STATE COMPTROLLER
SEAN SCANLON

FOR IMMEDIATE RELEASE
April 3, 2023

COMPTROLLER SEAN SCANLON PROJECTS $1.42 BILLION SURPLUS, ADDRESSES IMPACT OF RECENT BANK COLLAPSES ON CONNECTICUT

Connecticut's financial future remains in good health amid national economic uncertainty

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his monthly financial and economic update, projected a Fiscal Year 2023 General Fund surplus of $1.42 billion, and a $237.4 million surplus in the Special Transportation Fund.

The General Fund surplus has increased $71.4 million from last month's projection. This month's estimate reflects a $57 million upward revision in projected revenue, with the most significant increases in Indian Gaming Payments as well as Insurance Companies tax revenue. The Office of the State Comptroller is also projecting that, at the end of the fiscal year in June, approximately $3.3 billion will be available to reduce unfunded pension liabilities.

Budget Reserve Fund	
Current Balance	3,313,380,000
Projected volatility transfer from GF	1,847,500,000
Projected surplus transfer from GF	1,424,607,188
Projected ending balance	6,585,487,188
Projected ending balance as percent of FY23 GF appropriations	29.8%
Excess to pay down debt (amount above 15% BRF cap)	3,272,107,188
Projected Deposit to SERS	2,415,553,288
Projected Deposit to TRS	856,553,900

"We continue to see that the easing of inflation is a slower process than previously anticipated," **said Comptroller Scanlon.** "Coupled with the recent collapse of two U.S. banks and the Federal Reserve's continued rate increases, many residents may currently feel uncertain about Connecticut's economic future. However, as stated before, Connecticut's Rainy

Day Fund is not only in a historically strong position, but we are continuing to exercise sound fiscal policies and restraint in order to prepare for any downturn that may occur."
In a letter to Governor Ned Lamont, Comptroller Scanlon noted that Connecticut residents should not be worried by the recent collapses of Silicon Valley Bank and Signature Bank. Furthermore, the federal government has stepped in to guarantee the deposits of all clients at these two banks, which is yet another action taken to curb potential ripple effects from these collapses.

"My office will continue to monitor for any possible impact on Connecticut's financial health, and we encourage residents to reach out to their local banks or financial planner if they have any concerns about their deposits or investments," **said Comptroller Scanlon.**

###

Contact: Madi Csejka
Press Secretary
madi.csejka@ct.gov
C: 203-506-0191

osc.ct.gov

Economic Summary

The U.S. banking system is "sound and resilient" Fed Chair Jerome Powell declared on March 22, 2023, as the Federal Reserve raised interest rates by a quarter of a percentage point, bringing the federal funds rate to a targeted range of 4.75% to 5.00% (the highest level in 15 years). With the recent collapse of two U.S. banks, Silicon Valley Bank and Signature Bank, some speculated if the Federal Reserve might pause rate hikes.

The Fed originally appeared set for a steeper rate hike, so the 25 basis points shows its continued resolve to reach a 2% inflation target rate while at the same time being mindful of its role as the banker's bank.

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.4% in February on a seasonally adjusted basis, after increasing 0.5% in January. Over the last 12 months, the all items increased 6.0%, down from 6.4% in January.

The European Central Bank (ECB), also determined to return inflation to a 2% medium-term target, raised three key ECB interest rates by 50 basis points (taking its key rate to 3.5%). Eurozone inflation fell for the fourth month in February, but headline inflation remained high at 8.5%.

The economy added another 311,000 jobs in February. Unemployment increased from 3.4% to 3.5% in February, but is still among the lowest levels in more than 50 years. United States unemployment claims as of the latest Unemployment Insurance Weekly Claims report were 196,000, after surpassing 200,000 for only one week earlier in March (the long-term average is closer to 350,000). There were about 10.8 million job openings in February with unemployment at 5.9 million, still nearly 2 jobs for every unemployed person. The labor force participation rate (number of individuals which are actively seeking out work or who are already employed) edged up to 62.5% in January 2023 but remains approximately 1.0 percentage points below its value in February 2020, prior to the pandemic (participation rate has been singled out by Chairman Powell as one lynchpin of his staff's current view of the economy).

The National Association of Realtors (NAR) reported existing-home sales increased 14.5% in February, breaking a 12-month slide and representing the largest monthly percentage increase since July 2020 (but is still 22.6% below last year). The median existing-home sales price was $363,000 in February, a little higher than January but a decline of 0.2% from February 2022, ending a streak of 131 consecutive months of year-over-year increases, the longest on record. However, in Connecticut sales of single-family homes decreased 27.9% and new listings were down 20.7% in February.

Year-over-year rent growth is continuing to decelerate and now stands at 3%, its lowest level since April 2021. The vacancy index now stands at 6.4%, its highest reading in two years.

The Conference Board reported the U.S. consumer confidence index decreased in February for the second consecutive month (lower consumer confidence is actually good news for the Federal Reserve). The Index now stands at 102.9, down from 106.0 in January. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, fell further to 69.7 from 76.0 in January. An Expectations Index below 80 often signals a recession within the year and has been below this level from 11 of the last 12 months.

