



— STATE COMPTROLLER —
SEAN SCANLON

FOR IMMEDIATE RELEASE

June 1, 2023

**COMPTROLLER SCANLON PROJECTS \$1.6 BILLION SURPLUS,
COMMENDS SUCCESSFUL NATIONAL DEBT CEILING NEGOTIATIONS**

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**COMPTROLLER SCANLON PROJECTS \$1.6 BILLION SURPLUS, URGES
PASSAGE OF DEBT CEILING DEAL TO AVOID DEFAULT**

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his monthly financial and economic update, projected a Fiscal Year 2023 General Fund surplus of \$1.6 billion, an increase of \$16.1 million from last month. The Special Transportation Fund is projected to end Fiscal Year 2023 with a \$251.1 million surplus, an increase of \$2.3 million from last month.

As the Office of the State Comptroller closely followed national debt ceiling negotiations and their potential impact on Connecticut’s budget and economy, Comptroller Scanlon also commended Congress and President Biden’s deal to extend the debt limit for two years.

Highlights from the deal noted in the Comptroller’s monthly economic outlook include:

- Social security, Medicare and Medicaid remain untouched
- Climate and clean energy provisions of last year’s Inflation Reduction Act are preserved
- President Biden’s executive action on student debt forgiveness is unchanged
- \$28 billion in unspent Covid relief funds will be rescinded
- Federal student loan repayments, which have been delayed since the start of the pandemic, will restart
- Work requirements will be added for certain individuals participating in the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families
- Updates to streamline permitting for projects will be made to the National Environmental Policy Act (NEPA)

“Not extending the debt ceiling would have disastrous effects on the national economy, while also undoing years of financial progress in Connecticut. The deal reached between Congress and President Biden will enable Connecticut to continue its fiscal growth and stability,” **said Comptroller Scanlon.** “As our surplus continues to grow, we are on track to make critical payments towards our pension liabilities, and I look forward to seeing the budget crafted by the legislature and Governor Lamont.”

In a letter to Governor Ned Lamont, Scanlon noted that, with the Budget Reserve Fund (“Rainy Day Fund”) at its maximum amount, approximately \$2.9 billion will be available to reduce unfunded pension liability for the State Employee Retirement System (approximately \$2.1 billion) and the Teachers' Retirement System (approximately \$850 million).

Budget Reserve Fund	
Current Balance	3,313,380,000
Projected volatility transfer from GF	1,347,500,000
Projected surplus transfer from GF	1,599,889,779
Projected ending balance	6,260,769,779
Projected ending balance as percent of FY23 GF appropriations	28.3%
Excess to pay down debt (amount above 15% BRF cap)	2,947,389,779
Projected Deposit to SERS	2,090,835,879
Projected Deposit to TRS	856,553,900

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Economic Summary

As of the release of this letter, it appears that the United States will meet the June 5 deadline set by the Treasury Department to act or risk default. The bipartisan deal struck by President Joe Biden and House Speaker Kevin McCarthy would extend the debt limit for 2 years.

A few highlights from the deal are as follows:

- Social security, Medicare and Medicaid remain untouched
- Climate and clean energy provisions of last year's Inflation Reduction Act are preserved
- President Biden's executive action on student debt forgiveness is unchanged
- \$28 billion in unspent Covid relief funds will be rescinded
- Federal student loan repayments, which have been delayed since the start of the pandemic, will restart
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Debt ceiling notwithstanding, the Connecticut economy remains strong. On May 18, 2023, Governor Ned Lamont and Treasurer Erick Russell announced that the Kroll Bond Rating Agency had upgraded the State of Connecticut's General Obligation bond credit rating from AA (stable) to AA+ (stable). This follows an upgrade by S&P in 2022 and four additional upgrades in 2021 by all four of the major credit rating agencies. Prior to this Connecticut had not experienced an upgrade in its credit rating since February 2001.

In other economic news, as expected the Federal Reserve increased interest rates by 25-basis-points on May 1st, bringing the benchmark rate above 5% for the first time since 2007. Economists are hopeful that the Federal Reserve will hold rates steady for the rest of the year.

Fed Chair Jerome Powell has pledged to bring inflation down to the central bank's 2% target "because we know in the longer run that that is the thing that will most benefit the people we serve," he said recently. The Consumer Price Index (CPI) rose 4.9%, the first reading below 5% in two years, suggesting the Fed is winning its inflation battle.

Connecticut payroll was down 900 jobs in April, driven by early hiring in January and February due to the mild winter. Still, Connecticut has gained 11,300 jobs to-date in 2023. The Connecticut unemployment rate was 3.8% in April, down from 3.9% in March.

