Economic Outlook

As the U.S. enters the fourth quarter, the state of the economy is far from where many economists thought it would be a year ago. Many projected a recession, slowed growth, increased unemployment, and persistent inflation. However, inflation has fallen drastically from the highs of last summer, the labor market remains hot with plenty of job growth and openings, and unemployment remains low.

Even with this rosy economic picture, many Americans do not feel like the economy is in a good place. Consumer confidence dropped in September, with households citing elevated prices for food and gasoline while dealing with high interest rates last seen since the early 2000s. The Federal Reserve has expressed that another interest rate increase is likely before the calendar year ends.

There are several factors that may lead to uncertainty in the fourth quarter such as political turbulence, labor strikes, the end of student loan forbearance, and lagging impacts from interest rate hikes.

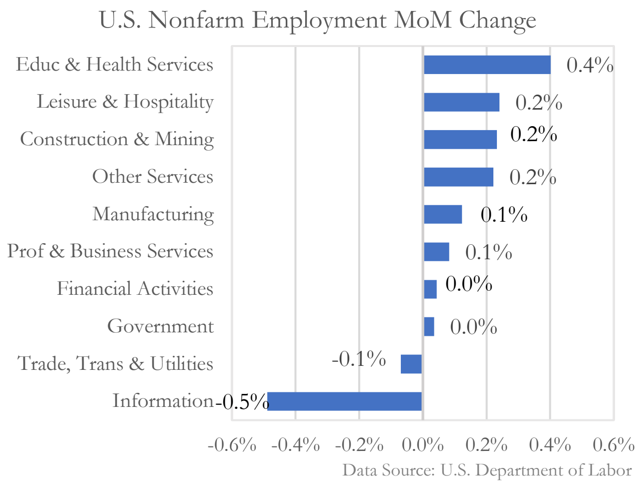
Labor Market Statistical Summary

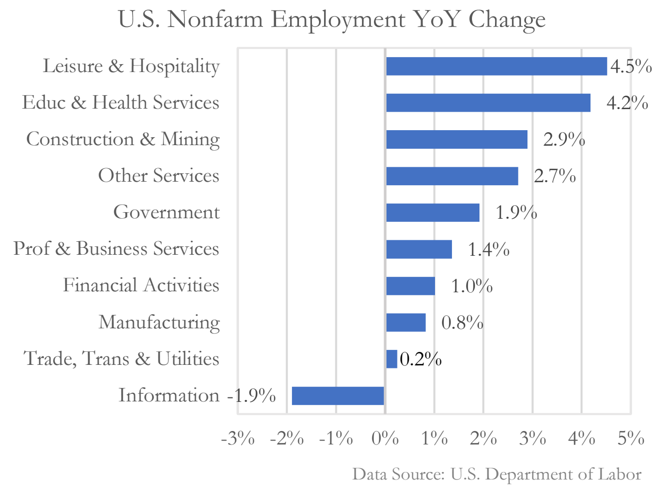
United States	Aug-23	Jul-23	Aug-22
Unemployment Rate	3.8%	3.5%	3.7%
Total Unemployed	6,355,000	5,841,000	6,021,000
Total Nonfarm Employment	156,419,000	156,232,000	153,332,000
Job Growth	+187,000	+157,000	+352,000
Job Openings to Unemployed Ratio	-	1.39	1.69
Quit Rate	-	2.3%	2.8%
Average Monthly Initial Unemployment Claims	237,250	227,000	210,250
Labor Force Participation Rate	62.8%	62.6%	62.3%
Average Hourly Wage	$33.82	$33.74	$32.43

Connecticut	Aug-23	Jul-23	Aug-22
Unemployment Rate	3.6%	3.7%	3.9%
Total Unemployed	67,300	68,900	74,200
Total Nonfarm Employment	1,693,300	1,691,200	1,672,100
Job Growth	+2,100	+1,900	+1,300
Job Openings to Unemployed Ratio	-	1.34	1.56
Quit Rate	-	2.3%	2.8%
Average Monthly Initial Unemployment Claims	3,350	4,250	6,103
Labor Force Participation Rate	64.10%	64.10%	65.1%
Average Hourly Wage	$35.65	$35.72	$34.61

