



— STATE COMPTROLLER —
SEAN SCANLON

FOR IMMEDIATE RELEASE

August 1, 2023

COMPTROLLER SEAN SCANLON PROJECTS \$630 MILLION SURPLUS

OSC continues to closely monitor economic impacts of local and national inflation, unemployment

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his monthly financial and economic update, projected a Fiscal Year 2023 (FY 23) General Fund surplus of \$630.6 million. FY 23 officially ended on June 30, 2023, and is followed by an adjustment period ending in August with audited results available by December 31, 2023. The \$115.3 million decrease resulted from a \$160 million decrease in revenue projections but was partially offset by a \$44.6 million decrease in projected expenditures.

OSC is currently projecting approximately \$1.96 billion would be available to reduce unfunded pension liability for the State Employee Retirement System (SERS) and the Teachers' Retirement System (TRS).

Budget Reserve Fund	
Current Balance	3,313,380,000
Projected volatility transfer from GF	1,332,500,000
Projected surplus transfer from GF	630,545,306
Projected ending balance	5,276,425,306
Projected ending balance as percent of FY23 GF appropriations	23.9%
Excess to pay down debt (amount above 15% BRF cap)	1,963,045,306
Projected Deposit to SERS	1,106,491,406
Projected Deposit to TRS	856,553,900

"The continued cooling of inflation is welcome news for Connecticut residents, as is the recent announcement that the Federal Reserve no longer forecasts a recession," **said Scanlon**. "When you combine the improving national economic outlook with our state's improved finances and our strongest six-month period of job growth since 2006, there is reason to be optimistic about Connecticut's economic prospects in the second half of 2023."

In a letter to Governor Ned Lamont, Scanlon noted that Federal Reserve Chairman Powell told reporters on July 25th that they are no longer forecasting a recession.

To date, Connecticut has gained 14,100 jobs in 2023, more jobs than added in the first six months of any pre-pandemic year since 2006. Connecticut's unemployment remains at 3.7%, just 0.1% above the national average, while employers currently have more than 90,000 jobs available.

###

Contact: Madi Csejka

Press Secretary

madi.csejka@ct.gov

C: 203-506-0191

osc.ct.gov

Economic Summary

After three years of a global pandemic that sent unemployment surging and plummeting, and a bout of inflation that saw prices grow at their fastest pace since the 1980s, the Federal Reserve began a series of interest rate hikes in March 2022. As they issued consecutive rate hikes over the course of the next year, there was broad concern that the Federal Reserve would go too far in raising interest rates and tip the economy into recession.

However, with inflation slowing (in June the 12-month Consumer Price Index decreased to 3%, not far from the Federal Reserve's 2% target) and the job market remaining robust, it appears that the Federal Reserve may be close to declaring victory, and in fact Chairman Powell told reporters on July 25th that they were no longer forecasting a recession.

Turning to Connecticut, while employers lost 4,600 jobs in June, the decrease was attributed in large part to employment growth in May that was much stronger than expected. In fact, the largest June job declines were in the same industries with strong May job gains. To date Connecticut has gained 14,100 jobs in 2023, more jobs than added in the first six month of any pre-pandemic year since 2006. Overall, Connecticut has recovered 96.4% of the 289,400 nonfarm jobs lost in March and April 2020 due to the COVID-19 lockdown (the provide sector is 98.1% recovered from the pandemic shutdown). Connecticut unemployment remains at 3.7%, while employers currently have more than 90,000 jobs available.

Stock Market and State Revenue

In July, the NASDAQ, S&P 500, and Dow Jones Industrial Averages were up 4.0%, 3.1%, and 3.3% respectively for the month, and 37.07%, 19.52% and 7.28% 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 31.5% compared with the same period from FY 2022.

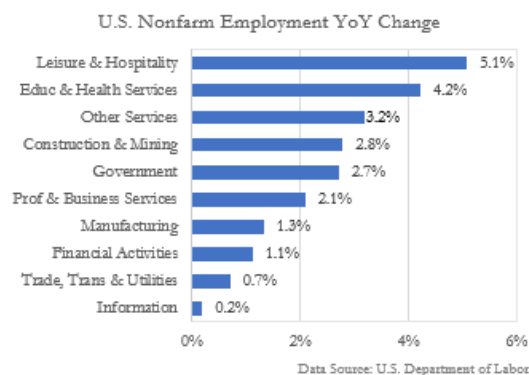
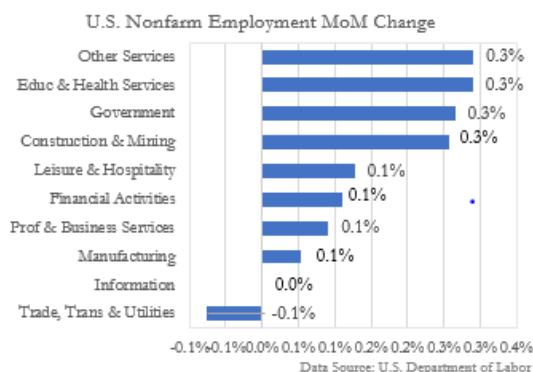
Labor Market Statistical Summary