Stock Market and State Revenue

The collapse of Silicon Valley Bank (the biggest U.S. bank failure since Washington Mutual in 2008) and Signature Bank unnerved markets and caused bank stocks to plummet in March. However, despite the volatility related to the Federal Reserve's latest interest rate hike and the ongoing bank crisis, the stock market ended March higher.

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 10.3% compared with the same period from FY 2022. The final payment for the Pass-through Entity Tax (PET) was due on March 15th and appear to be coming in slightly below expectations. The upcoming month of April is important for the Estimates and Finals component of the Personal Income Tax.

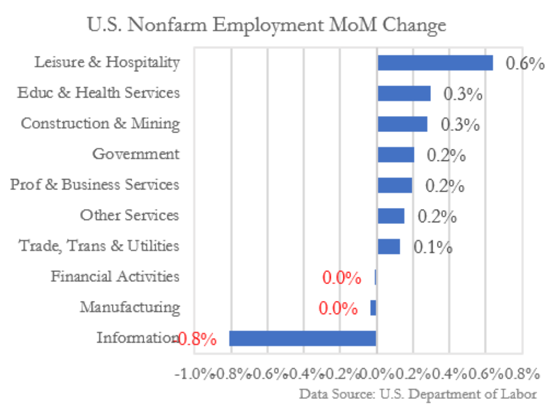
Labor Market Statistical Summary

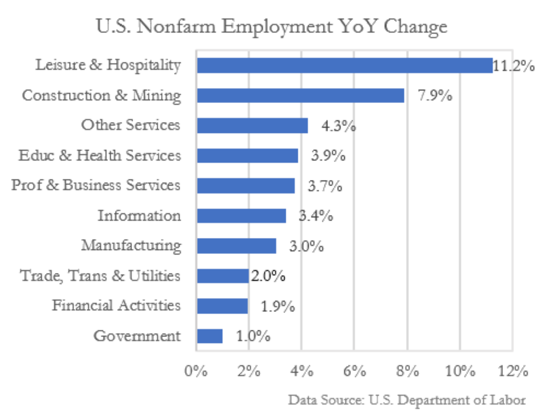
United States	February 2023	January 2023	February 2022
Unemployment Rate	3.6%	3.4%	3.8%
Total Unemployed	5,936,000	5,694,000	6,272,000
Total Nonfarm Employment	155,350,000	155,039,000	149,606,000
Job Growth	+311,000	+517,000	+678,000
Covid Job Recovery	100.0%	100.0%	90.9%
Average Monthly Initial Unemployment Claims	193,000	191,750	195,000
Labor Force Participation Rate	62.5%	62.4%	62.2%
Average Hourly Wage	$33.09	$33.01	$31.63

Connecticut	February 2023	January 2023	February 2022
Unemployment Rate	4.0%	3.9%	4.6%
Total Unemployed	75,800	75,400	89,200
Total Nonfarm Employment	1,687,500	1,681,900	1,658,800
Job Growth	+5,600	+8,800	+6,300
Covid Job Recovery	96.5%	94.6%	80.5%
Average Monthly Initial Unemployment Claims	3,159	4,215	2,837
Labor Force Participation Rate	64.7%	64.8%	66.4%
Average Hourly Wage	$35.87	$36.01	$34.11

National Job Growth

The Bureau of Labor Statistics reported the U.S. added 311,000 jobs in February after adding 517,000 in January. This growth marks 26 straight months of job gains. Year-over-year, all sectors saw improvement. Month-over-month, the largest job gains occurred in leisure and hospitality (+105,000) and education and health services (+74,000). The information sector lost another 25,000 jobs, and manufacturing and financial activities sectors had small losses of -4,000 jobs and -1,000 jobs respectively. 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.





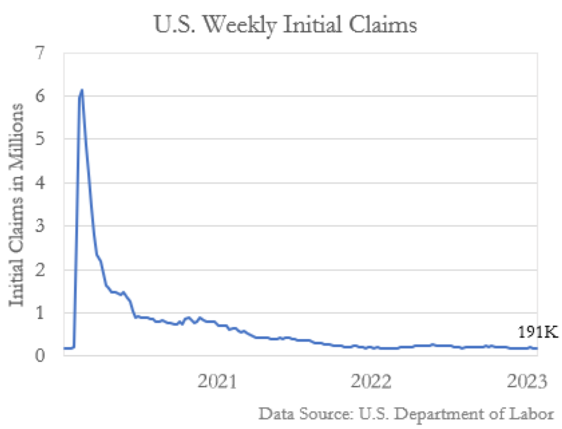
The U.S. has recovered 100% of the 21,991,000 jobs lost in March and April 2020 due to the COVID-19 lockdown, and certain industry sectors have gained jobs above their pre-pandemic levels.