National Job Growth

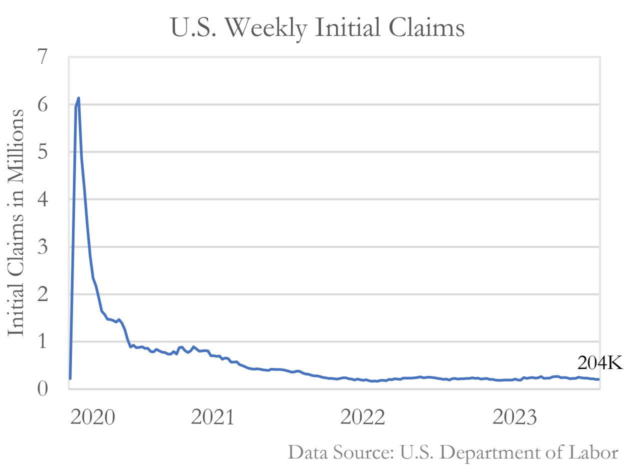
The Bureau of Labor Statistics reported the U.S. added 187,000 jobs in August, with the largest increase in Education & Health Services (+102,000). Year-over-year the U.S. added 3,087,000 jobs, and the two sectors with the largest growth were Education and Health Services (+1,024,000) and Leisure and Hospitality (+720,000). 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.

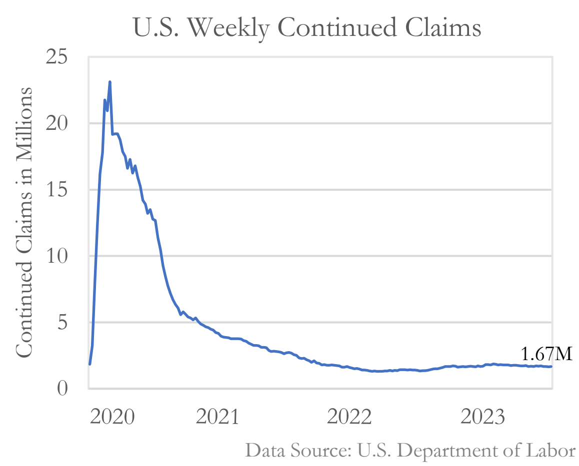




National Unemployment

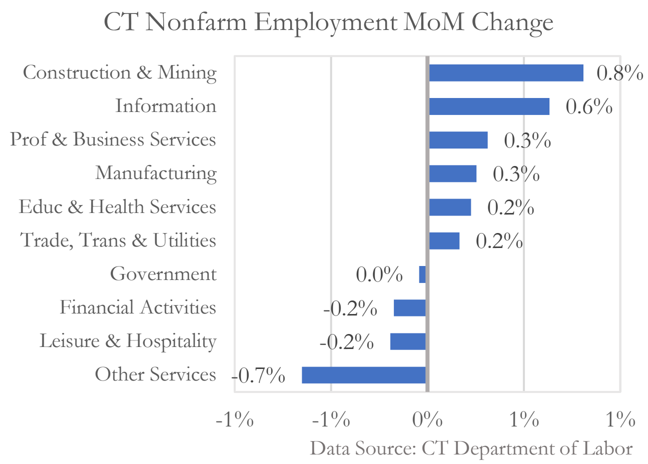
The Bureau of Labor Statistics reported the U.S. unemployment rate was 3.8% in August, up from 3.5% in July. The total number of unemployed people in August increased by 514,000 to 6.4 million. For the week ending September 23, seasonally adjusted initial claims totaled 204,000. For the week ending September 16, seasonally adjusted continued claims totaled 1,670,000.

