STATE COMPTROLLER
SEAN SCANLON

FOR IMMEDIATE RELEASE

May 1, 2023

COMPTROLLER SEAN SCANLON PROJECTS $1.58 BILLION SURPLUS, $2.9 BILLION PAYMENT TOWARDS PENSIONS

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his monthly financial and economic update, projected a Fiscal Year 2023 General Fund surplus of $1.58 billion, a $147.1 million increase from last month's projection. The Special Transportation Fund surplus is projected to be $248.8 million, an increase of $11.4 million from last month's projection.

In a letter to Governor Ned Lamont, Scanlon noted that several revenue sources continue to exhibit positive trends relative to target, including Corporation Tax, Pass-through Entity Tax, Escheatment Revenue and Sales and Use Tax, as shown by OPM's Consensus Revenue Estimates published today.

"This month's report, combined with today's positive consensus revenue estimate, demonstrates that Connecticut's budget continues to be in a secure position despite an uncertain national economic climate," **said Comptroller Scanlon.** "Thanks to our recently-extended fiscal guardrails and economic and revenue growth, Connecticut's outlook continues to get stronger."

Budget Reserve Fund	
Current Balance	3,313,380,000
Projected volatility transfer from GF	1,347,500,000
Projected surplus transfer from GF	1,581,760,184
Projected ending balance	6,242,640,184
Projected ending balance as percent of FY23 GF appropriations	28.3%
Excess to pay down debt (amount above 15% BRF cap)	2,929,260,184
Projected Deposit to SERS	2,072,706,284
Projected Deposit to TRS	856,553,900

The Comptroller currently projects that, come the end of the fiscal year in June, the state will transfer $2.9 billion in payments towards the State Employees Retirement Fund and/or the Teachers' Retirement Fund.

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Economic Summary

After the continued Federal Reserve Interest Rate increases and the two United States bank failures in March, April appeared to be a relatively quiet month from an economic perspective. While a few lenders missed 1st quarter earnings estimates, overall banks confirmed the continued health of the banking sector.

The were no Federal Reserve interest rate decisions in April, with the next decision scheduled for May 3rd. Economists anticipate a 25-basis-point increase rate increase in May, and that the Federal Reserve will then hold rates steady for the rest of the year.

Federal Reserve Chair Powell has remarked that "a large and variable lag" exists between the implementation of monetary policy and broad macroeconomic aggregates. Labor market data is often among the last of economic data to react to the Fed's efforts and continues to show mixed results. In addition, the COVID pandemic and efforts to minimize the damage it might have otherwise done to the global economy has resulted in distortions to labor market and other economic data.

The economy added another 236,000 jobs in March. Unemployment decreased from 3.6% to 3.5% in March. United States unemployment claims were higher in April (245,000 as of the latest Unemployment Insurance Weekly Claims report). However, the long-term average is closer to 350,000, and additionally there was a change in how the Department of Labor applies its seasonal adjustment factor now that COVID-related disruptions have faded that resulted in higher initial claims. Job openings fell to 9.93 million in March (the first sub-10 million total in nearly 10 years), but unemployment is 5.9 million so there is still more than 1 job for every unemployed person.

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.1% in March on a seasonally adjusted basis, after increasing 0.4% in February. Over the last 12 months, the all items increased 5.0%, down from 6.0% in February. However, at least some of the improvement in inflation can be traced to last year's huge increase in energy prices related to Russia's invasion of Ukraine, with Gasoline and Fuel Oil down 17.4% and 14.2% respectively.

The National Association of Realtors (NAR) reported existing-home sales fell 2.4% in March and was also 22.0% below last year. The median existing-home sales price was $375,700 in March, a little higher than February but a decline of 0.9% from March 2022. Year-over-year rent growth is continuing to decelerate and now stands at 2.6%, its lowest level since April 2021. The vacancy index now stands at 6.6%, its highest reading in two years.

The Conference Board reported the U.S. consumer confidence index decreased in April, and now stands at 101.3, down from 104.0 in March. The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, improved from 148.9 to 151.1. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, fell further to 68.1 from 74.0. The Expectations Index has now remained below 80 – the level associated with recession within the next year – every month since February 2022, apart from a brief uptick in December 2022.

Stock Market and State Revenue

In April, the Dow Jones Industrial Average was up 2.5% for the month and 2.87% for the year. The S&P 500 was up 1.5% for the month and 8.59% for the year. Though flat for the month, the NASDAQ was up 16.82% April 2023 year-to-date, after double-digit losses in 2022.

