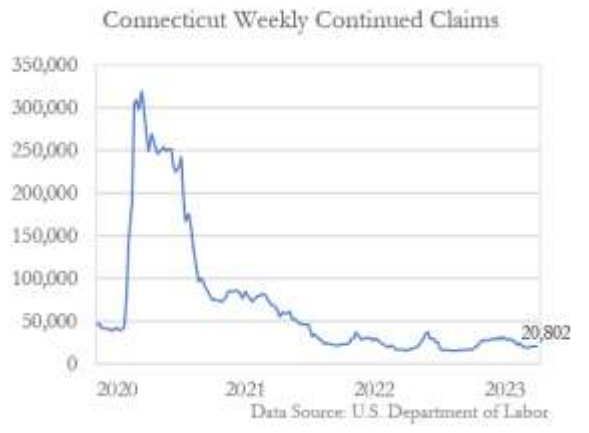


Data Source: CT Department of Labor

For the week ending June 10, seasonally adjusted initial claims totaled 4,381. For the weekly ending June 3, seasonally adjusted continued claims totaled 20,802.



Data Source: U.S. Department of Labor

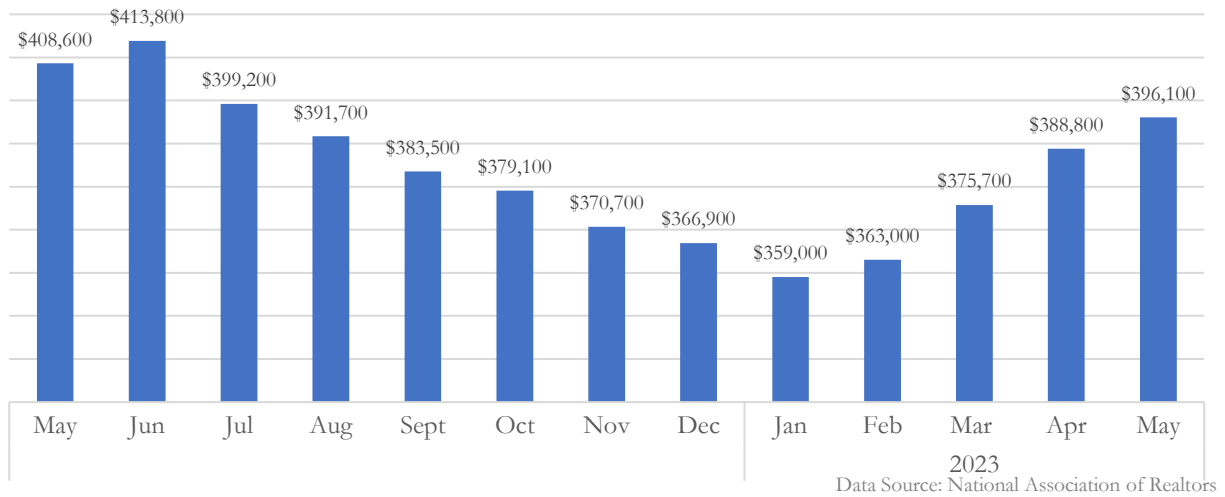


Data Source: U.S. Department of Labor

### **National Housing & Rental Market**

The National Association of Realtors (NAR) reported existing-home sales recorded a minor gain of 0.2% in May but were down 20.4% year-over-year. The median existing-home sales price was \$396,100 in May, a little higher than April but a decline of 3.1% from May 2022. The inventory of unsold existing homes increased to 1.08 million units for the end of May, or the equivalent of 3.0 months' supply at the current monthly sales price.

Median Existing Homes Sales Price



The U.S. Bureau and the Department of Housing and Urban Development reported new single home sales of 763,000 in May, up 12.2% from the revised April rate of 680,000 and 20.0% from May 2022. The median sales price of new houses sold in May 2023 was \$416,300, and the average sales price was \$487,300. The seasonally adjusted estimate of new houses for sale at the end of April was 428,000, which represents a supply of 6.7 months at the current sales rate.