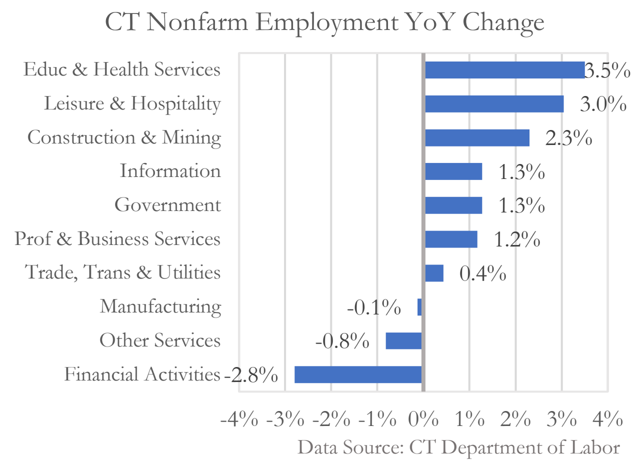




Connecticut Job Growth

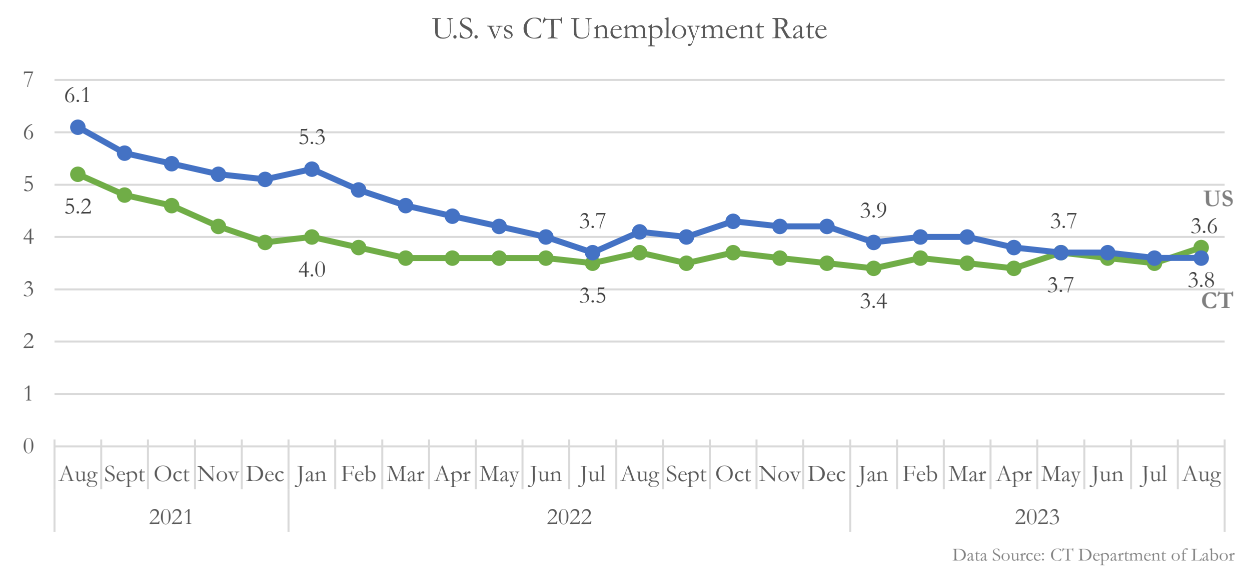
Connecticut payroll was up 2,100 jobs in August, while July job losses were revised to 1,900 jobs. According to the Department of Labor, the private sector has fully recovered from the Covid-19 job losses with construction employment at its highest level in almost 15 years. 6 out of the 10 major industry sectors added jobs in August while 4 declined. The following graphs display the month-over-month and year-over-year net change in nonfarm employment by sector. See Appendix 2 for detailed industry sector data.