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 11.5% compared with the same period from FY 2022. The due date for Income Tax payments was April 18th, and while receipts are trending below target collections are still being received by the Department of Revenue Services.

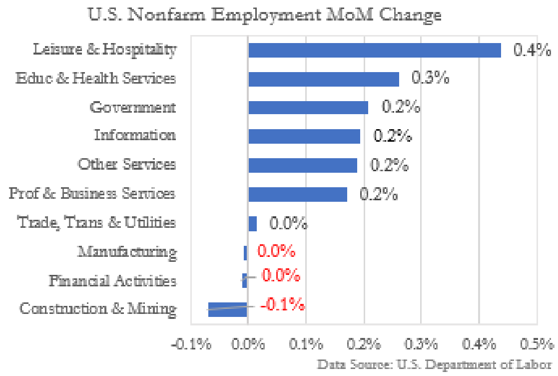
Labor Market Statistical Summary

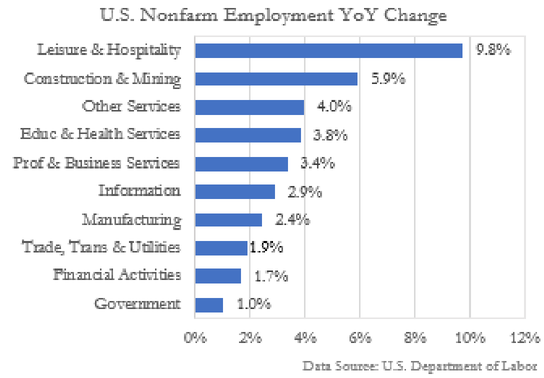
United States	March 2023	February 2023	March 2022
Unemployment Rate	3.5%	3.6%	3.6%
Total Unemployed	5,939,000	5,936,000	5,972,000
Total Nonfarm Employment	155,569,000	155,333,000	150,411,000
Job Growth	+236,000	+326,000	+414,000
Covid Job Recovery	100.0%	100.0%	92.9%
Average Monthly Initial Unemployment Claims	242,000	218,500	218,000
Labor Force Participation Rate	62.6%	62.5%	62.4%
Average Hourly Wage	$33.18	$33.09	$31.83

Connecticut	March 2023	February 2023	March 2022
Unemployment Rate	4.0%	4.0%	4.3%
Total Unemployed	75,300	75,700	84,500
Total Nonfarm Employment	1,688,100	1,687,000	1,665,900
Job Growth	+1,100	+5,100	+4,600
Covid Job Recovery	96.7%	96.5%	81.8%
Average Monthly Initial Unemployment Claims	3,247	3,159	2,328
Labor Force Participation Rate	64.5%	64.7%	64.0%
Average Hourly Wage	$35.81	$35.87	$34.14

National Job Growth

The Bureau of Labor Statistics reported the U.S. added 236,000 jobs in March after adding 326,000 in February. This growth marks 27 straight months of job gains. Year-over-year, all sectors saw improvement. Month-over-month, the largest job gains occurred in Leisure & Hospitality (+72,000), Education & Health Services (+65,000), and Government (+47,000). The Information sector lost another 6,000 jobs, and Manufacturing and Financial Activities both had small losses of -1,000 jobs. 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.

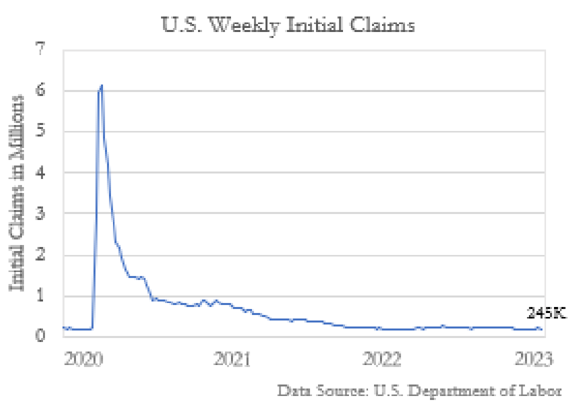
Job openings fell to 9.93 million in March (the first sub-10 million total in nearly 10 years), but unemployment is 5.9 million so there is still more than 1 job for every unemployed person.