United States	Jun-23	May-23	Jun-22
Unemployment Rate	3.6%	3.7%	3.6%
Total Unemployed	6,000,000	6,100,000	6,000,000
Total Nonfarm Employment	156,204,000	155,995,000	152,412,000
Job Growth	+209,000	+339,000	+390,000
Covid Job Recovery	100.0%	100.0%	96.8%
Average Monthly Initial Unemployment Claims	237,500	237,000	216,750
Labor Force Participation Rate	62.6%	62.6%	62.2%
Average Hourly Wage	\$33.58	\$33.44	\$32.18

Connecticut	June 2023	May 2023	June 2022
Unemployment Rate	3.7%	3.7%	4.0%
Total Unemployed	70,200	71,100	79,800
Total Nonfarm Employment	1,687,200	1,691,500	1,666,900
Job Growth	-4,600	+5,300	+1,600
Covid Job Recovery	96.4%	97.9%	89.4%
Average Monthly Initial Unemployment Claims	18,196	17,742	12,792
Labor Force Participation Rate	64.10%	64.2%	65.8%
Average Hourly Wage	\$35.16	\$35.31	\$34.66

National Job Growth

The Bureau of Labor Statistics reported the U.S. added 209,000 jobs in June, as employment in government, health care, social assistance, and construction continued to trend up. All sectors saw improvement year-over-year. Trade, Transportation & Utilities is the only sector that declined month-over month (-22,000), driven by transportation and warehousing, couriers and messengers, and warehousing and storage. 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.

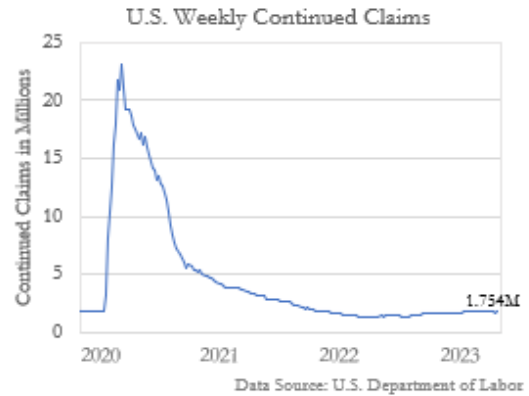
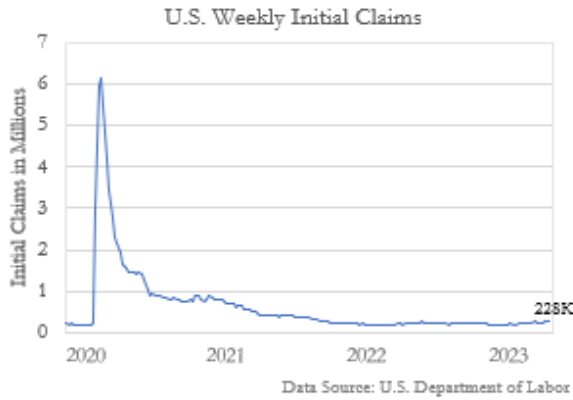


The U.S. has recovered 100% of the 21,991,000 jobs lost in March and April 2020 due to the COVID-19 lockdown, and certain industry sectors have gained jobs above their pre-pandemic levels.