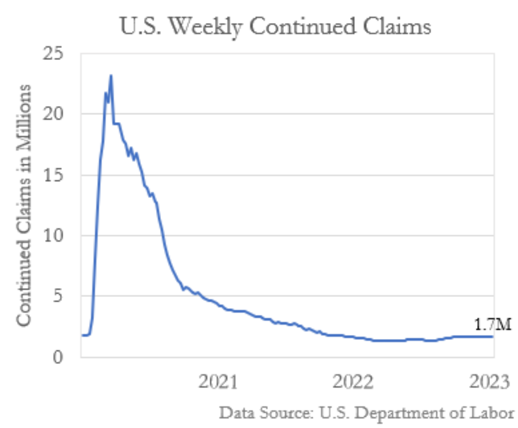
There were about 10.8 million job openings in February, which equates nearly 2 jobs for every unemployed person.

National Unemployment

The Bureau of Labor Statistics reported the U.S. unemployment rate at 3.6%, up from a 50-year low of 3.4% seen in January and above market expectations of 3.4%. The total number of unemployed people in February was 5.9 million, an increase of 242,000 from last month.

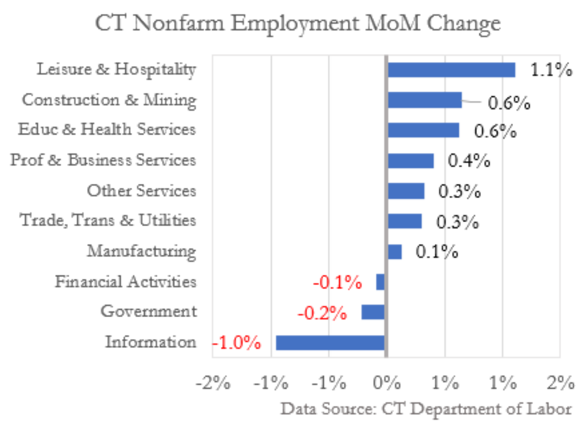
For the week ending March 18, seasonally adjusted initial claims totaled 191,000, while average weekly initial claims were 196,250 (long-term average is closer to 350,000). For the week ending March 11, seasonally adjusted continued claims totaled 1,694,000, while average weekly continued claims were 1,684,000.

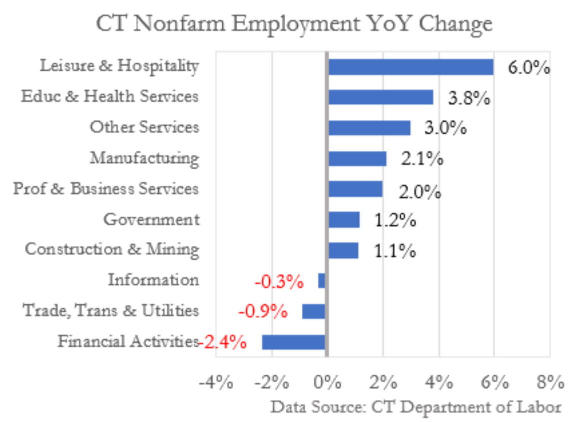




Connecticut Job Growth

Connecticut payroll was up 5,600 jobs in February, after adding 8,800 jobs in January. Seven industry sectors increased month over month, while three declined slightly. The largest job gains occurred in education & health services (+2,200) and leisure and hospitality (+1,700). The following graphs display the month-over-month and year-over-year net change in nonfarm employment by sector.

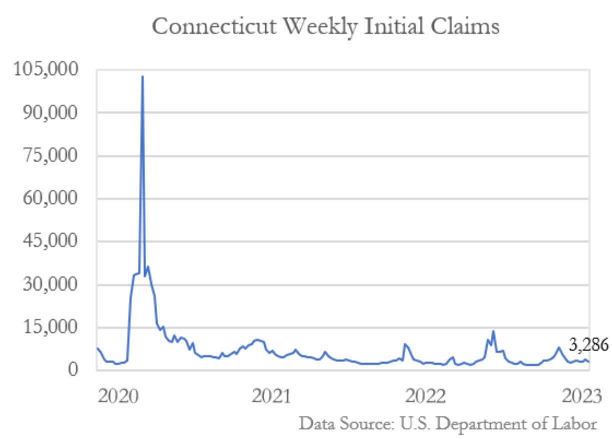


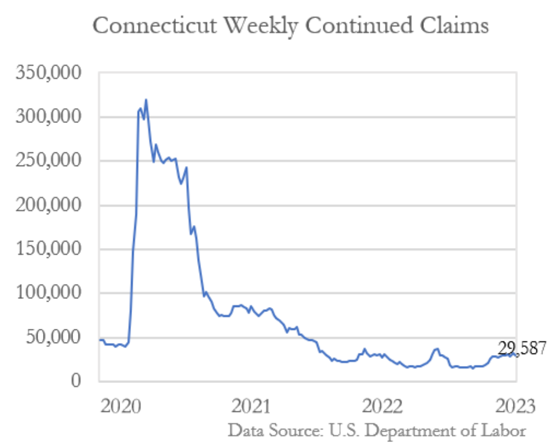


Overall, Connecticut has recovered 96.5% of the 289,400 nonfarm jobs lost in March and April 2020 due to the COVID-19 lockdown. See Appendix 2 for detailed industry sector data.