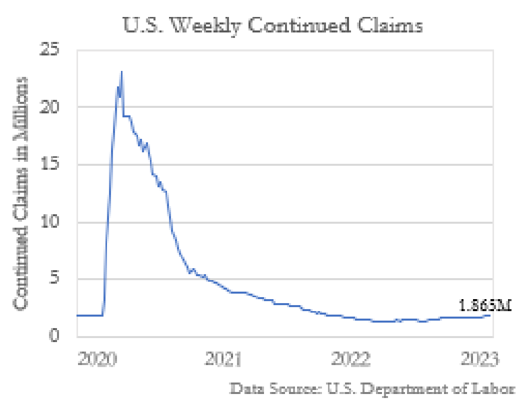
<u>National Unemployment</u>

The Bureau of Labor Statistics reported the U.S. unemployment rate at 3.5%, down slightly from 3.6% seen in February. The total number of unemployed people in March was essentially flat from February.

For the week ending April 15, seasonally adjusted initial claims totaled 245,000, while average weekly initial claims were 239,750. Long-term average is closer to 350,000, and in addition there was a change in how the Department of Labor applies its seasonal adjustment factor now that COVID-related disruptions have faded that resulted in higher initial claims.

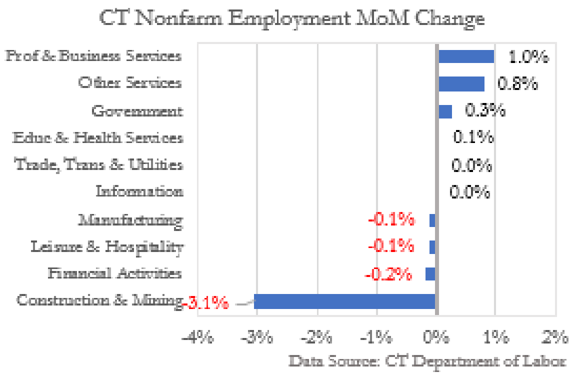
For the week ending April 5, seasonally adjusted continued claims totaled 1,865,000, while average weekly continued claims were 1,827,250.

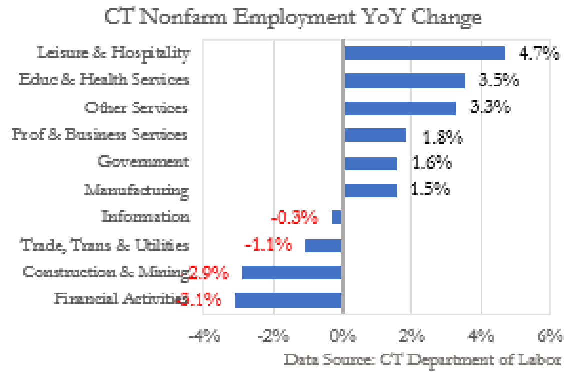




<u>Connecticut Job Growth</u>

Connecticut payroll was up 1,100 jobs in March, after adding 5,100 jobs in February. Six industry sectors increased or remained flat month over month, while four declined slightly. The largest job gains occurred in Professional & Business Services (+2,200) and Government (+600). The following graphs display the month-over-month and year-over-year net change in nonfarm employment by sector.