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.69% as of June 15, up 5.78% from one year ago. The Federal Reserve announced on June 14<sup>th</sup> a pause to interest rate hikes, leaving the federal funds target rate at 5-5.25%. However, the pause may be short-lived, with the Federal Open Market Committee (FOMC) scheduled to meet July 25-26 and Chairman Powell remaining committed to bringing inflation down to their 2% target.

See Appendix 3 for additional new residential sales and construction information.

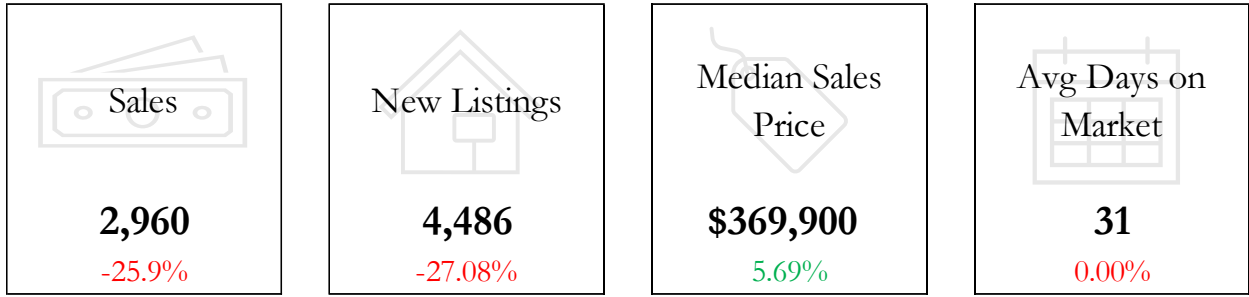
The national rent index increased by 0.5% over the course of May, the fourth straight monthly increase, but rent growth is flattening at a time of year when growth is typically picking up speed.

Year-over-year rent growth is continuing to decelerate, and now stands at 0.9%, its lowest level since March 2021. The vacancy index currently stands at 7.0%, surpassing the average pre-pandemic rate and continuing to trend upward.

### **Connecticut Housing & Rental Market**

Berkshire Hathaway HomeServices reported year-over-year sales of single-family homes decreased 25.9% and new listings were down 27.1% in May. Median selling price increased by 5.69% and median listing price increased by 8.8%. Average days on the market was flat from a year ago at 31 days. On average, sales prices came in at 103.7% of list prices. Inventory continues to sit below the 5-months standard, as it has since March of 2020. See Appendix 4 for detailed Connecticut Housing Market data.