Connecticut Unemployment

For the week ending March 11, seasonally adjusted initial claims totaled 3,286. For the weekly ending March 4, seasonally adjusted continued claims totaled 29,587.



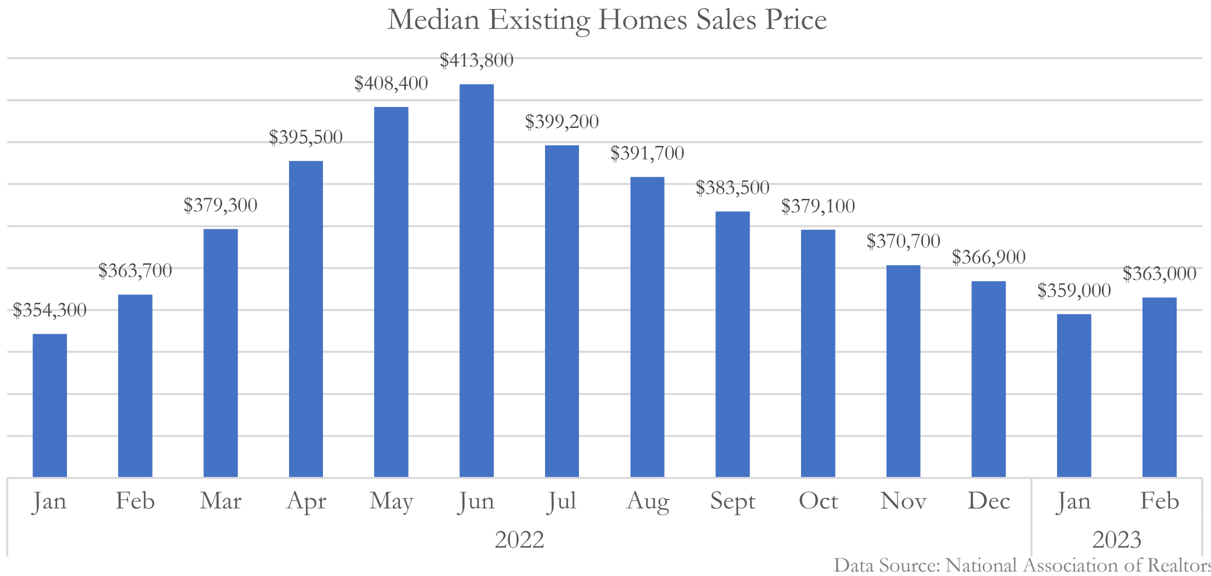


National Housing Market

The National Association of Realtors (NAR) reported existing-home sales increased 14.5% in February, breaking a 12-month slide and representing the largest monthly percentage increase since July 2020 (but is still 22.6% below last year). The inventory of unsold existing homes remained at 980,000 for the end of February, 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 6.60% as of March 16, which is up from 4.16% from one year ago.

The median existing-home sales price was $363,000 in February, a little higher than January but a decline of 0.2% from February 2022, ending a streak of 131 consecutive months of year-over-year increases, the longest on record.



First-time buyers were responsible for 27% of sales in February, down from 31% in January and 29% in February 2022. All-cash sales accounted for 28% of transactions in February, down from 29% in January but up from 25% in February 2022. Individual investors or second-home buyers, who make up many cash sales, purchased 18% of homes in February.

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

Berkshire Hathaway HomeServices reported year-over-year sales of single-family homes decreased 27.9% and new listings were down 20.7% in February. Median selling price increased by 4.5% and median listing price increased by 6.7%. Average days on the market decreased to 47 days from 52 a year ago. On average, sales prices came in at 100% 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.

February 2023 Connecticut Housing Market

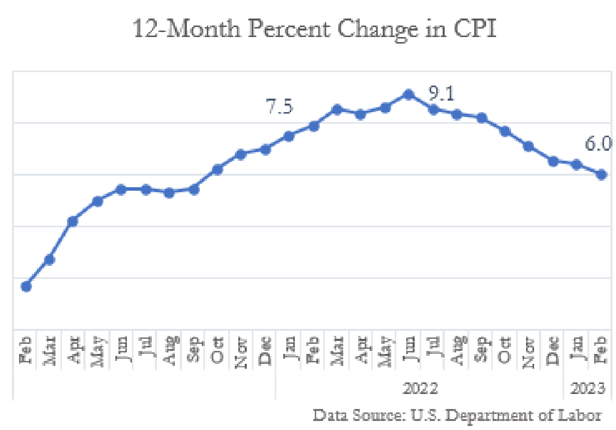
Sales	New Listings	Median Sales Price	Avg Days on Market
1,904	**2,750**	**$319,900**	**47**
-27.9%	-20.70%	4.54%	-9.62%