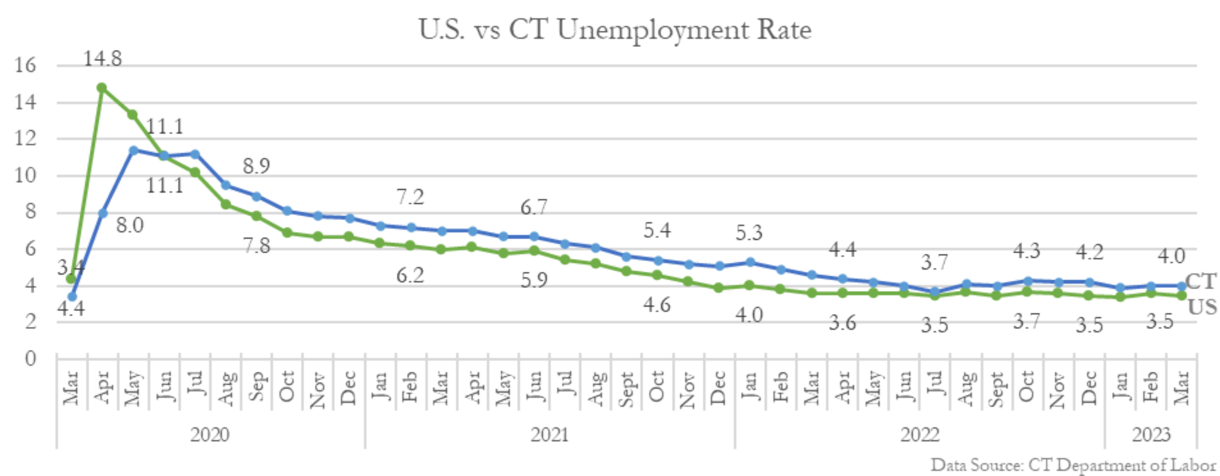




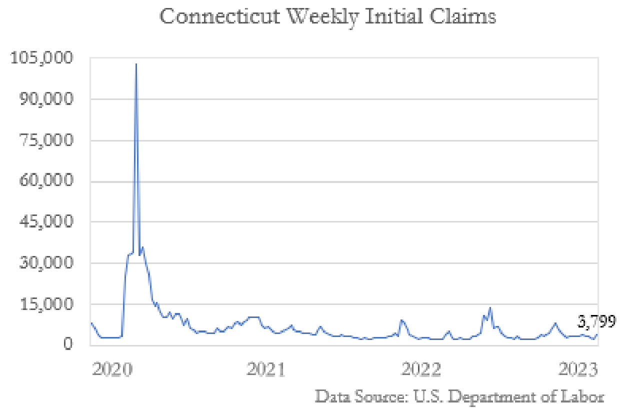
Overall, Connecticut has recovered 96.7% of the 289,400 nonfarm jobs lost in March and April 2020 due to the COVID-19 lockdown. See Appendix 2 for detailed industry sector data.

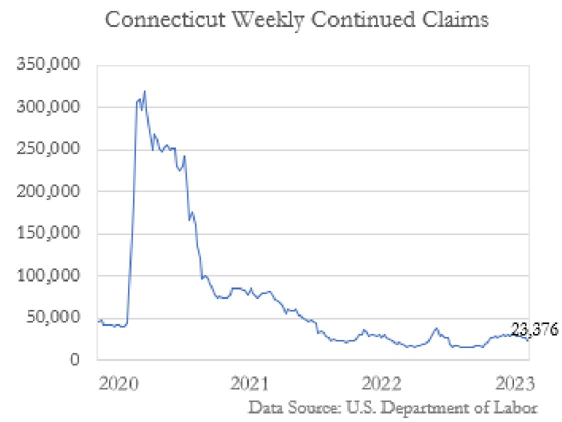
Connecticut Unemployment

The Connecticut unemployment rate was 4.0% for March 2023, which is flat to February.



For the week ending April 8, seasonally adjusted initial claims totaled 3,799. For the weekly ending April 1, seasonally adjusted continued claims totaled 23,276.





National Housing Market

The National Association of Realtors (NAR) reported existing-home sales fell 2.4% in March and were also down 22.0% year-over year (down from 5.69 million in March 2022). The inventory of unsold existing homes remained at 980,000 for the end of March, or the equivalent of 2.6 months' supply at the current monthly sales price.

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.27% as of April 13. The were no Federal Reserve interest rate decisions in April, with the next decision scheduled for May 3rd. Economists anticipate a 25-basis-point increase rate increase in May, and that the Federal Reserve will then hold rates steady for the rest of the year.

The median existing-home sales price was $375,700 in March, a little higher than February but a decline of 0.9% from March 2022.