Berkshire Hathaway HomeServices reported year-over-year sales of single-family homes in Connecticut decreased 31.9% and new listings were down 31.8% in April. Median selling price increased by 5.4% and median listing price increased by 7.7%. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.35% as of May 11, up 5.3% from one year ago. 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.

Stock Market and State Revenue

As of May 31st, the NASDAQ and S&P 500 were up 5.8% and 0.2% for the month respectively, while the Dow Jones Industrial Average was down 3.5%.

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 30.9% compared with the same period from FY 2022.

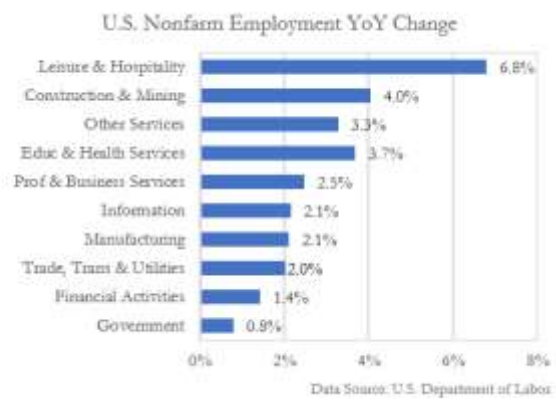
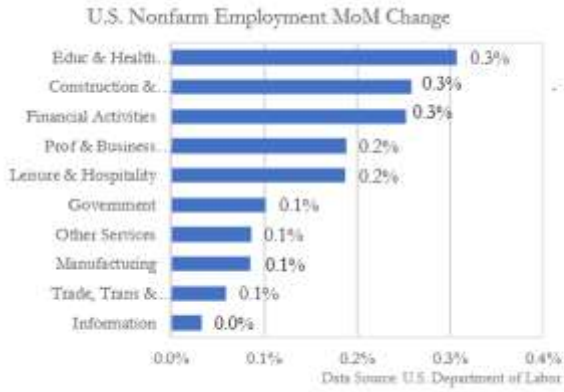
Labor Market Statistical Summary

United States	April 2023	March 2023	April 2022
Unemployment Rate	3.4%	3.5%	3.6%
Total Unemployed	5,700,000	5,939,000	5,900,000
Total Nonfarm Employment	155,673,000	155,420,000	151,449,000
Job Growth	+253,000	+165,000	+428,000
Covid Job Recovery	100.0%	100.0%	95.0%
Average Monthly Initial Unemployment Claims	237,000	242,000	216,000
Labor Force Participation Rate	62.6%	62.6%	62.2%
Average Hourly Wage	\$33.36	\$33.20	\$31.95

Connecticut	April 2023	March 2023	April 2022
Unemployment Rate	3.8%	3.9%	4.2%
Total Unemployed	72,300	75,300	81,900
Total Nonfarm Employment	1,684,400	1,685,300	1,667,600
Job Growth	-900	-1,700	+1,600
Covid Job Recovery	95.5%	95.8%	89.7%
Average Monthly Initial Unemployment Claims	3,187	3,247	3,091
Labor Force Participation Rate	64.5%	64.5%	66.2%
Average Hourly Wage	\$35.80	\$35.75	\$34.33

National Job Growth

The Bureau of Labor Statistics reported the U.S. added 253,000 jobs in April after adding 165,000 in March. Both month-over-month and year-over-year, all sectors saw improvement. Month-over-month, the largest job gain occurred in Education & Health Services (+77,000). 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.



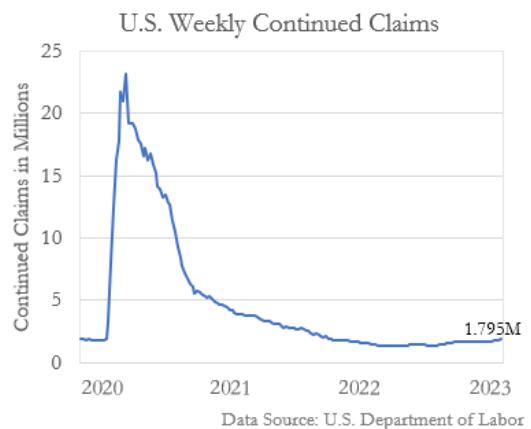
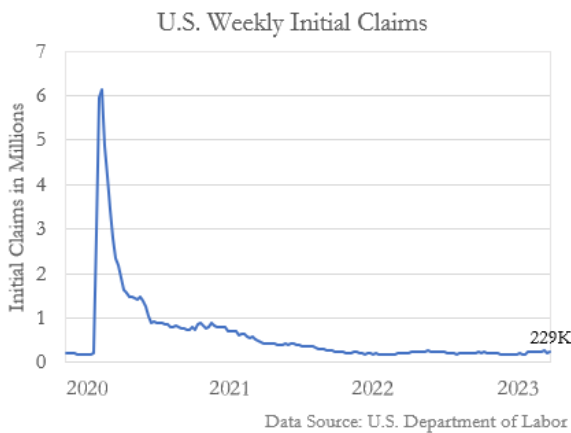
The U.S. has recovered 100% of the 21,991,000 jobs lost in March and April 2020 due to the COVID-19 lockdown, and certain industry sectors have gained jobs above their pre-pandemic levels.