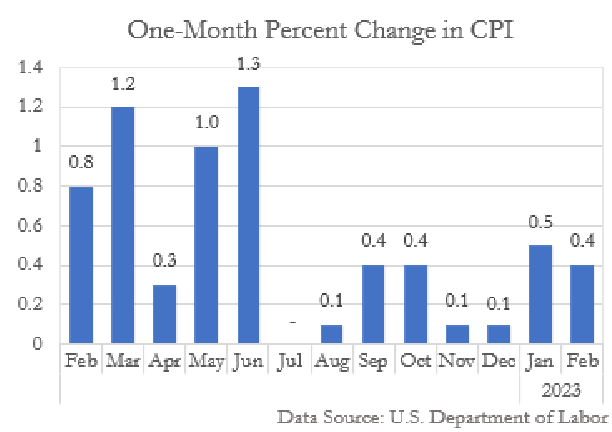
Data Source: Berkshire Hathaway HomeServices

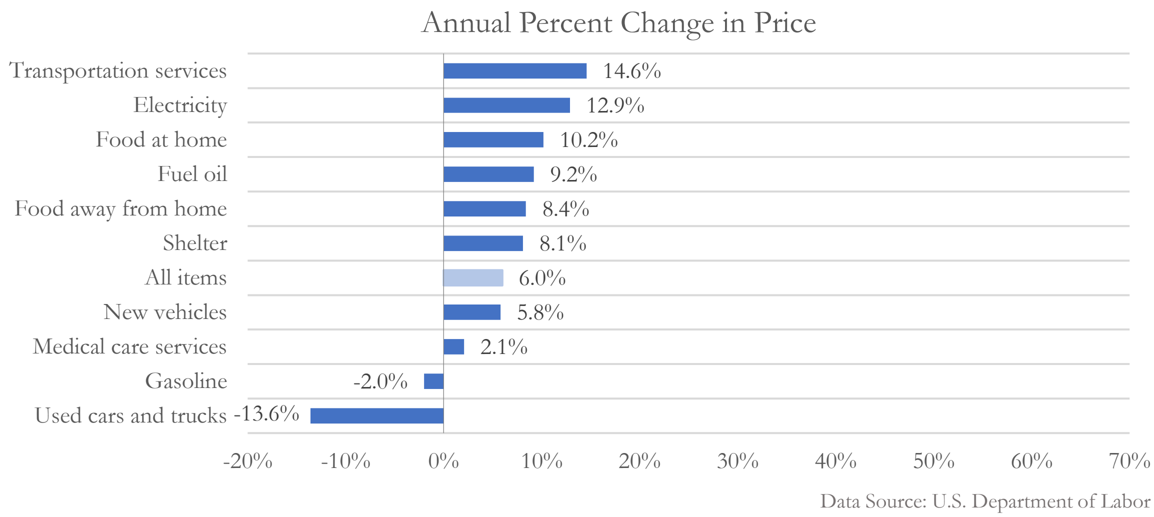
The national rent index increased by 0.3% over the course of February, marking a return to positive rent growth after 5 straight month-over-month declines. February's increase is of a similar magnitude to the typical February price change in pre-pandemic years. Year-over-year rent growth is continuing to decelerate and now stands at 3%, its lowest level since April 2021. The vacancy index now stands at 6.4%, its highest reading in two years.

Inflation

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.4% in February on a seasonally adjusted basis, after increasing 0.5% in January. The index for shelter was the largest contributor to the monthly all items increase, accounting for over 70% of that increase. Over the last 12 months, the all items increased 6.0%, down from 6.4% in January. Consumer prices for all items less food and energy rose 5.5% from February 2022 to February 2023







The Bureau of Economic Analysis reported the Personal Consumption Expenditure (PCE) price index excluding food and energy, the Federal Reserve's preferred inflationary index, decreased 0.1 percent in February and now stands at an annual rate of 4.6%.

<u>Consumer Confidence</u>

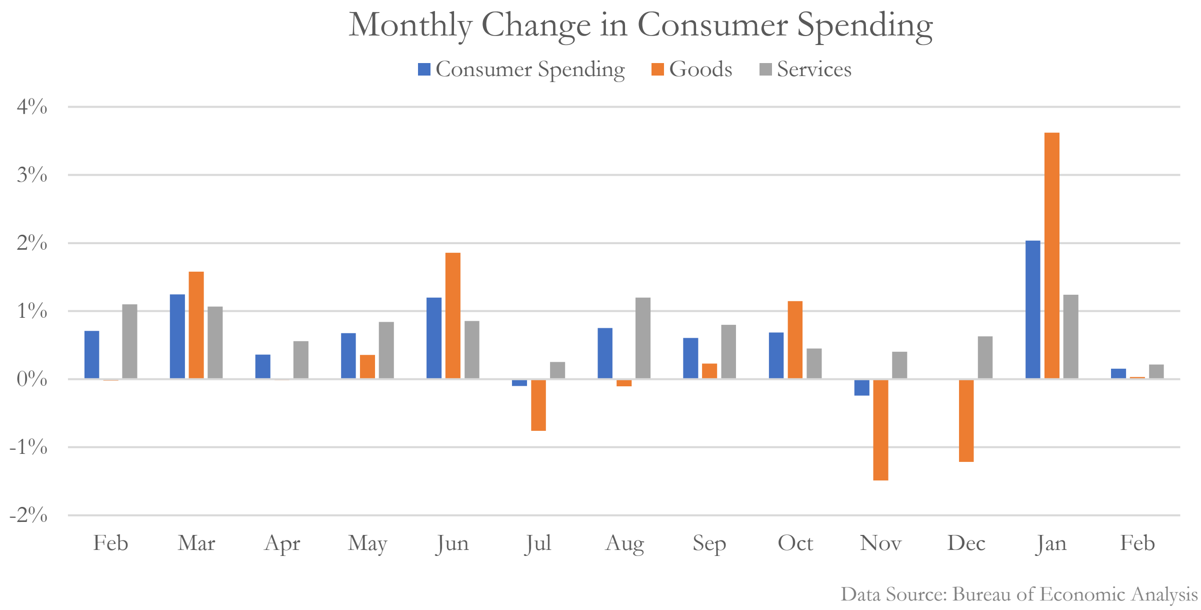
The Conference Board reported the U.S. consumer confidence index decreased in February for the second consecutive month. The Index now stands at 102.9, down from 106.0 in January. In the February survey, the Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, improved from 151.1 to 152.8. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, fell further to 69.7 from 76.0 in January. The Expectations Index is below 80, which often signals a recession within the year. It has been below this level for 11 of the last 12 months.