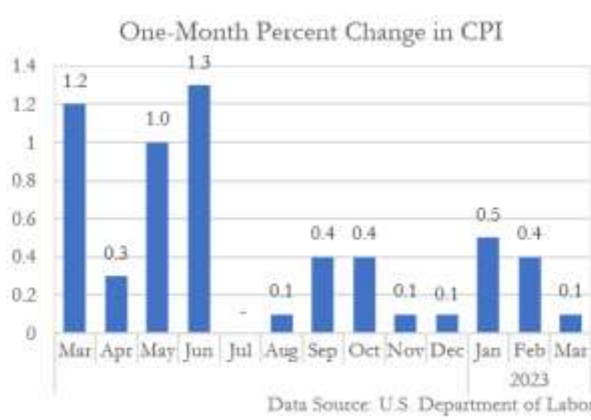
Connecticut Housing & Rental Market

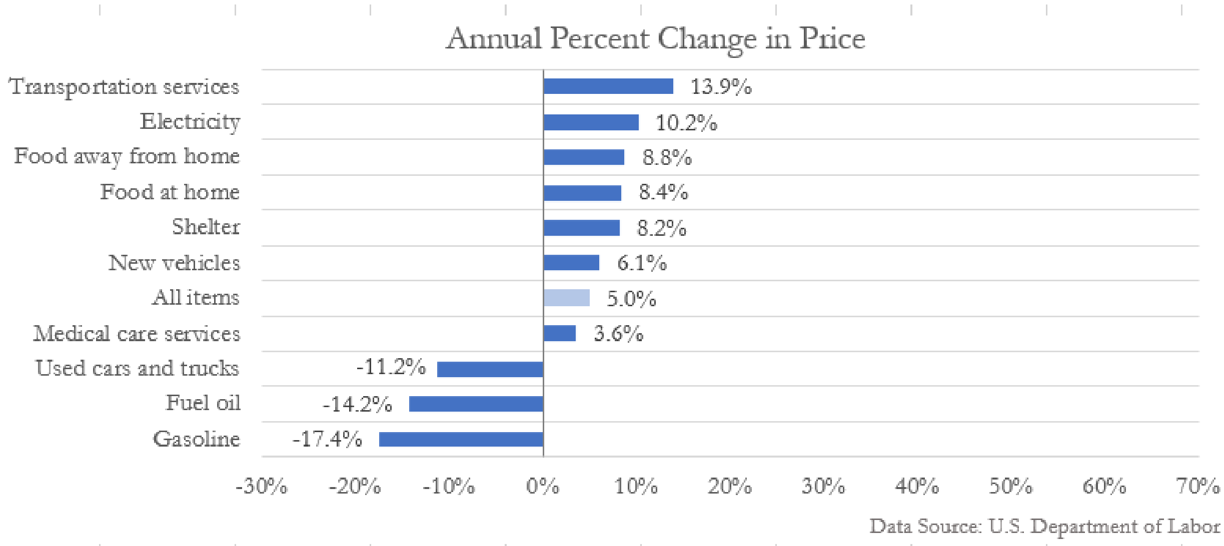
Berkshire Hathaway HomeServices reported year-over-year sales of single-family homes decreased 24.0% and new listings were down 28.16% in March. Median selling price increased by 4.69% and median listing price increased by 6.4%. Average days on the market decreased to 43 days from 45 a year ago. On average, sales prices came in at 101.4% of list prices. Inventory continues to sit below the 5-months standard, as it has since March of 2020. See Appendix 2 for detailed Connecticut Housing Market data. See Appendix 3 for detailed Connecticut Housing Market data.

The national rent index increased by 0.5% over the course of March, the second straight monthly increase and a slight acceleration over last month's pace. This month's increase is of a similar magnitude to the typical March price change that we saw in pre-pandemic years. Year-over-year rent growth is continuing to decelerate, and now stands at 2.6%, its lowest level since April 2021. The vacancy index currently stands at 6.6%, which now puts it back in line with the average pre-pandemic rate.

<u>Inflation</u>

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.1% in March on a seasonally adjusted basis, after increasing 0.4% in February. Over the last 12 months, the all items increased 5.0%, down from 6.0% in February. However, at least some of the improvement in inflation can be traced to last year's huge increase in energy prices related to Russia's invasion of Ukraine, with Gasoline and Fuel Oil down 17.4% and 14.2% respectively.