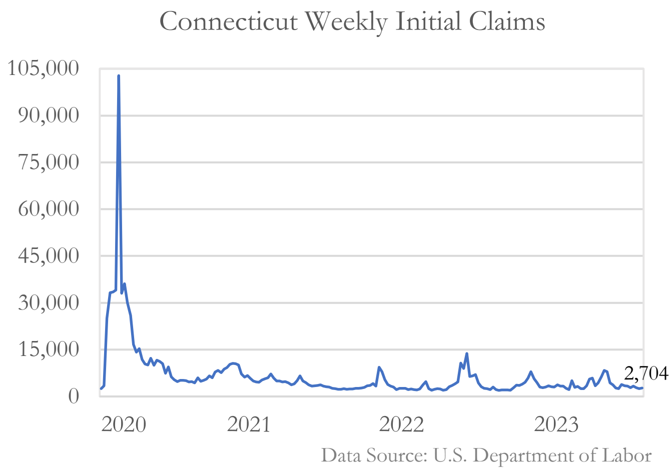


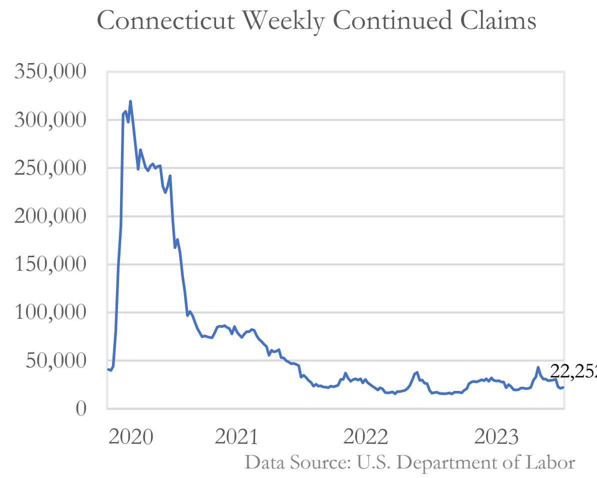
Connecticut Unemployment

The Connecticut unemployment rate remained at 3.6% for August 2023, below the national level of 3.8%. The total number of unemployed people in August decreased by 1,600 to 67,300.



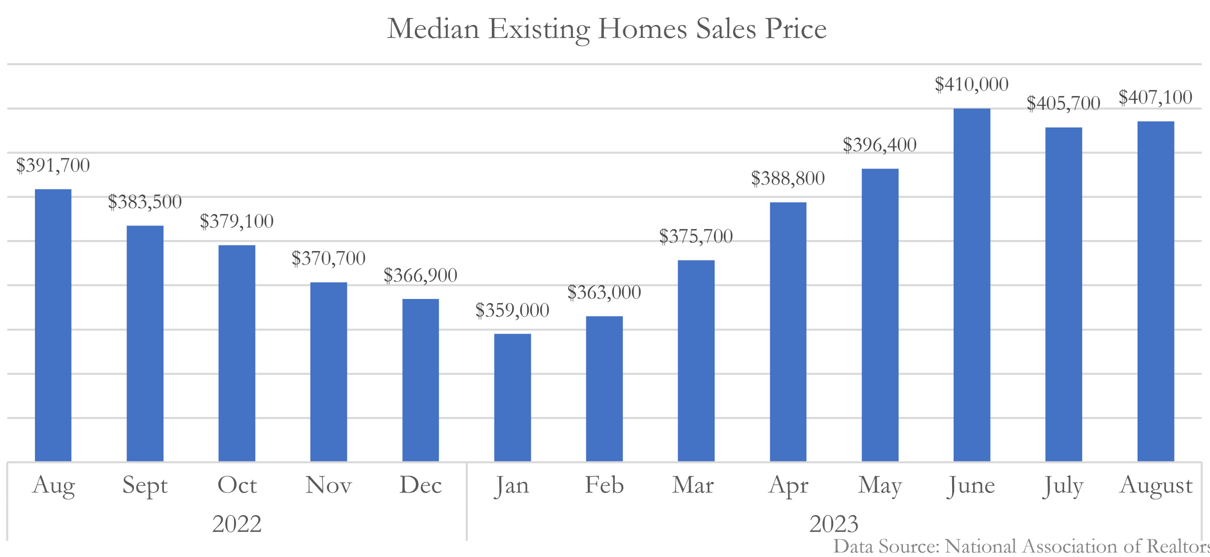
For the week ending September 23, seasonally adjusted initial claims totaled 2,704. For the week ending September 16, seasonally adjusted continued claims totaled 22,252.





<u>National Housing & Rental Market</u>

The National Association of Realtors (NAR) reported existing-home sales dropped 0.7% in August and were down 15.3% year-over year. The median existing-home sales price was $407,100 in August, rising 3.9% from a year ago and the third consecutive month the median sales price was above $400,000. The inventory of unsold existing homes decreased 0.9% from the previous month to 1.1 million at the end of August, or the equivalent of 3.3 months' supply at the current monthly sales price.



According to Apartment List's October 2023 Rent Report, the rental market has officially entered the slow season with median rent falling for the second month in a row by 0.5% to $1,364. On average apartments across the country are 1.2% cheaper than they were one year ago. Rents fell month over month in September in 85 of the country's 100 largest cities.

New apartment construction is recovering from pandemic-related disruptions, and there are now more multifamily units under construction than at any point since 1970. With much needed new inventory hitting the market, renters will have to compete less for a limited supply.