<u>Consumer Spending, Saving & Debt</u>

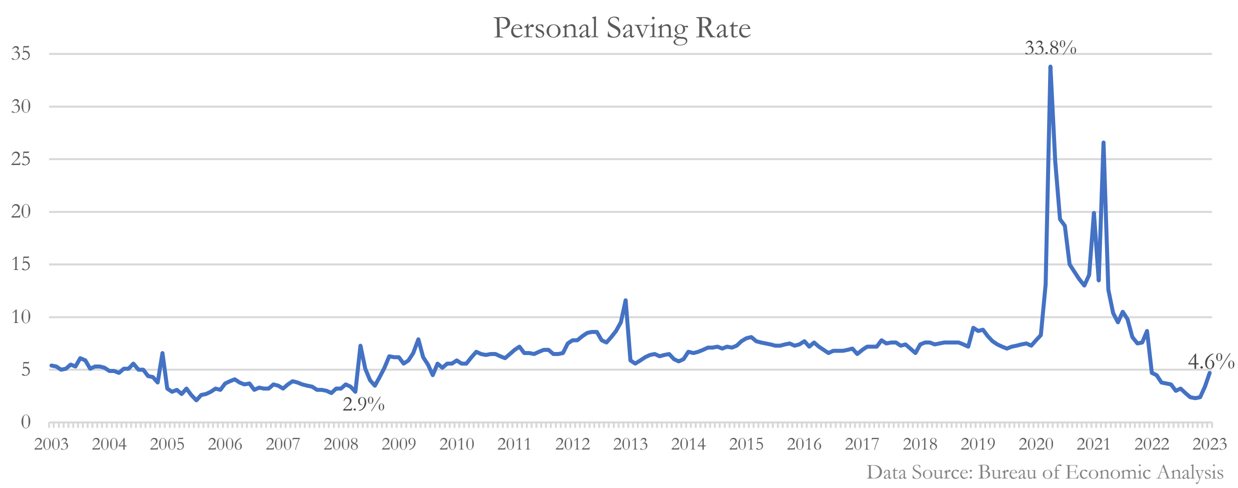
The Bureau of Economic Analysis reported Personal Income increased $72.9 billion (0.3%) in February, led by an increase in compensation. Private wages and salaries for services-producing industries and government wages and salaries increased.

Personal Consumption Expenditures (PCE) increased $27.9 billion, reflecting an increase of $25.8 billion in spending for services and an increase in $2.0 billion in spending for goods. Within services, increases in housing and health care were partly offset by decreases in food services and accommodations. Within goods, increases in gasoline and other energy goods, "other" nondurable goods (led by pharmaceuticals), and food and beverages were partly offset by a decrease in motor vehicles and parts (mainly new and used light trucks).

The following graph displays the monthly change in consumer spending:



The personal-saving rate was 4.6% in February, down slightly from January.