Job openings fell to 9.6 million in April, but unemployment is 5.7 million so there is still more than 1 job for every unemployed person.

National Unemployment

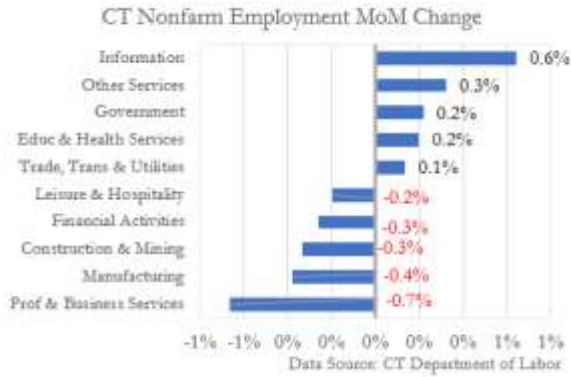
The Bureau of Labor Statistics reported the U.S. unemployment rate at 3.4%, down slightly from 3.5% seen in March. The total number of unemployed people in April was 5.7 million compared to 5.9 million in March.

For the week ending May 20, seasonally adjusted initial claims totaled 229,000, while average weekly initial claims were 231,750 (long-term average is closer to 350,000). For the week ending May 13, seasonally adjusted continued claims totaled 1,795,000, while average weekly continued claims were 1,800,250.



Connecticut Job Growth

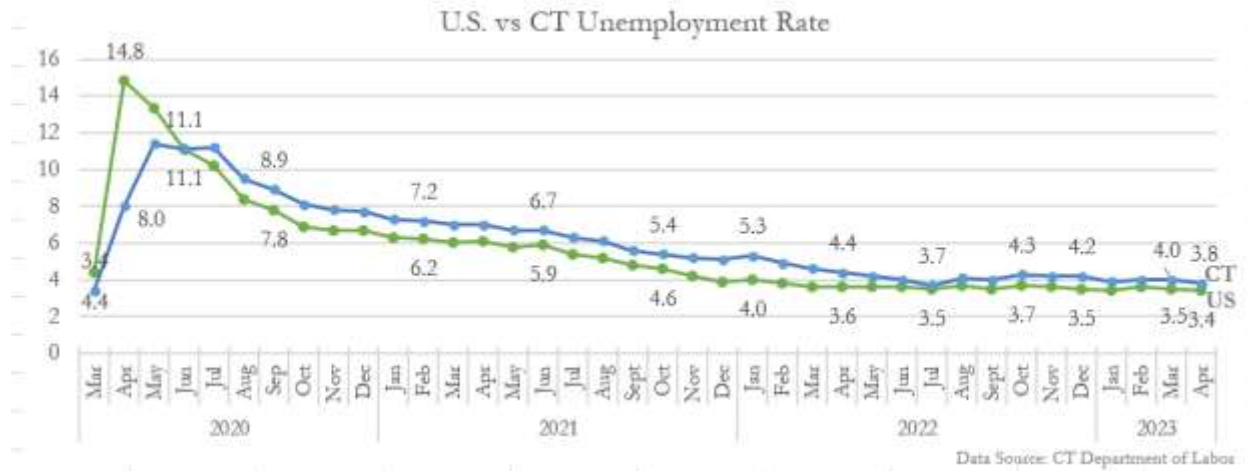
Connecticut payroll was down 900 jobs in April, driven by early hiring in January and February, as Connecticut has gained 11,300 jobs since December 2022. Five industry sectors increased month-over-month, while the other five declined slightly. The following graphs display the month-over-month and year-over-year net change in nonfarm employment by sector.