National Unemployment

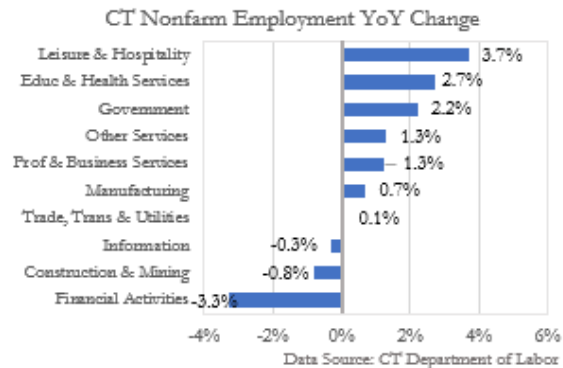
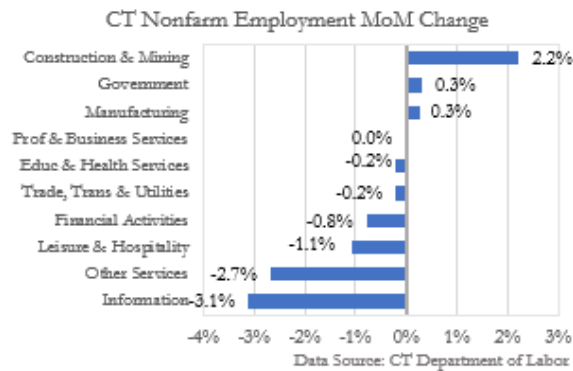
The Bureau of Labor Statistics reported the U.S. unemployment rate at 3.6% in June, down slightly from 3.7% in May. The total number of unemployed people in June was 6.0 million compared to 6.1 million in May.

For the week ending July 15, seasonally adjusted initial claims totaled 228,000, while average weekly initial claims were 237,7500 (long-term average is closer to 350,000). For the week ending June 8, seasonally adjusted continued claims totaled 1,754,000, while average weekly continued claims were 1,731,500.



Connecticut Job Growth

Connecticut payroll was down 4,600 jobs in June, while May job growth was revised upward to 5,300 jobs. The decline in June is attributed in large part to early spring hiring, with the largest June job declines in the same industries with strong May job gains. The following graphs display the month-over-month and year-over-year net change in nonfarm employment by sector.

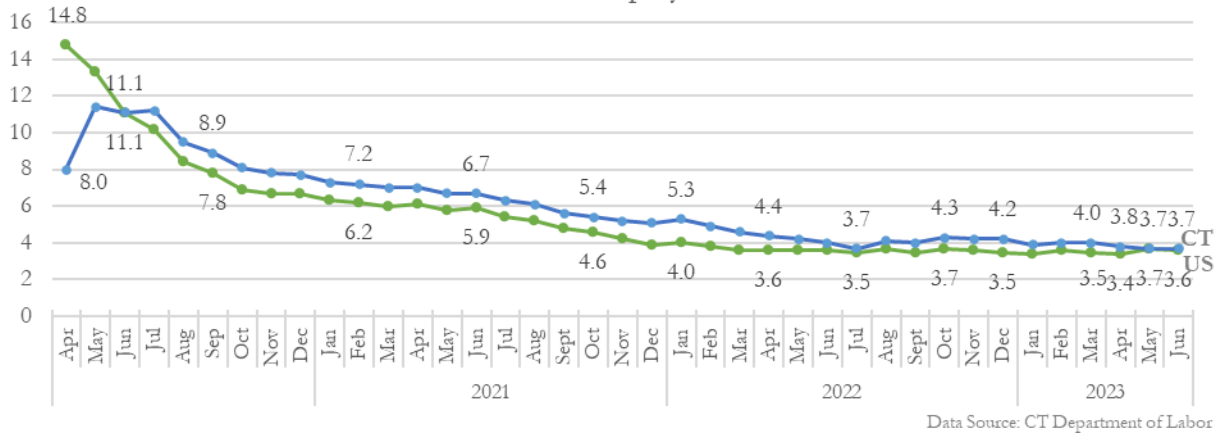


Overall, Connecticut has recovered 96.4% of the 289,400 nonfarm jobs lost in March and April 2020 due to the COVID-19 lockdown (the provide sector is 98.1% recovered from the pandemic shutdown). See Appendix 2 for detailed industry sector data.

Connecticut Unemployment

The Connecticut unemployment rate remained at 3.7% for June 2023, slightly above the national level of 3.6%.