GDP

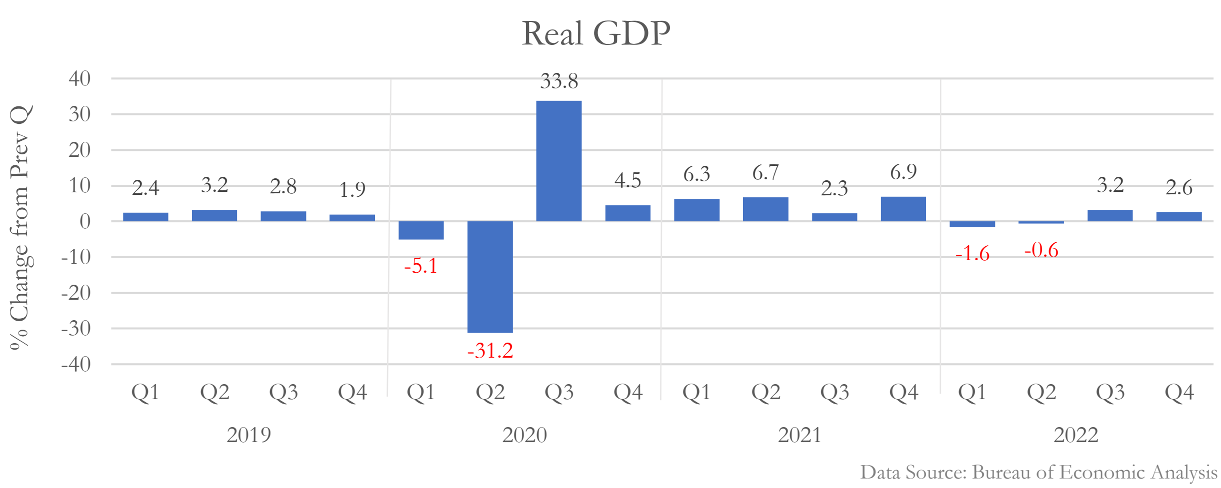
The Bureau of Economic Analysis released the third estimate of U.S. real Gross Domestic Product (GDP), which increased at an annual rate of 2.6% in the fourth quarter of 2022. The second estimate was 2.7%, and updated estimates primarily reflect downward revisions to exports and consumer spending. Imports, which are a subtraction in the calculation of GDP, were revised down.

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

The increase in private inventory investment was led by manufacturing (mainly petroleum and coal products) as well as mining, utilities, and construction (led by utilities). The increase in consumer spending reflected an increase in services that was partly offset by a decrease in goods. Within services, the increase was led by health care as well as housing and utilities. Within goods, the leading contributor to the decrease was “other” durable good (mainly jewelry). Within nonresidential fixed investment, increases in structures and intellectual property products (mainly software) were partly offset by a decrease in equipment. The increase in federal government spending was led by nondefense spending. The increase in state and local government spending primarily reflected an increase in the compensation of state and local government employees.

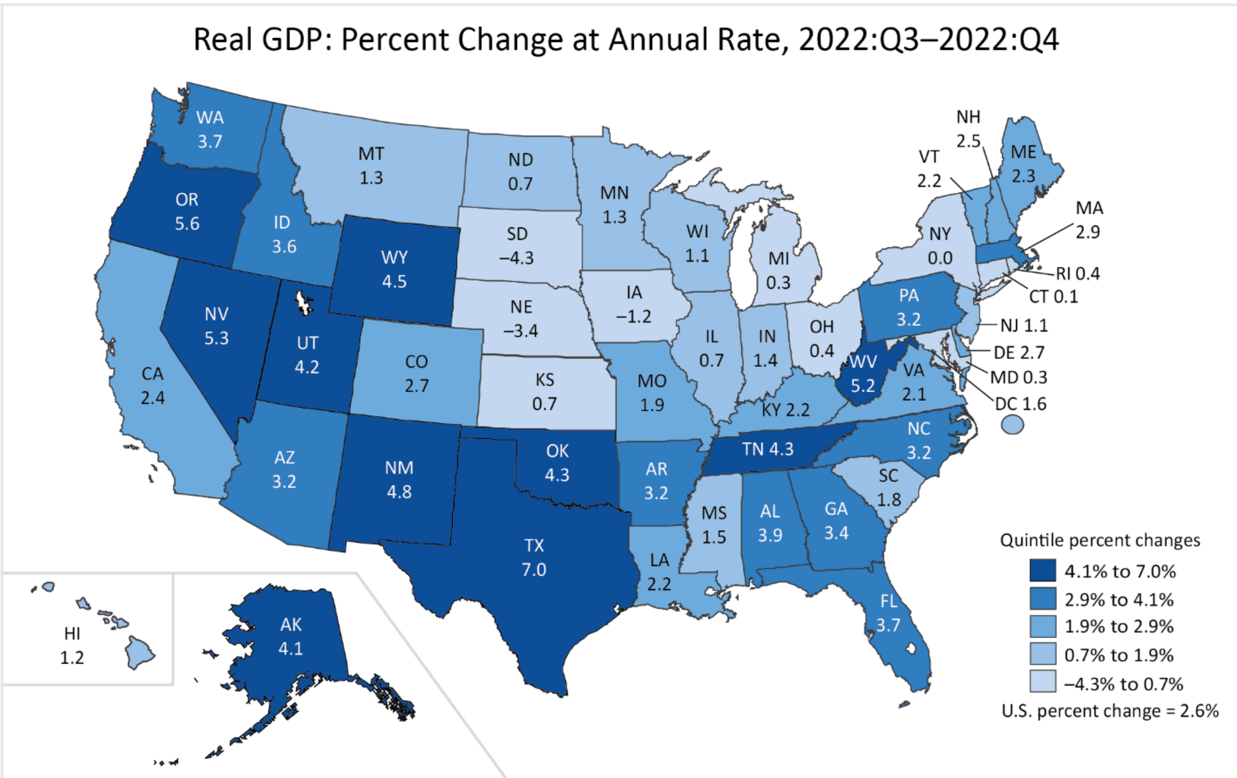
Within residential fixed investment, the leading contributors to the decrease were new single-family construction and brokers’ commissions. Within exports, a decrease in goods (led by nondurable good excluding petroleum) was partly offset by an increase in services (led by travel as well as transport). Within imports, both goods (led by durable consumer goods) and services (led by transport) decreased.