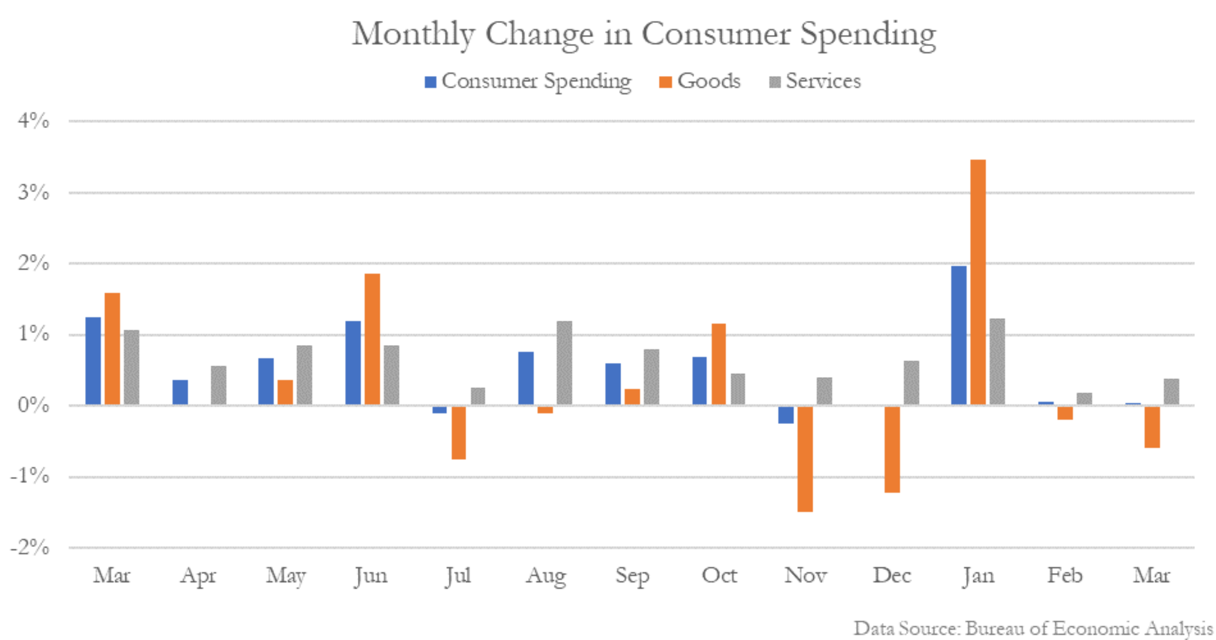


Consumer Spending, Saving & Debt

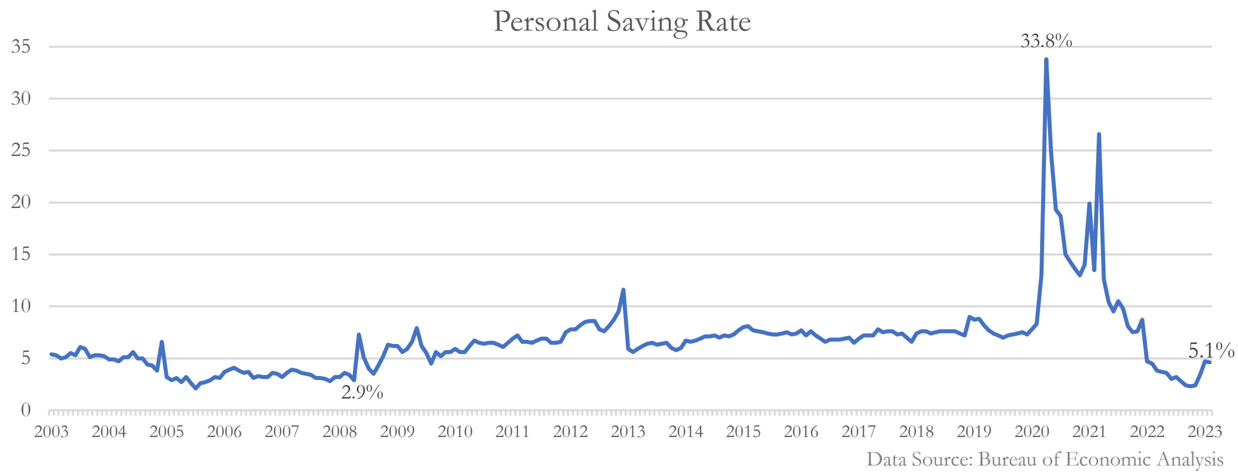
The Bureau of Economic Analysis reported Personal Income increased $67.9 billion (0.3%) in March, led by increases in compensation, personal income receipts on assets, and rental income of persons that were partly offset by decreases in proprietors' income and personal current transfer receipts (led by a decrease in "other" government social benefits that primarily reflected the end of pandemic-related emergency benefits for the Supplemental Nutrition Assistance Program).

Personal Consumption Expenditures (PCE) increased $8.2 billion, reflecting an increase of $44.9 billion in spending for services partly offset by a $36.7 billion decrease in spending for goods. Within services, the largest contributors to the increase were spending for housing and utilities and health care services. Within goods, the decrease was led by motor vehicles and parts and gasoline and other energy goods.

The following graph displays the monthly change in consumer spending:



The personal-saving rate was 5.1% in March, compared with 4.8% in February.