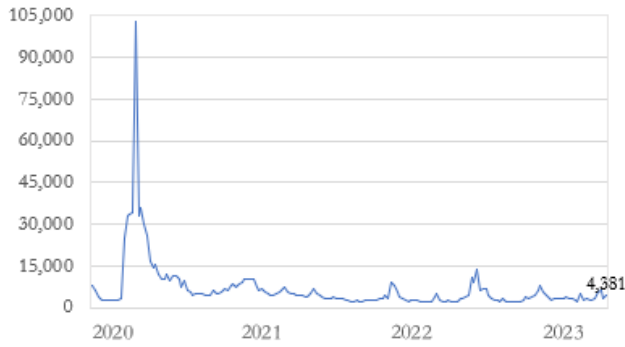
U.S. vs CT Unemployment Rate



Data Source: CT Department of Labor

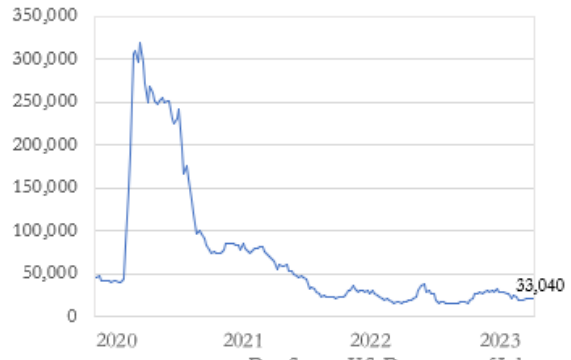
For the week ending July 8, seasonally adjusted initial claims totaled 4,381. For the week ending July 1, seasonally adjusted continued claims totaled 33,040.

Connecticut Weekly Initial Claims



Data Source: U.S. Department of Labor

Connecticut Weekly Continued Claims

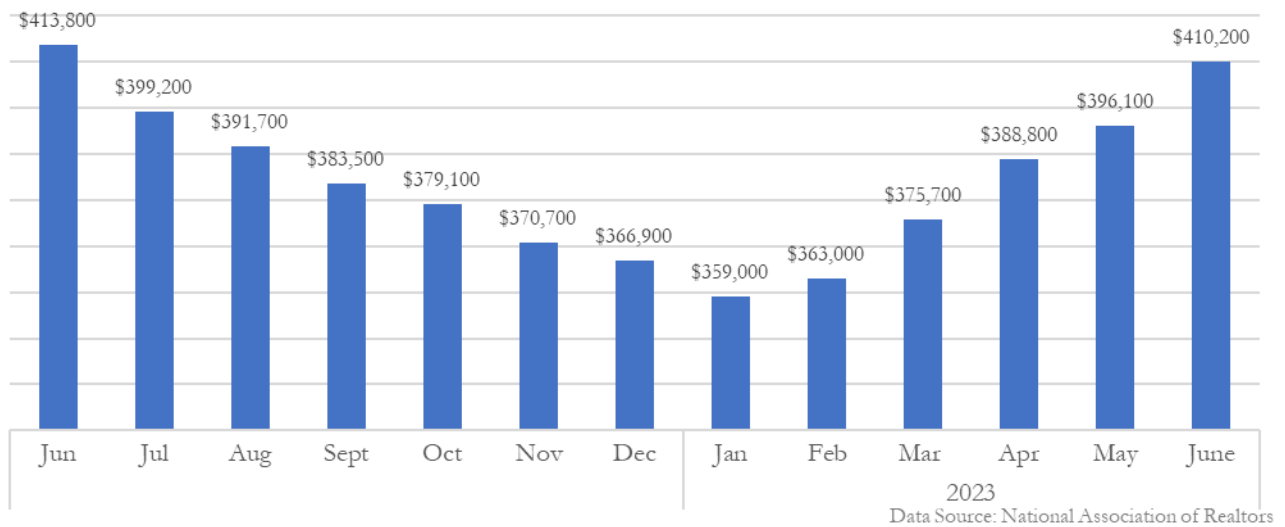


Data Source: U.S. Department of Labor

National Housing & Rental Market

The National Association of Realtors (NAR) reported existing-home sales dropped 3.3% in June and were down 18.9% year-over-year. The median existing-home sales price was \$410,200 in June, the second highest price of all time but a decline of 0.9% from June 2022. The inventory of unsold existing homes remained unchanged at 1.08 million units for the end of June, or the equivalent of 3.1 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 697,000 in June, down 2.5% from the revised May rate of 715,000, but is 23.8% above the June 2022 estimate of 563,000. The median sales price of new houses sold in June 2023 was \$415,400, and the average sales price was \$494,700. The seasonally adjusted estimate of new houses for sale at the end of April was 432,000, which represents a supply of 7.4 months at the current sales rate.

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.96% as of July 13, up 5.51% from one year ago. The Federal Reserve announced its 10th consecutive rate hike since March 2022 on July 25th a pause to interest rate hikes, pushing the federal funds target rate to a target range between 5% and 5.25%, the highest level since 2007. With inflation slowing and jobless claims still below historical averages, some experts expected the Fed to pause its rate hikes this month. However, with another bank failure in the news (the recent collapse of First Republic Bank) and inflation still not at the 2% target, the Fed decided on the incremental raise. Federal Reserve Chairman Powell did indicate that the 25 basis points increase would likely be the final in a series of interest rate hikes.