Connecticut Housing & Rental Market

Berkshire Hathaway HomeServices reported year-over-year sales of single-family homes decreased 25.4% and new listings were down 15.42% in August. Median sales price increased by 7.67% and median list price increased by 5.01%. Average days on the market remained the same from a year ago at 30 days. On average, sales prices came in at 104% of list prices. See Appendix 3 for detailed Connecticut Housing Market data.

August 2023 Connecticut Housing Market

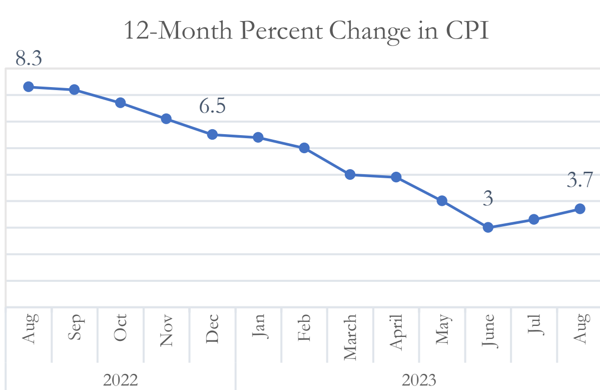
Sales	New Listings	Median Sales Price	Avg Days on Market
2,850	3,011	$435,000	30
-25.4%	-15.42%	7.67%	0.00%

Data Source: Berkshire Hathaway HomeServices

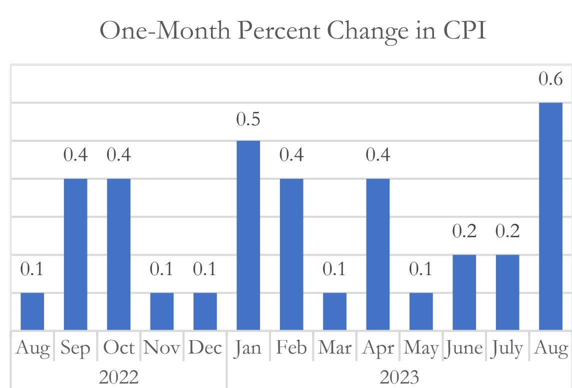
The median rent for all bedroom and all property types in Connecticut is $1,900, according to Zillow Rental Data. This is 7% lower than the national median and down month over month and year over year. A report from the National Low-Income Housing Coalition analyzing the affordability of each state found that a minimum wage worker in Connecticut would have to work 69 hours a week, at $15 per hour just to afford a modest one-bedroom apartment.

Inflation

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.6% in August on a seasonally adjusted basis, after increasing 0.2% in July. Over the last 12 months, the all items increased 3.7%, up from 3.3% in July. The index for gasoline was the largest contributor to the monthly all items increase, accounting for over half of the increase.



Data Source: U.S. Department of Labor



Data Source: U.S. Department of Labor

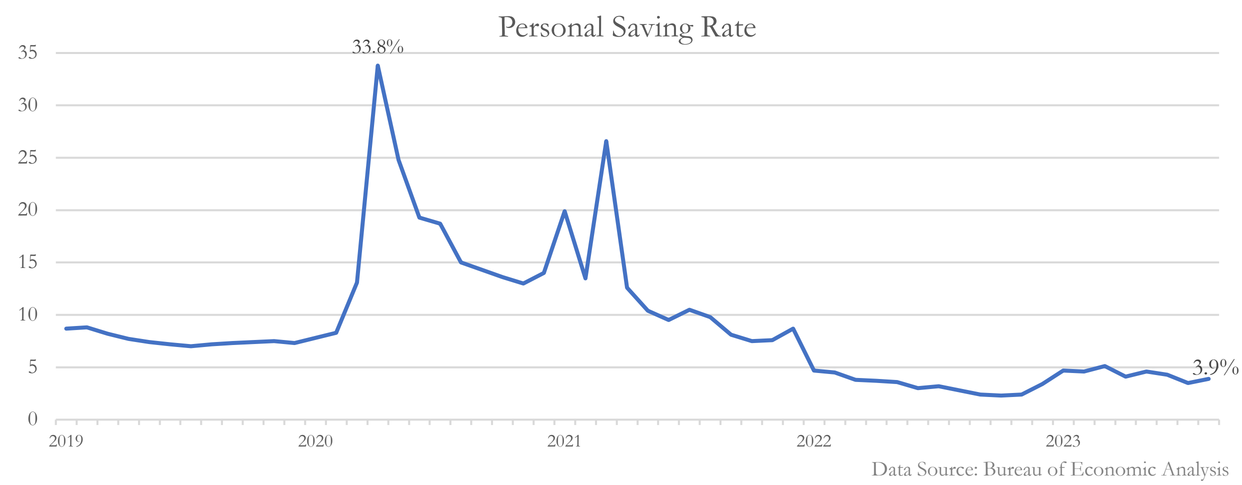
The Federal Reserve held interest rates steady in September but warned that another increase may be needed if underlying inflationary data doesn't improve. However, economic projections have changed since the beginning of this year with the Fed expecting strong growth, low unemployment, and slowed inflation, without the pain of a recession. The central bank has already raised its benchmark interest rate from near zero in early 2022 to over 5.5% in the most aggressive series of rate hikes since the early 1980's. The next Federal Reserve meeting is scheduled for November 1, 2023.