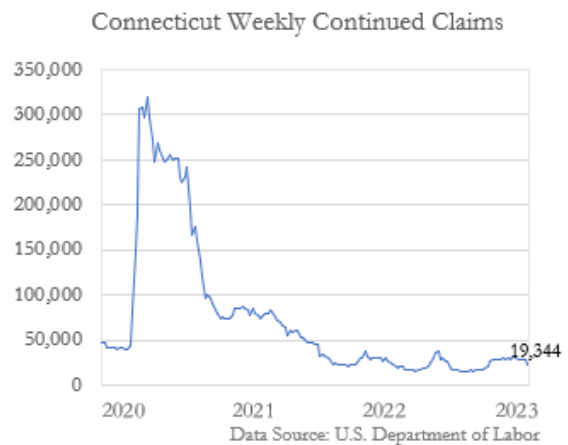
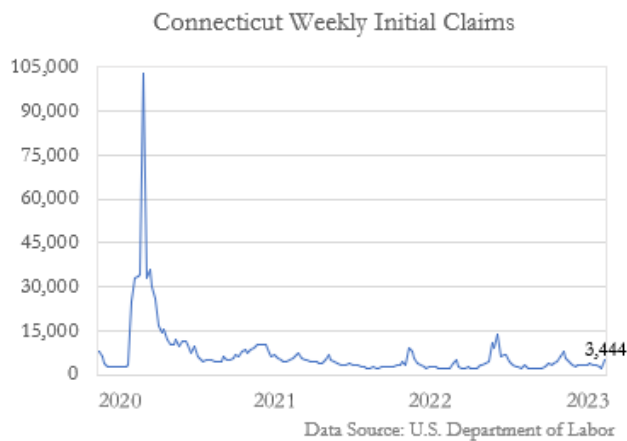
Overall, Connecticut has recovered 95.5% of the 289,400 nonfarm jobs lost in March and April 2020 due to the COVID-19 lockdown. See Appendix 2 for detailed industry sector data.

Connecticut Unemployment

The Connecticut unemployment rate was 3.8% for April 2023.

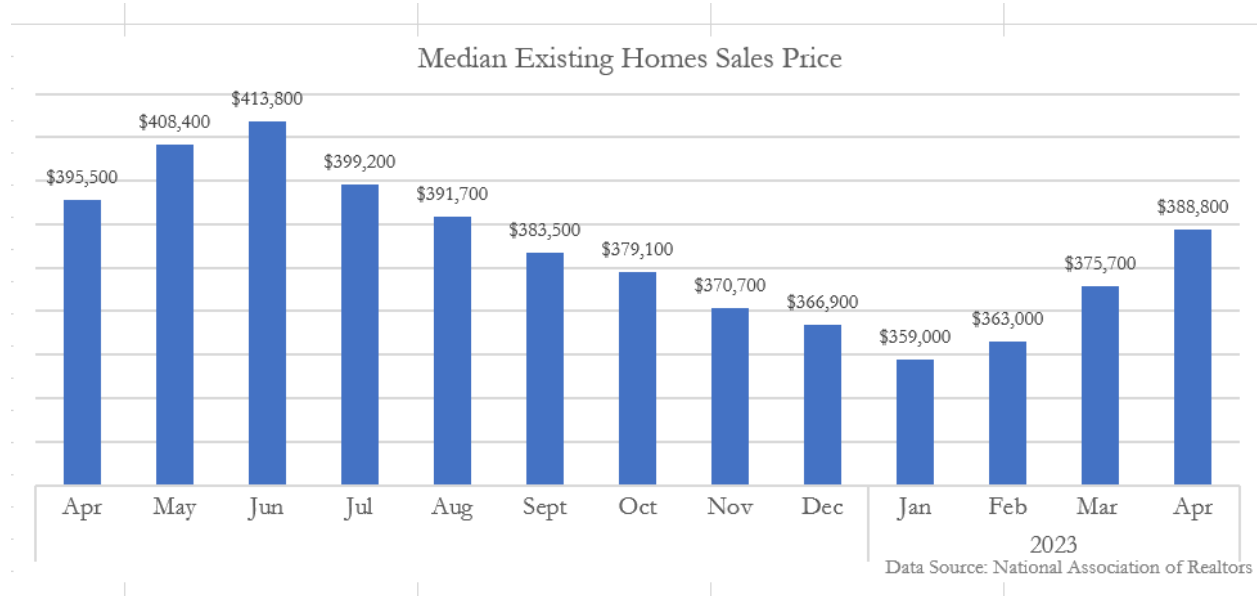


For the week ending May 13, seasonally adjusted initial claims totaled 3,444. For the weekly ending May 6, seasonally adjusted continued claims totaled 19,344.