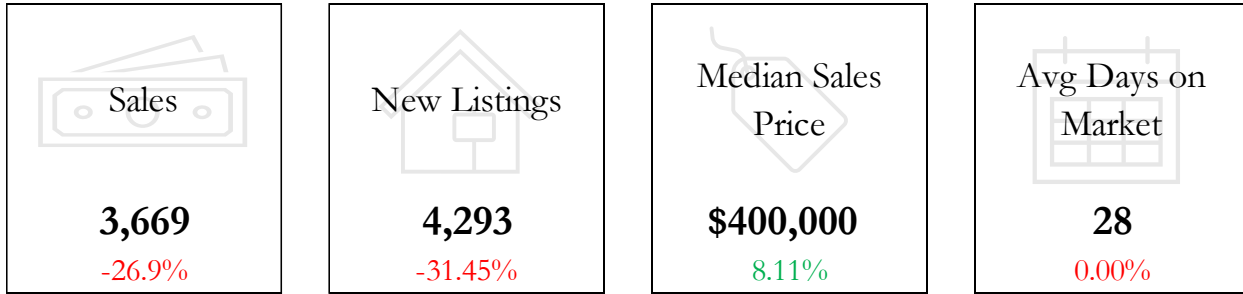
See Appendix 3 for additional new residential sales and construction information.

The national rent index increased by 0.4% over the course of June, much lower than average June rent growth of 0.9% - June is peak moving season and typically brings some of the fastest month-over-month rent growth observed each calendar year. The national rent growth is flat year-over-year, meaning that apartments today are renting for the same price they did one year ago. The vacancy index currently stands at 7.2%.

Connecticut Housing & Rental Market

Berkshire Hathaway HomeServices reported year-over-year sales of single-family homes decreased 26.9% and new listings were down 31.45% in June. Median selling price increased by 8.1% and median listing price increased by 8.3%. Average days on the market was flat from a year ago at 28 days. On average, sales prices came in at 104.9% 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.

June 2023 Connecticut Housing Market

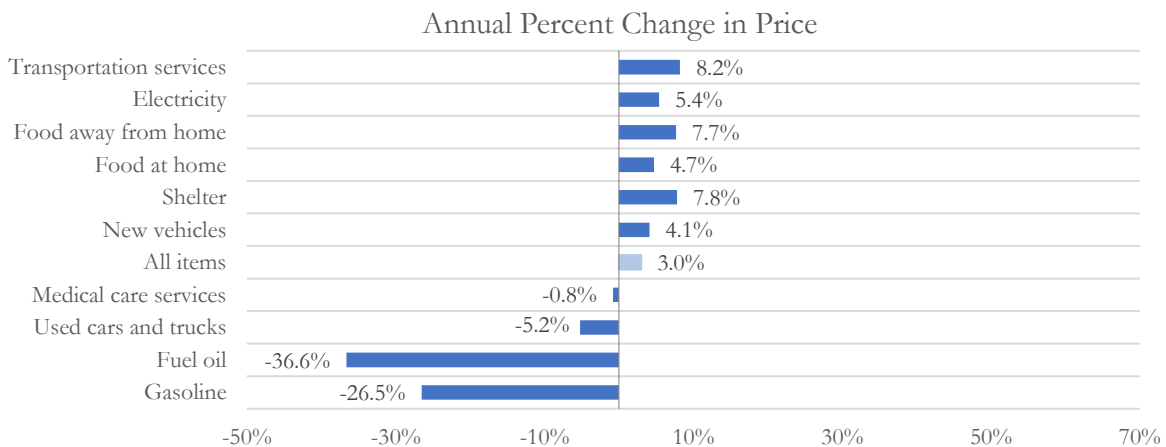
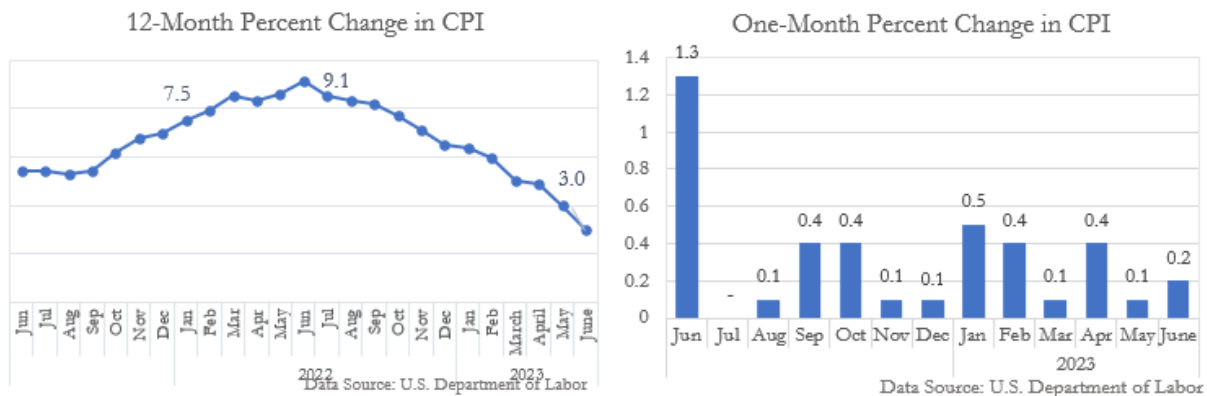