## May 2023 Connecticut Housing Market

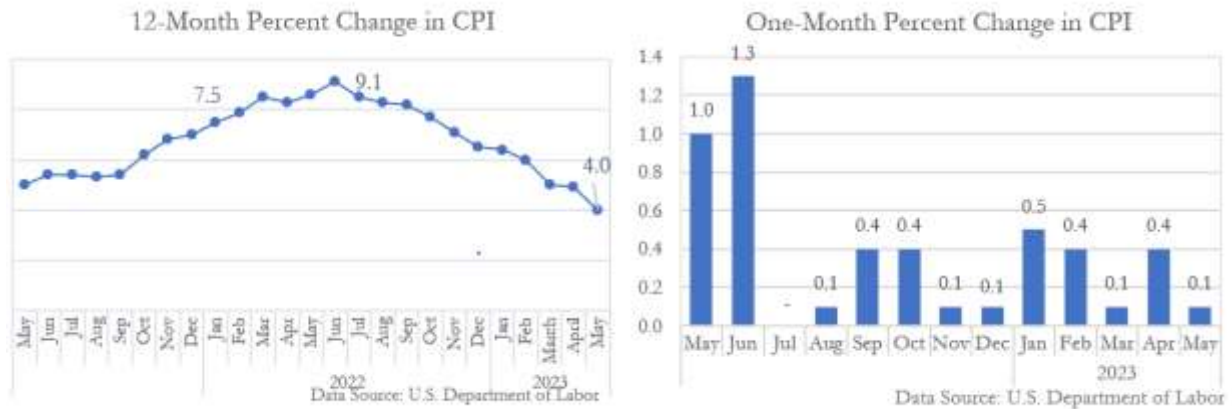


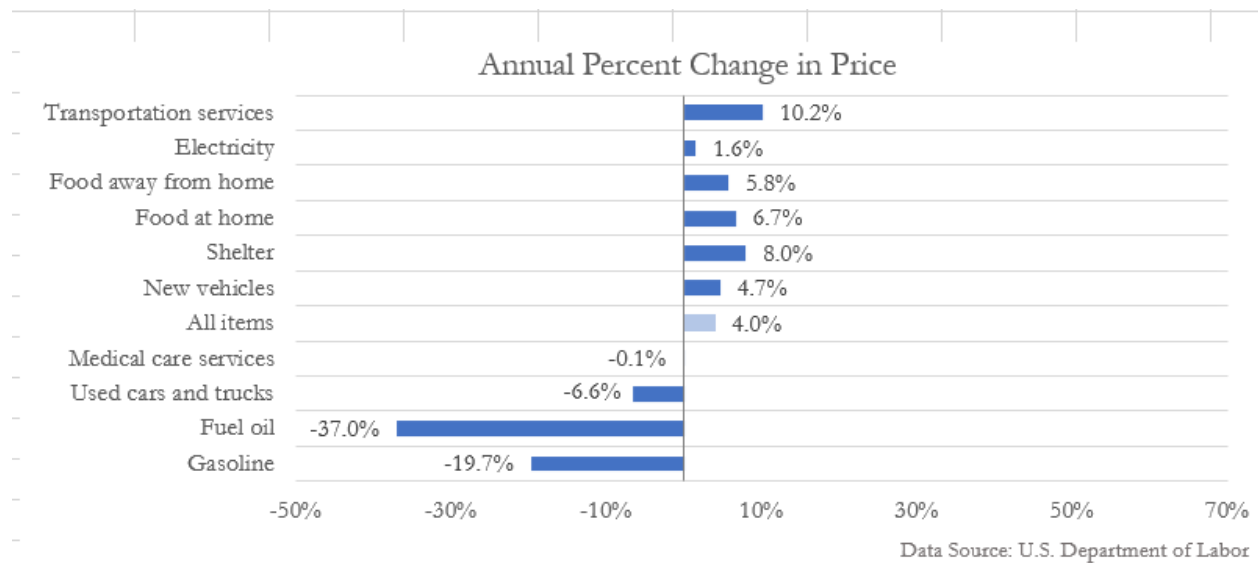
Data Source: Berkshire Hathaway HomeServices

The median rent for all bedroom and all property types in Connecticut is \$1,900, a decrease of \$94 year-over-year, according to Zillow Rental Data. This is 12% lower than the national median of \$2,150.

### Inflation

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.1% in May on a seasonally adjusted basis, after increasing 0.4% in April. Over the last 12 months, the all items increased 4.0%, down from 4.9% in April.