National Housing & Rental Market

The National Association of Realtors (NAR) reported existing-home sales fell 3.4% in April and were also down 23.2% year-over year (down from 5.57 million in April 2022). The median existing-home sales price was \$388,800 in April, a little higher than March but a decline of 1.7% from April 2022. The inventory of unsold existing homes increased to 1.04 million units for the end of April, or the equivalent of 2.9 months' supply at the current monthly sales price.



The U.S. Bureau and the Department of Housing and Urban Development reported new single home sales of 683,000 in April, up 4.1% from March and 11.8% from April 2022. The median sales price of new houses sold in April 2023 was \$420,800, and the average sales price was \$501,000. The seasonally adjusted estimate of new houses for sale at the end of April was 433,000, which represents a supply of 7.6 months at the current sales rate.

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.35% as of May 11, up 5.3% from one year ago. As expected, the Federal Reserve increased interest rates by 25-basis-points on May 1st, bringing the benchmark rate above 5% for the first time since 2007. Economists are hopeful that the Federal Reserve will hold rates steady for the rest of the year.

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

The national rent index increased by 0.5% over the course of April, the third straight monthly increase, but represents a slight slowdown from last month at a time of year when growth is typically picking up speed. This month's increase was also less than the typical April price change that we saw in pre-pandemic years.

Year-over-year rent growth is continuing to decelerate, and now stands at 1.7%, its lowest level since March 2021. The vacancy index currently stands at 6.8%, 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 31.9% and new listings were down 31.8% in April. Median selling price increased by 5.4% and median listing price increased by 7.7%. Average days on the market decreased to 43 days from 45 a year ago. On average, sales prices came in at 101.1% 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.



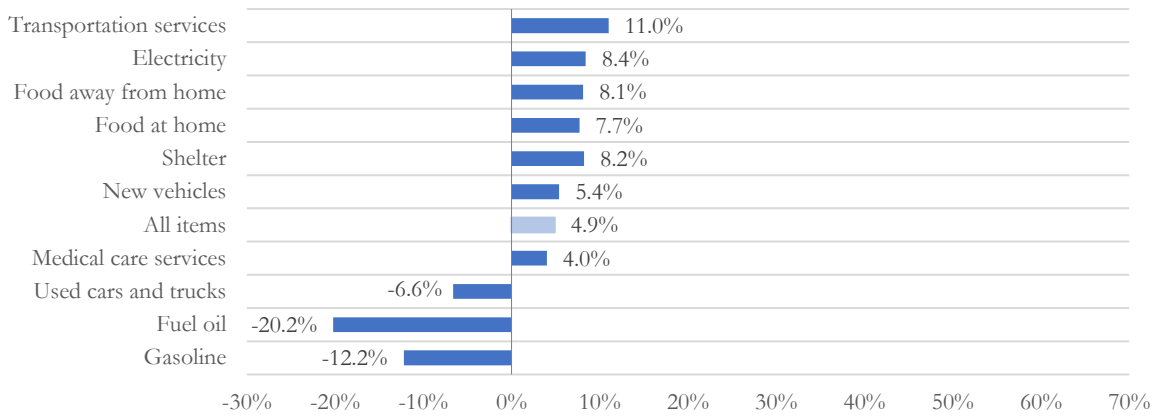
The median rent for all bedroom and all property types in Connecticut is \$1,900, a decrease of \$94 year-over-year, according to Zillow Rental Data. This is 12% lower than the national median of \$2,150.

Inflation

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.4% in April on a seasonally adjusted basis, after increasing 0.1% in March. Over the last 12 months, the all items increased 4.9%, down from 5.0% in March and the first reading below 5% in two years.