Data Source: Berkshire Hathaway HomeServices

The median rent for all bedroom and all property types in Connecticut is \$1,950, a decrease of \$150 year-over-year, according to Zillow Rental Data. This is lower than the national median of \$2,100.

Inflation

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.2% in June on a seasonally adjusted basis, after increasing 0.1% in May. Over the last 12 months, the all items increased 3.0%, down from 4.0% in May.



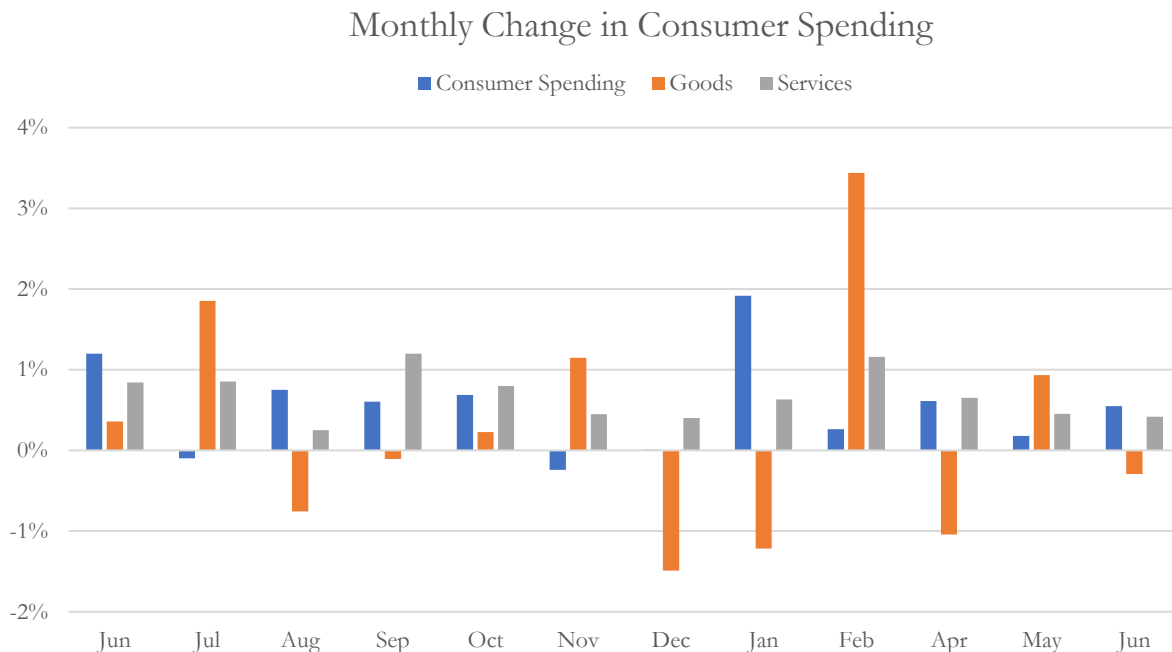
Data Source: U.S. Department of Labor

Consumer Spending, Saving & Debt

The Bureau of Economic Analysis reported Personal Income increased \$69.5 billion (0.3%) in June, led by increases in compensation that was partly offset by a decrease in personal income receipts on assets.