Consumer Spending, Saving & Debt

The Bureau of Economic Analysis reported Personal Income increased $87.6 billion (0.4%) in August, led by increases in compensation, personal income receipts on assets, rental income of persons, and proprietors' income that were partly offset by a decrease in personal current transfer receipts.

Personal Consumption Expenditures (PCE) increased $83.6 billion, reflecting a $47.0 billion increase in spending for services and a $36.7 billion increase in spending for goods. Within services, the largest contributors to the increase were housing and utilities, transportation services, and health care. Within goods, the largest contributor to the increase was spending for gasoline and other energy goods.

The personal-saving rate was 3.9% in August, compared with 4.1% in July. This represents a 3 month decline from a peak in May of 5.3%.

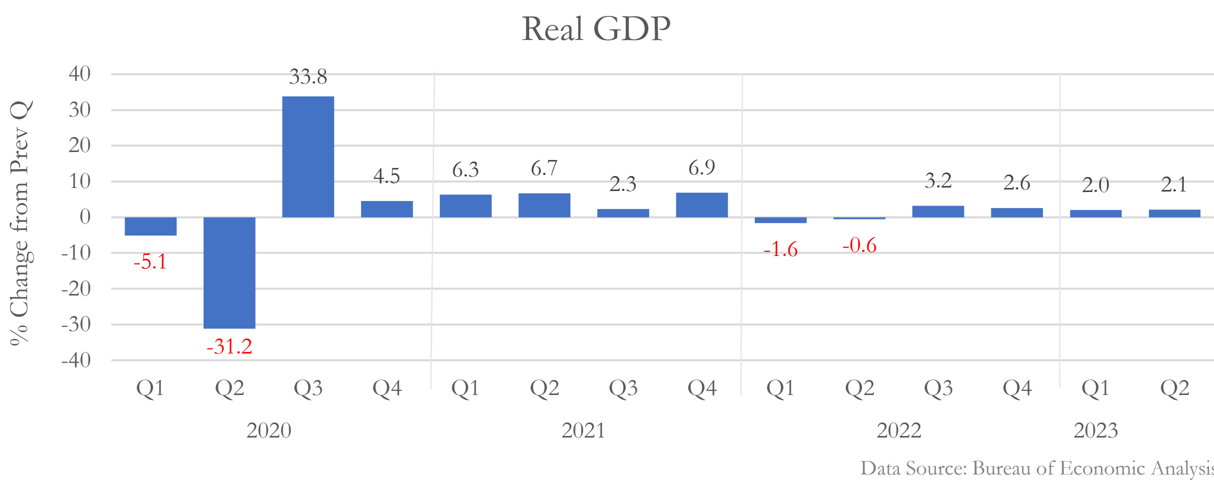


After 3 years of student loan forbearance, borrowers will be required to start making payments again this month. Many borrowers had hoped for Biden's loan forgiveness plan to take effect, however the Supreme Court struck down the program in June.

National 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 2.1% in the second quarter of 2023. The update primarily reflected a downward revision to consumer spending that was partly offset by upward revisions to nonresidential fixed investment, exports, and inventory investment. Imports, which are a subtraction in the calculation of GDP, were revised down.