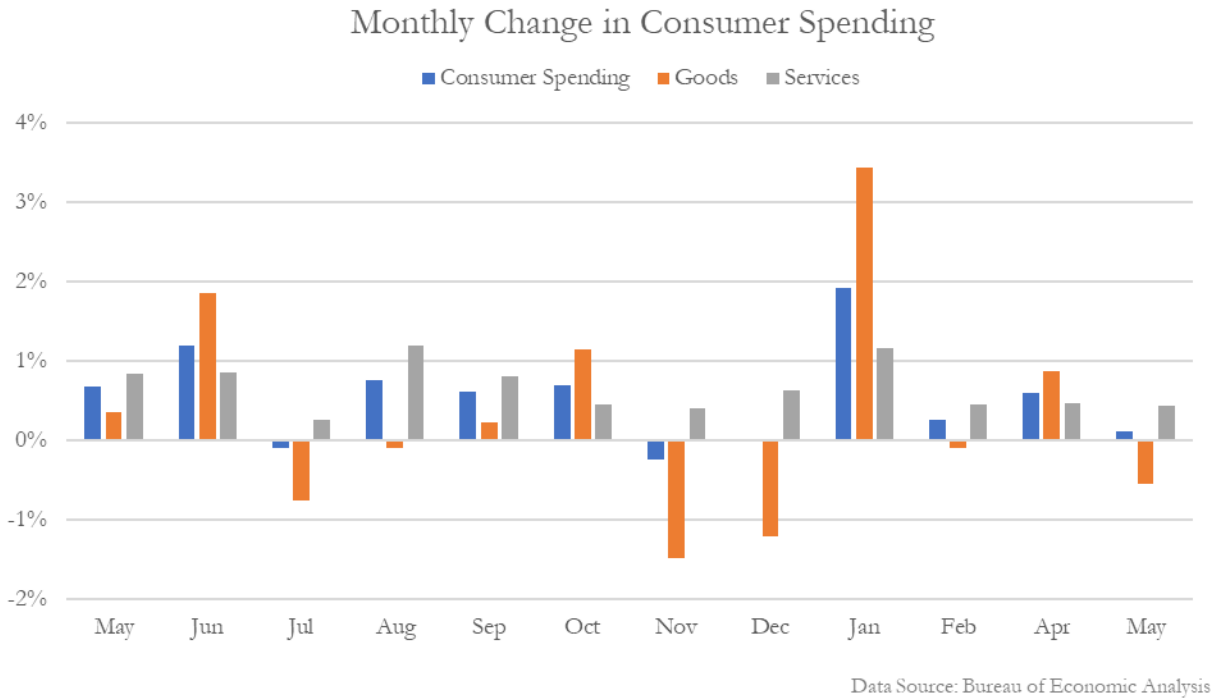


### **Consumer Spending, Saving & Debt**

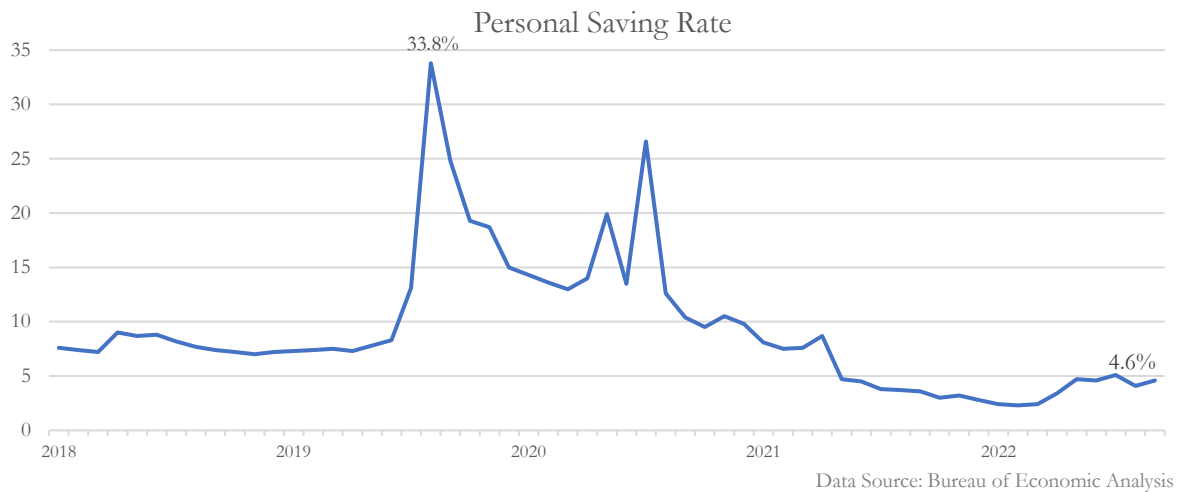
The Bureau of Economic Analysis reported Personal Income increased \$91.2 billion (0.4%) in May, led by increases in compensation, personal current transfer receipts (led by Medicaid payments), and personal income receipts on assets (led by personal interest income).

Personal Consumption Expenditures (PCE) increased \$18.9 billion, reflecting an increase of \$52.0 billion in spending for services that was partly offset by a \$33.1 billion decrease in spending for goods. Within services, the largest contributors to the increase were health care (led by outpatient services), “other” services (led by international travel), and transportation services (led by air transportation). Within goods, spending on motor vehicles and parts (led by new light trucks) and gasoline and other energy goods were the largest contributors to the decrease.

The following graph displays the monthly change in consumer spending:



The personal-saving rate was 4.6% in May, compared with 4.1% in April.