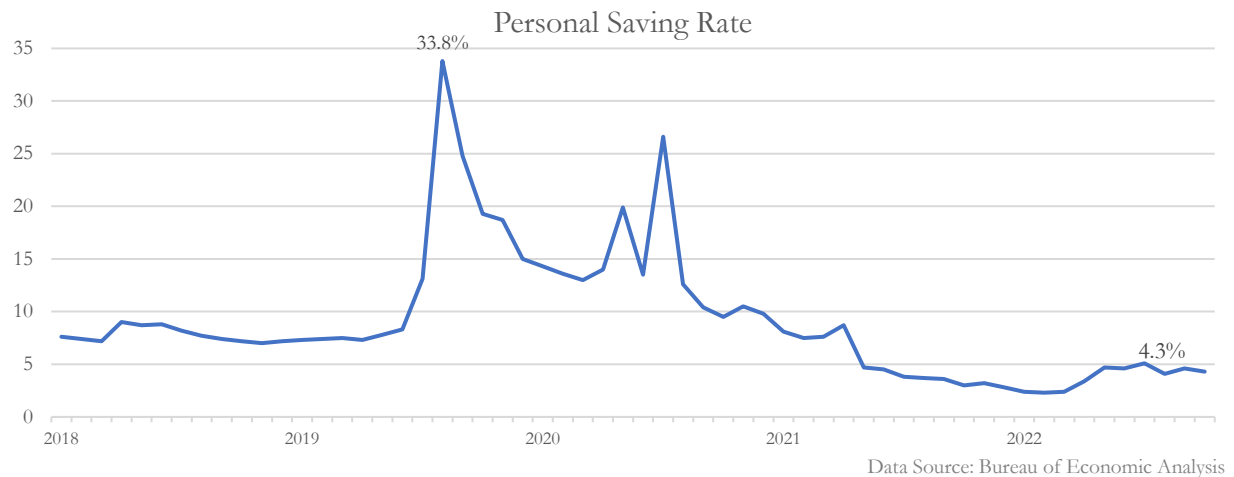
Personal Consumption Expenditures (PCE) increased \$100.4 billion, reflecting an increase of \$51.2 billion in spending for services and an increase of \$49.1 billion in spending for goods. Within services, the largest contributors to the increase were financial services and insurance (led by portfolio management and investment advice services), housing, and recreational services. Within goods, the largest contributors to the increase were motor vehicles and parts (led by new light trucks) and gasoline and other energy goods (led by motor vehicle fuels, lubricants, and fluids).

The following graph displays the monthly change in consumer spending:



Data Source: Bureau of Economic Analysis

The personal-saving rate was 4.3% in June, compared with 4.6% in May.



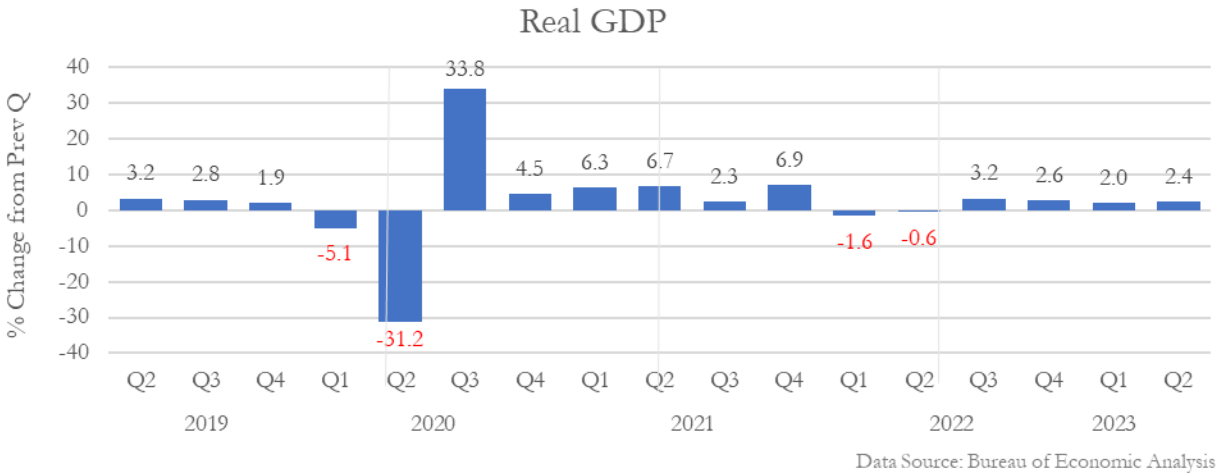
GDP

The Bureau of Economic Analysis released the “advance” estimate of U.S. real Gross Domestic Product (GDP), which increased at an annual rate of 2.4% in the second quarter of 2023. This reflects increases in consumer spending, nonresidential fixed investment, state and local government spending, private inventory investment, and federal government spending that were partly offset by decreases in exports and nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, decreased.