Annual Percent Change in Price



Data Source: U.S. Department of Labor

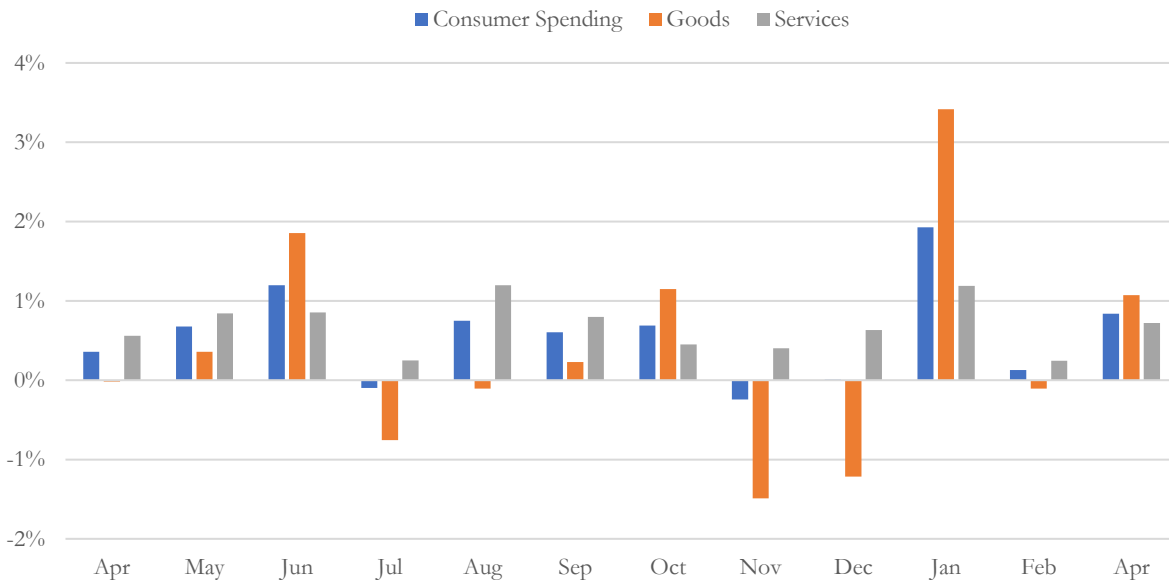
Consumer Spending, Saving & Debt

The Bureau of Economic Analysis reported Personal Income increased \$80.1 billion (0.4%) in April, led by increases in compensation and personal income receipts on assets (interest and dividend income) partly offset by a decrease in personal current transfer receipts (led by a decrease in “other” government social benefits).

Personal Consumption Expenditures (PCE) increased \$151.7 billion, reflecting an increase of \$86.9 billion in spending for services and \$64.8 billion in spending for goods. Within services, the largest contributors to the increase were spending for financial services and insurance, health care, and “other” services. Within goods, the increase was led by motor vehicles and parts and “other” nondurable goods (notably pharmaceutical products).

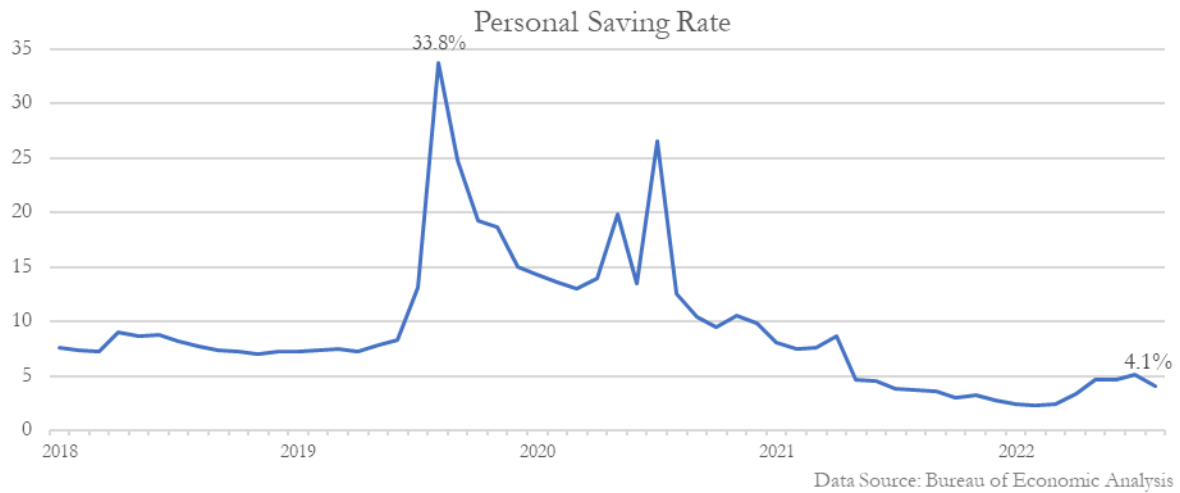
The following graph displays the monthly change in consumer spending:

Monthly Change in Consumer Spending



Data Source: Bureau of Economic Analysis

The personal-saving rate was 4.1% in April, compared with 5.1% in March.