GDP

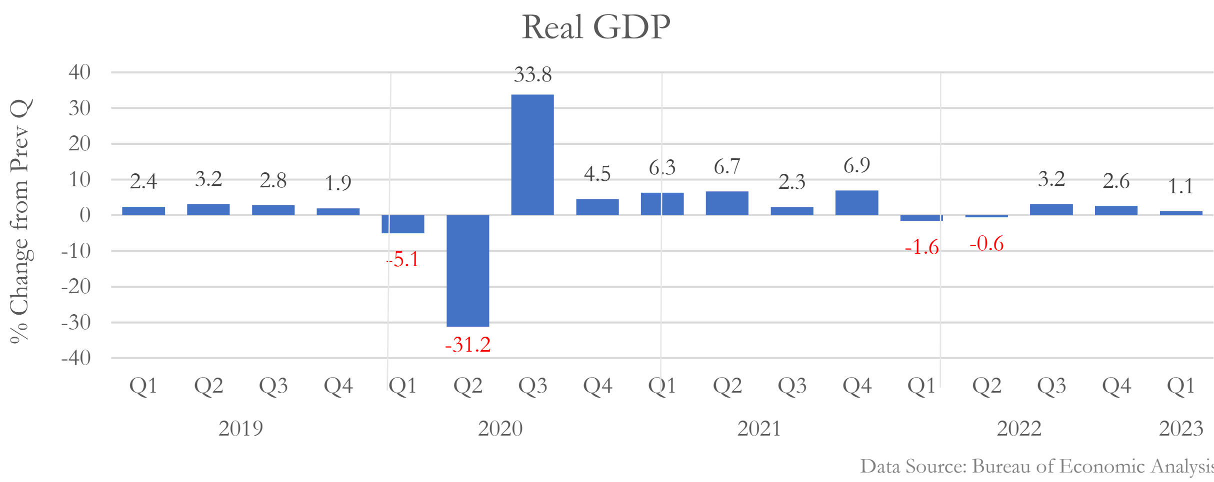
The Bureau of Economic Analysis released the "advance" estimate of U.S. real Gross Domestic Product (GDP), which increased at an annual rate of 1.1% in the first quarter of 2023. The increase reflected increases in consumer spending, exports, federal government spending, state and local government spending, and nonresidential fixed investment that were partly offset by decreases in private inventory investment and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, 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.

The increase in consumer spending reflected increases in both goods and services. Within goods, the leading contributor was motor vehicles and parts. Within services, the increase was led by health care and food services and accommodations. Within exports, an increase in goods (led by consumer goods, except food and automotive), was partly offset by a decrease in services (led by transport). Within federal government spending, the increase was led by nondefense spending. The increase in state and local government spending primarily reflected an increase in compensation of state and local government employees. Within nonresidential fixed investment, increases in structures and intellectual property products were partly offset by a decrease in equipment.

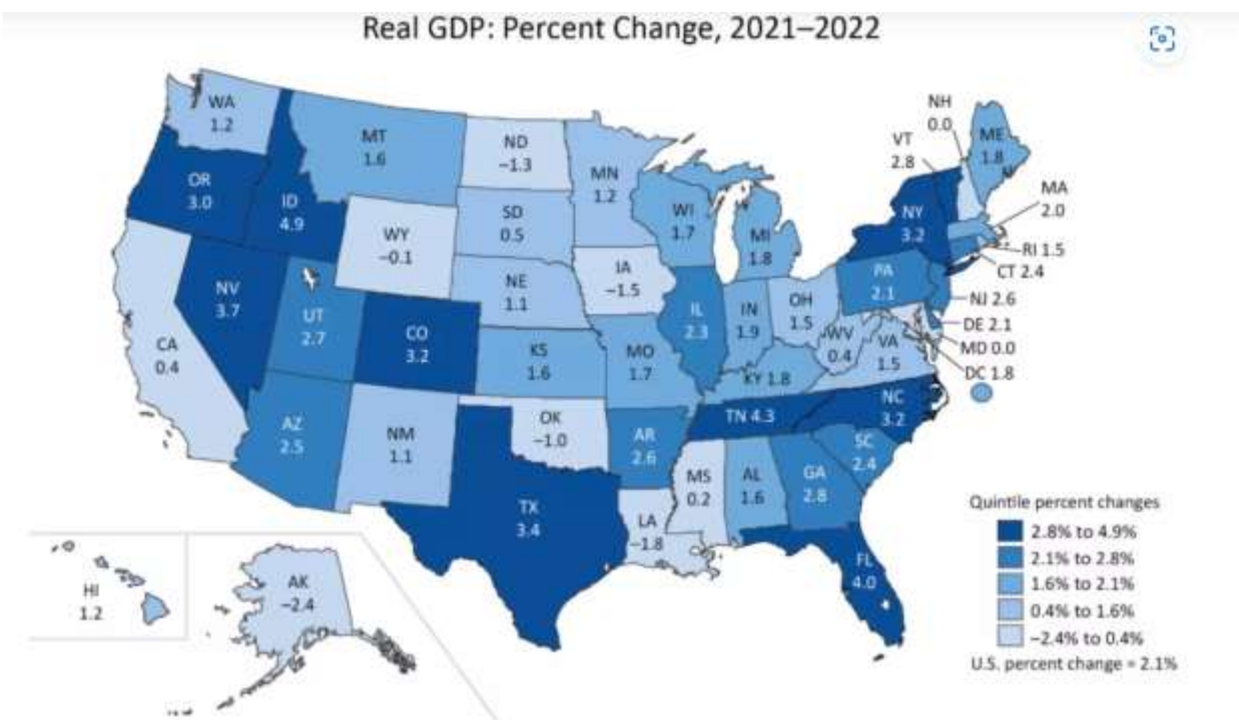
The decrease in private inventory investment was led by wholesale trade and manufacturing. Within residential fixed investment, the leading contributor to the decrease was new single-family construction. Within imports, the increase reflected an increase in goods.