## **GDP**

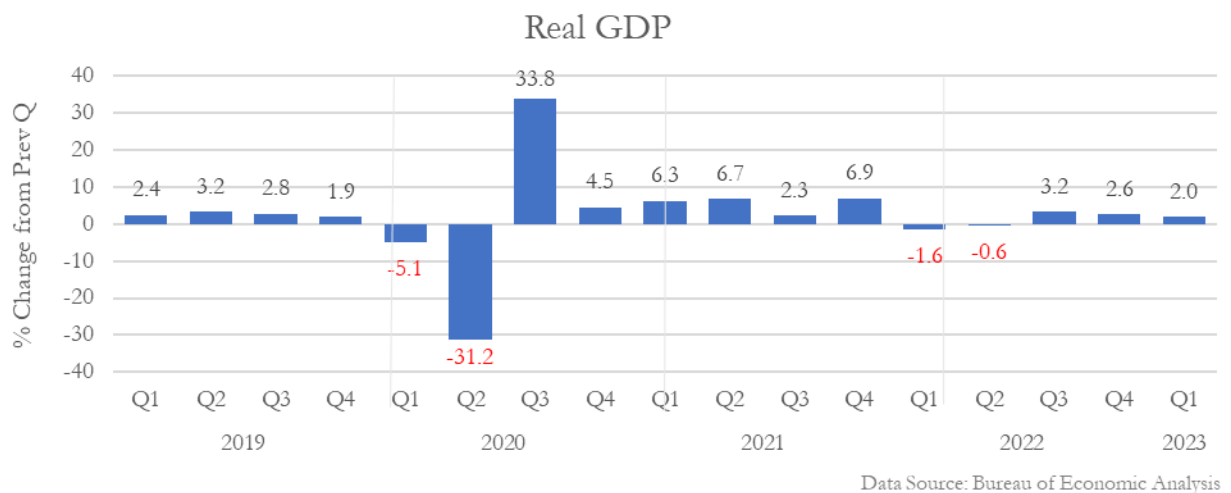
The Bureau of Economic Analysis released the “third” estimate of U.S. real Gross Domestic Product (GDP), which increased at an annual rate of 2.0% in the first quarter of 2023. The updated estimates primarily reflected upward revisions to exports and consumer spending that were partly offset by downward revisions to nonresidential fixed investment and federal government spending. Imports, which are a subtraction in the calculation of GDP, were revised down.



The increase in real GDP reflected increases in consumer spending, exports, state and local government spending, federal spending, and nonresidential fixed investment that were partially offset by decreases in private inventory investment and residential fixed investment. Imports increased.

GDP is calculated by adding public consumption, private investment, government spending, and the difference between exports and imports. Consumer spending is approximately 70% of GDP.

Compared to the fourth quarter, the deceleration in real GDP in the first quarter primarily reflected a downturn in private inventory investment and a slowdown in nonresidential fixed investment. These movements were partly offset by an acceleration in consumer spending, an upturn in exports, and a smaller decrease in residential fixed investment. Imports turned up.



Connecticut’s economy grew 0.3% in the first quarter of 2023.

**Consumer Confidence**

The Conference Board reported the U.S. consumer confidence index increased in June, and now stands at 109.7 (1985=100), up from 102.5 in May. The Present Situation Index, which is based on consumers’ assessment of current business and labor market conditions, rose to 155.3 (1985=100) from 148.9 last month. The Expectations Index, which is based on consumers’ short-term outlook for income, business, and the job market, rose to 79.5 (1985=100) from 71.5 in May. The Expectations Index has remained below 80 – the level associated with recession within the next year – every month since February 2022 (with the exception of a brief uptick in December 2022). However, June’s reading is up sharply from last month.

## Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector							
Sector	May	April	May	MoM	YoY		
	2023 (P)	2023 (P)	2022	Change	Rate	Change	Rate
Trade, Trans & Utilities	28,921,000	28,884,000	28,423,000	37,000	0.1%	498,000	1.8%
Prof & Business Services	23,053,000	22,989,000	22,455,000	64,000	0.3%	598,000	2.7%
Manufacturing	12,984,000	12,986,000	12,768,000	-2,000	0.0%	216,000	1.7%
Financial Activities	9,130,000	9,120,000	9,015,000	10,000	0.1%	115,000	1.3%
Government	22,662,000	22,606,000	22,362,000	56,000	0.2%	300,000	1.3%
Construction & Mining	8,571,000	8,543,000	8,380,000	28,000	0.3%	191,000	2.3%
Educ & Health Services	25,254,000	25,157,000	24,196,000	97,000	0.4%	1,058,000	4.4%
Other Services	5,850,000	5,840,000	5,698,000	10,000	0.2%	152,000	2.7%
Leisure & Hospitality	16,596,000	16,548,000	15,938,000	48,000	0.3%	658,000	4.1%
Information	3,084,000	3,093,000	3,056,000	-9,000	-0.3%	28,000	0.9%

Data Source: US Department of Labor

## Appendix 2: Connecticut Employment Data by Sector

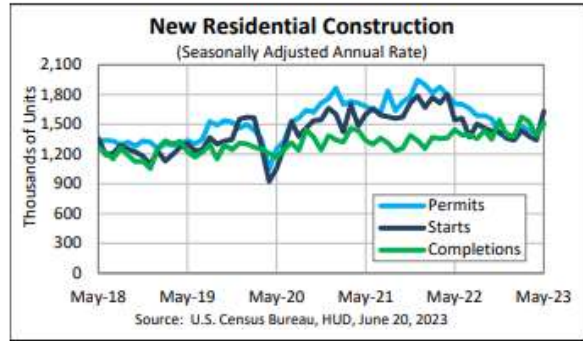
CT Nonfarm Employment by Sector							
Sector	May	April	May	MoM	YoY		
	2023	2023	2022	Change	Rate	Change	Rate
Leisure & Hospitality	156,700	154,100	148,700	2,600	1.7%	8,000	5.4%
Other Services	63,400	62,300	61,100	1,100	1.8%	2,300	3.8%
Educ & Health Services	351,200	352,400	341,000	-1,200	-0.3%	10,200	3.0%
Information	31,900	31,500	31,300	400	1.3%	600	1.9%
Government	230,900	230,700	227,000	200	0.1%	3,900	1.7%
Prof & Business Services	224,600	224,500	221,600	100	0.0%	3,000	1.4%
Manufacturing	157,700	157,500	156,800	200	0.1%	900	0.6%
Trade, Trans & Utilities	300,500	298,800	299,000	1,700	0.6%	1,500	0.5%
Construction & Mining	59,700	59,900	61,300	-200	-0.3%	-1,600	-2.6%
Financial Activities	114,900	114,800	118,800	100	0.1%	-3,900	-3.3%

Data Source: CT Department of Labor

## Appendix 3: New Residential Sales and Construction Statistics

NEW RESIDENTIAL SALES MAY 2023	
New Houses Sold <sup>1</sup> :	763,000
New Houses For Sale <sup>2</sup> :	428,000
Median Sales Price:	\$416,300
Next Release: July 26, 2023	
<sup>1</sup> Seasonally Adjusted Annual Rate (SAAR)	
<sup>2</sup> Seasonally Adjusted	
Source: U.S. Census Bureau, HUD, June 27, 2023	





## **Appendix 4: Connecticut Housing Market Statistics**

Connecticut Market Summary						
	May-23	May-22	% Change	YTD 2023	YTD 2022	% Change
New Listings	4,486	6,152	-27.1%	17,442	23,316	-25.2%
Sold Listings	2,960	3,997	-25.9%	12,472	16,922	-26.3%
Median List Price	\$359,000	\$330,000	8.8%	\$335,000	\$319,000	5.0%
Median Selling Price	\$369,900	\$350,000	5.7%	\$340,000	\$325,000	4.6%
Median Days on the Market	11	10	10.0%	18	18	0.0%
Average Listing Price	\$600,525	\$501,637	19.7%	\$523,601	\$491,308	6.6%
Average Selling Price	\$603,521	\$522,312	15.5%	\$524,086	\$500,264	4.8%
Average Days on the Market	31	31	0.0%	40	42	-4.8%
List/Sell Price Ratio	103.7%	104.7%	-1.0%	101.7%	102.6%	-0.9%

Data Source: Berkshire Hathaway HomeServices