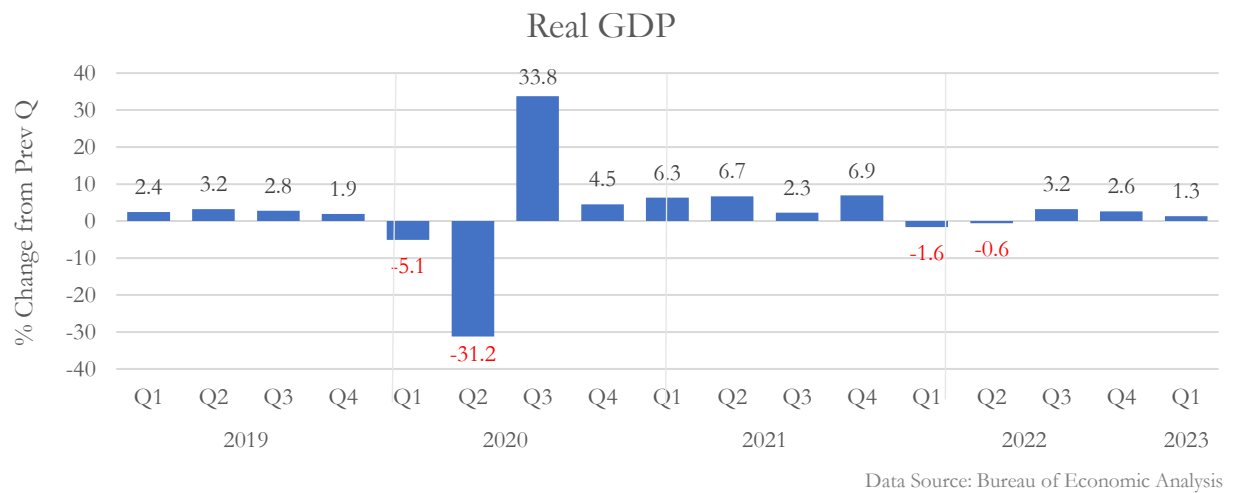
GDP

The Bureau of Economic Analysis released the “second” estimate of U.S. real Gross Domestic Product (GDP), which increased at an annual rate of 1.3% in the first quarter of 2023. The updated estimates primarily reflected an upward revision to private inventory investment.

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

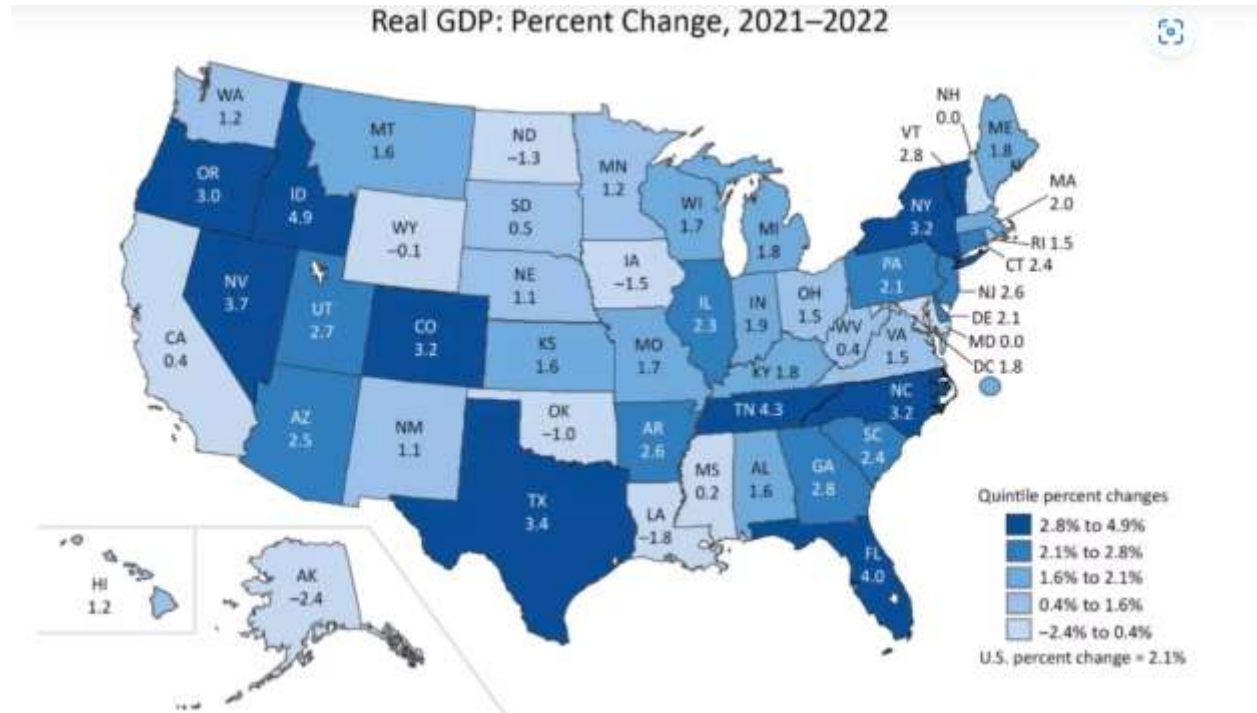
GDP is calculated by adding public consumption, private investment, government spending, and the difference between exports and imports. Consumer spending is approximately 70% of GDP.