Compared to the fourth quarter, the deceleration in real GDP in the first quarter primarily reflected a downturn in provide 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.



State GDP

State GDP for first quarter 2023 will not be released until June 30, 2023. Connecticut's economy grew 2.4% and was 17th best in the country and 2nd best in New England (after Vermont at 2.8%). Connecticut's $321.8 billion economy accounts for 25% of New England's $1.3 trillion GDP, and is second largest in the region behind Massachusetts ($688.4 billion).Fourteen of the 22 industry sectors posted productivity gains in 2022, led by the finance and insurance sector (0.69%). Retail trade was the worst performing of all sectors, contracting (0.46%).



Consumer Confidence

The Conference Board reported the U.S. consumer confidence index decreased in April, and now stands at 101.3, down from 104.0 in March. The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, improved from 148.9 to 151.1. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, fell further to 68.1 from 74.0. The Expectations Index has now 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.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector

Sector	March 2023 (P)	February 2023 (P)	March 2022	MoM Change	Rate	YoY Change	Rate
Trade, Trans & Utilities	28,863,000	28,859,000	28,327,000	4,000	0.0%	536,000	1.9%
Prof & Business Services	22,952,000	22,913,000	22,207,000	39,000	0.2%	745,000	3.4%
Manufacturing	12,983,000	12,984,000	12,673,000	-1,000	0.0%	310,000	2.4%
Financial Activities	9,098,000	9,099,000	8,949,000	-1,000	0.0%	149,000	1.7%
Government	22,557,000	22,510,000	22,326,000	47,000	0.2%	231,000	1.0%
Construction & Mining	8,523,000	8,529,000	8,046,000	-6,000	-0.1%	477,000	5.9%
Educ & Health Services	25,088,000	25,023,000	24,162,000	65,000	0.3%	926,000	3.8%
Other Services	5,835,000	5,824,000	5,612,000	11,000	0.2%	223,000	4.0%
Leisure & Hospitality	16,577,000	16,505,000	15,103,000	72,000	0.4%	1,474,000	9.8%
Information	3,093,000	3,087,000	3,006,000	6,000	0.2%	87,000	2.9%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector

Sector	March 2023	February 2023	March 2022	MoM Change	Rate	YoY Change	Rate
Financial Activities	115,000	115,200	118,700	-200	-0.2%	-3,700	-3.1%
Prof & Business Services	227,300	225,100	223,200	2,200	1.0%	4,100	1.8%
Trade, Trans & Utilities	297,000	296,900	300,200	100	0.0%	-3,200	-1.1%
Government	230,000	229,400	226,400	600	0.3%	3,600	1.6%
Other Services	62,900	62,400	60,900	500	0.8%	2,000	3.3%
Construction & Mining	60,300	62,200	62,100	-1,900	-3.1%	-1,800	-2.9%
Information	31,000	31,000	31,100	0	0.0%	-100	-0.3%
Educ & Health Services	352,100	351,900	340,100	200	0.1%	12,000	3.5%
Manufacturing	158,500	158,700	156,100	-200	-0.1%	2,400	1.5%
Leisure & Hospitality	154,000	154,200	147,100	-200	-0.1%	6,900	4.7%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary

	Mar-23	Mar-22	% Change	YTD 2023	YTD 2022	% Change
New Listings	3,654	5,086	-28.2%	9,070	11,543	-21.4%
Sold Listings	2,614	3,441	-24.0%	6,874	9,387	-26.8%
Median List Price	$329,900	$310,000	6.4%	$324,900	$300,000	8.3%
Median Selling Price	$335,000	$320,000	4.7%	$325,000	$312,500	4.0%
Median Days on the Market	19	20	-5.0%	23	26	-11.5%
Average Listing Price	$499,770	$485,825	2.9%	$476,420	$476,454	0.0%
Average Selling Price	$501,018	$492,849	1.7%	$474,788	$478,484	-0.8%
Average Days on the Market	43	45	-4.4%	44	48	-8.3%
List/Sell Price Ratio	101.4%	102.5%	-1.1%	100.5%	101.4%	-0.9%

Data Source: Berkshire Hathaway HomeServices