Real GDP decelerated in the fourth quarter, increasing 2.6% after increasing 3.2% in the third quarter. The deceleration primarily reflected a downturn in exports and decelerations in consumer spending, nonresidential fixed investment, and state and local government spending. These movements were partly offset by an upturn in private inventory investment, a smaller decrease in residential fixed investment, and an acceleration in federal government spending. Imports decreased less in the fourth quarter than in the third quarter.



State GDP

The Bureau of Economic Analysis reported real gross domestic product increased in 46 states and the District of Columbia in the fourth quarter of 2022. The percent change in real GDP in the second quarter ranged from 7.0% in Texas to -4.3% in South Dakota. Professional, scientific, and technical services; retail trade; durable goods manufacturing; and mining were the leading contributors to the increase in GDP nationally.



U.S. Bureau of Economic Analysis

Connecticut’s fourth quarter GDP growth rate of 0.1% ranked 46th in the nation, coming in below the New England regional average of 2.0% after increasing 2.5% in the third quarter of 2022. Connecticut industries contributing to the increase included durable and nondurable goods manufacturing (+0.71% and +0.33% respectively), transportation and warehousing (+0.27%), and information (+0.24%), but were mostly offset by finance and insurance (-1.47%) primarily. Connecticut’s annualized GDP came in at $328.3 billion for the fourth quarter.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector

Sector	February 2023 (P)	January 2023 (P)	February 2022	MoM Change	MoM Rate	YoY Change	YoY Rate
Trade, Trans & Utilities	28,862,000	28,824,000	28,294,000	38,000	0.1%	568,000	2.0%
Prof & Business Services	22,912,000	22,867,000	22,086,000	45,000	0.2%	826,000	3.7%
Manufacturing	12,983,000	12,987,000	12,600,000	-4,000	0.0%	383,000	3.0%
Financial Activities	9,105,000	9,106,000	8,931,000	-1,000	0.0%	174,000	1.9%
Government	22,495,000	22,449,000	22,268,000	46,000	0.2%	227,000	1.0%
Construction & Mining	8,549,000	8,525,000	7,923,000	24,000	0.3%	626,000	7.9%
Educ & Health Services	25,008,000	24,934,000	24,078,000	74,000	0.3%	930,000	3.9%
Other Services	5,826,000	5,817,000	5,588,000	9,000	0.2%	238,000	4.3%
Leisure & Hospitality	16,535,000	16,430,000	14,864,000	105,000	0.6%	1,671,000	11.2%
Information	3,075,000	3,100,000	2,974,000	-25,000	-0.8%	101,000	3.4%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector

Sector	February 2023	January 2023	February 2022	MoM Change	MoM Rate	YoY Change	YoY Rate
Financial Activities	115,700	115,800	118,500	-100	-0.1%	-2,800	-2.4%
Prof & Business Services	224,400	223,500	220,100	900	0.4%	4,300	2.0%
Trade, Trans & Utilities	297,600	296,700	300,300	900	0.3%	-2,700	-0.9%
Government	228,600	229,100	226,000	-500	-0.2%	2,600	1.2%
Other Services	62,600	62,400	60,800	200	0.3%	1,800	3.0%
Construction & Mining	62,400	62,000	61,700	400	0.6%	700	1.1%
Information	31,000	31,300	31,100	-300	-1.0%	-100	-0.3%
Educ & Health Services	351,800	349,600	338,900	2,200	0.6%	12,900	3.8%
Manufacturing	158,600	158,400	155,300	200	0.1%	3,300	2.1%
Leisure & Hospitality	154,800	153,100	146,100	1,700	1.1%	8,700	6.0%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary						
	Feb-23	**Feb-22**	**% Change**	**YTD 2023**	**YTD 2022**	**% Change**
New Listings	2,750	3,468	-20.7%	5,400	6,457	-16.4%
Sold Listings	1,904	2,639	-27.9%	4,189	5,946	-29.5%
Median List Price	$319,900	$299,900	6.7%	$319,900	$299,900	6.7%
Median Selling Price	$319,900	$306,000	4.5%	$317,500	$310,000	2.4%
Median Days on the Market	27	30	-10.0%	27	30	-10.0%
Average Listing Price	$440,478	$477,677	-7.8%	$463,382	$471,031	-1.6%
Average Selling Price	$437,348	$476,269	-8.2%	$459,924	$470,171	-2.2%
Average Days on the Market	47	52	-9.6%	45	50	-10.0%
List/Sell Price Ratio	100.0%	100.8%	-0.8%	100.0%	100.7%	-0.7%

Data Source: Berkshire Hathaway HomeServices