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.



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 fell again in May, and now stands at 102.3, down from 103.7 in April. The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, decreased to 148.6 from 151.8 last month. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, decreased slightly to 71.5 from 71.7. 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	April	March	April	MoM		YoY	
	2023 (P)	2023 (P)	2022	Change	Rate	Change	Rate
Trade, Trans & Utilities	28,878,000	28,861,000	28,304,000	17,000	0.1%	574,000	2.0%
Prof & Business Services	22,945,000	22,902,000	22,393,000	43,000	0.2%	552,000	2.5%
Manufacturing	12,991,000	12,980,000	12,723,000	11,000	0.1%	268,000	2.1%
Financial Activities	9,122,000	9,099,000	8,994,000	23,000	0.3%	128,000	1.4%
Government	22,570,000	22,547,000	22,393,000	23,000	0.1%	177,000	0.8%
Construction & Mining	8,545,000	8,523,000	8,213,000	22,000	0.3%	332,000	4.0%
Educ & Health Services	25,139,000	25,062,000	24,247,000	77,000	0.3%	892,000	3.7%
Other Services	5,844,000	5,839,000	5,659,000	5,000	0.1%	185,000	3.3%
Leisure & Hospitality	16,543,000	16,512,000	15,492,000	31,000	0.2%	1,051,000	6.8%
Information	3,096,000	3,095,000	3,031,000	1,000	0.0%	65,000	2.1%

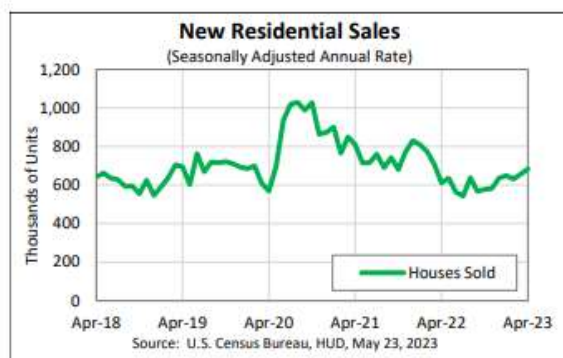
Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector							
Sector	April	March	April	MoM		YoY	
	2023	2023	2022	Change	Rate	Change	Rate
Financial Activities	114,700	115,000	118,800	-300	-0.3%	-4,100	-3.5%
Prof & Business Services	224,500	226,000	222,800	-1,500	-0.7%	1,700	0.8%
Trade, Trans & Utilities	297,500	297,100	300,400	400	0.1%	-2,900	-1.0%
Government	230,200	229,700	226,200	500	0.2%	4,000	1.8%
Other Services	62,100	61,900	61,000	200	0.3%	1,100	1.8%
Construction & Mining	60,200	60,400	62,100	-200	-0.3%	-1,900	-3.1%
Information	31,300	31,100	31,000	200	0.6%	300	1.0%
Educ & Health Services	352,700	352,000	340,200	700	0.2%	12,500	3.7%
Manufacturing	157,700	158,300	156,900	-600	-0.4%	800	0.5%
Leisure & Hospitality	153,500	153,800	148,200	-300	-0.2%	5,300	3.6%

Data Source: CT Department of Labor

Appendix 3: New Residential Sales and Construction Statistics



Appendix 4: Connecticut Housing Market Statistics

Connecticut Market Summary						
	Apr-23	Mar-23	% Change	YTD 2023	YTD 2022	% Change
New Listings	3,833	5,621	-31.8%	12,927	17,164	-24.7%
Sold Listings	2,410	3,538	-31.9%	9,434	12,925	-27.0%
Median List Price	\$349,900	\$325,000	7.7%	\$329,900	\$310,000	6.4%
Median Selling Price	\$358,250	\$339,813	5.4%	\$330,000	\$320,000	3.1%
Median Days on the Market	15	13	15.4%	21	22	-4.5%
Average Listing Price	\$573,649	\$519,050	10.5%	\$500,726	\$488,114	2.6%
Average Selling Price	\$576,524	\$533,144	8.1%	\$500,337	\$493,446	1.4%
Average Days on the Market	42	38	10.5%	43	45	-4.4%
List/Sell Price Ratio	102.5%	103.7%	-1.2%	101.1%	102.0%	-0.9%

Data Source: Berkshire Hathaway HomeServices