Compared to the first quarter, the deceleration in real GDP in the second quarter primarily reflected a deceleration in consumer spending, a downturn in exports, and a deceleration in federal government spending that were partly offset by an upturn in private inventory investment, an acceleration in nonresidential fixed investment, and a smaller decrease in residential investment. Imports turned down.



Stock Market and State Revenue

As of September 29, the NASDAQ, S&P 500, and Dow Jones Industrial Averages were down 5.2%, 4.66%, and 3.86% respectively for the month, but up 26.3%, 11.68% and 1.09% 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 2024 results show estimated and final payments are down a combined 14.1% compared with the same period from FY 2023, though it is still very early in the fiscal year.

Consumer Confidence

The Conference Board reported the U.S. consumer confidence index declined again in September, and now stands at 103 (1985=100), down from 108.7 in August. The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, rose to 147.1 (1985=100) from 146.7 last month. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, declined to 73.7 (1985=100) from 83.3 in August.

The survey showed that consumers continued to be preoccupied with rising prices in general, and for groceries and gasoline in particular. Consumers also expressed concerns about the political situation and higher interest rates.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector

Sector	August 2023	July 2023	August 2022	MoM Change	MoM Rate	YoY Change	YoY Rate
Information	3,051,000	3,066,000	3,110,000	-15,000	-0.5%	-59,000	-1.9%
Trade, Trans & Utilities	28,848,000	28,868,000	28,777,000	-20,000	-0.1%	71,000	0.2%
Government	22,658,000	22,650,000	22,231,000	8,000	0.0%	427,000	1.9%
Financial Activities	9,158,000	9,154,000	9,066,000	4,000	0.0%	92,000	1.0%
Prof & Business Services	23,015,000	22,996,000	22,707,000	19,000	0.1%	308,000	1.4%
Manufacturing	12,997,000	12,981,000	12,891,000	16,000	0.1%	106,000	0.8%
Other Services	5,882,000	5,869,000	5,727,000	13,000	0.2%	155,000	2.7%
Construction & Mining	8,635,000	8,615,000	8,392,000	20,000	0.2%	243,000	2.9%
Leisure & Hospitality	16,655,000	16,615,000	15,935,000	40,000	0.2%	720,000	4.5%
Educ & Health Services	25,520,000	25,418,000	24,496,000	102,000	0.4%	1,024,000	4.2%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector

Sector	August 2023	July 2023	August 2022	MoM Change	MoM Rate	YoY Change	YoY Rate
Other Services	61,000	61,400	61,500	-400	-0.7%	-500	-0.8%
Leisure & Hospitality	155,600	155,900	151,000	-300	-0.2%	4,600	3.0%
Financial Activities	114,700	114,900	118,000	-200	-0.2%	-3,300	-2.8%
Government	230,800	230,900	227,900	-100	0.0%	2,900	1.3%
Trade, Trans & Utilities	300,300	299,800	299,000	500	0.2%	1,300	0.4%
Educ & Health Services	354,800	354,000	342,800	800	0.2%	12,000	3.5%
Manufacturing	157,600	157,200	157,800	400	0.3%	-200	-0.1%
Prof & Business Services	224,400	223,700	221,800	700	0.3%	2,600	1.2%
Information	31,800	31,600	31,400	200	0.6%	400	1.3%
Construction & Mining	62,300	61,800	60,900	500	0.8%	1,400	2.3%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary

	August-23	August-22	% Change	YTD 2023	YTD 2022	% Change
New Listings	3,011	3,560	-15.4%	23,266	31,135	-25.3%
Sold Listings	2,850	3,821	-25.4%	18,288	24,309	-24.8%
Median List Price	$419,000	$399,000	5.0%	$389,000	$369,900	5.2%
Median Selling Price	$435,000	$404,000	7.7%	$400,000	$380,000	5.3%
Median Days on the Market	13	15	-13.3%	15	16	-6.3%
Average Listing Price	$734,737	$615,351	19.4%	$633,027	$587,193	7.8%
Average Selling Price	$744,850	$628,142	18.6%	$640,637	$601,136	6.6%
Average Days on the Market	30	30	0.0%	36	36	0.0%
List/Sell Price Ratio	104.0%	102.4%	1.6%	103.0%	103.2%	-0.3%

Data Source: Berkshire Hathaway HomeServices