The increase in consumer spending reflected increases in both services and goods. Within services, the leading contributors to the increase were housing and utilities, health care, financial services and insurance, and transportation services. Within goods, the increase was led by recreational goods and vehicles as well as gasoline and other energy goods. The increase in nonresidential fixed investment reflected increases in equipment, structures, and intellectual property products. The increase in state and local spending reflected increases in compensation of state and local government employees and gross investment in structures. The increase in private inventory investment reflected increases in both farm and nonfarm inventories.

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 first quarter, the acceleration in real GDP in the second quarter primarily reflected an upturn in private inventory investment and an acceleration in nonresidential fixed investment. These movements were partly offset by a downturn in exports, and decelerations in consumer spending, federal government spending, and state and local government spending. Imports turned down.



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 July, and now stands at 117.0 (1985=100), up from 110.1 in June. The Present Situation Index, which is based on consumers’ assessment of current business and labor market conditions, rose to 160.0 (1985=100) from 155.3 last month. The Expectations Index, which is based on consumers’ short-term outlook for income, business, and the job market, rose to 88.3.5 (1985=100) from 80.0 in June. Importantly, Expectations climbed well above 80 – the level that historically signals a recession within the year.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector							
Sector	June	May	June	MoM		YoY	
	2023 (P)	2023 (P)	2022	Change	Rate	Change	Rate
Trade, Trans & Utilities	28,873,000	28,895,000	28,671,000	-22,000	-0.1%	202,000	0.7%
Prof & Business Services	23,054,000	23,033,000	22,582,000	21,000	0.1%	472,000	2.1%
Manufacturing	12,989,000	12,982,000	12,819,000	7,000	0.1%	170,000	1.3%
Financial Activities	9,144,000	9,134,000	9,043,000	10,000	0.1%	101,000	1.1%
Government	22,710,000	22,650,000	22,110,000	60,000	0.3%	600,000	2.7%
Construction & Mining	8,589,000	8,567,000	8,356,000	22,000	0.3%	233,000	2.8%
Educ & Health Services	25,302,000	25,229,000	24,277,000	73,000	0.3%	1,025,000	4.2%
Other Services	5,872,000	5,855,000	5,691,000	17,000	0.3%	181,000	3.2%
Leisure & Hospitality	16,576,000	16,555,000	15,774,000	21,000	0.1%	802,000	5.1%
Information	3,095,000	3,095,000	3,089,000	0	0.0%	6,000	0.2%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector

Sector	June	May	June	MoM		YoY	
	2023	2023	2022	Change	Rate	Change	Rate
Educ & Health Services	350,800	351,500	341,500	-700	-0.2%	9,300	2.7%
Construction & Mining	60,300	59,000	60,800	1,300	2.2%	-500	-0.8%
Prof & Business Services	225,200	225,300	222,400	-100	0.0%	2,800	1.3%
Government	231,500	230,800	226,500	700	0.3%	5,000	2.2%
Financial Activities	114,400	115,300	118,300	-900	-0.8%	-3,900	-3.3%
Manufacturing	158,000	157,600	156,900	400	0.3%	1,100	0.7%
Trade, Trans & Utilities	299,500	300,100	299,200	-600	-0.2%	300	0.1%
Information	31,100	32,100	31,200	-1,000	-3.1%	-100	-0.3%
Leisure & Hospitality	154,700	156,400	149,200	-1,700	-1.1%	5,500	3.7%
Other Services	61,700	63,400	60,900	-1,700	-2.7%	800	1.3%

Data Source: CT Department of Labor

Appendix 3: New Residential Sales and Construction Statistics



Appendix 4: Connecticut Housing Market Statistics

Connecticut Market Summary						
	June-23	June-22	% Change	YTD 2023	YTD 2022	% Change
New Listings	4,293	6,263	-31.5%	21,776	29,564	-26.3%
Sold Listings	3,669	5,022	-26.9%	16,235	21,943	-26.0%
Median List Price	\$379,000	\$350,000	8.3%	\$349,000	\$325,000	7.4%
Median Selling Price	\$400,000	\$370,000	8.1%	\$350,000	\$335,000	4.5%
Median Days on the Market	9	11	-18.2%	15	16	-6.3%
Average Listing Price	\$603,482	\$559,362	7.9%	\$540,964	\$506,849	6.7%
Average Selling Price	\$628,281	\$582,168	7.9%	\$547,040	\$518,973	5.4%
Average Days on the Market	28	28	0.0%	37	39	-5.1%
List/Sell Price Ratio	104.9%	104.6%	0.3%	102.4%	103.1%	-0.7%

Data Source: Berkshire Hathaway HomeServices