NATALIE BRASWELL
Connecticut State Comptroller

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COMPTROLLER BRASWELL PROJECTS $1 BILLION SURPLUS, WARNS OF CONTINUED GLOBAL ECONOMIC UNCERTAINTY

Comptroller Natalie Braswell today, in her latest monthly financial and economic update, said that the state remains on track to end Fiscal Year 2023 with a General Fund surplus of $1 billion, while warning that aspects of the national and global economies show signs of slowing.

In a letter to Gov. Ned Lamont, Braswell said the state's fiscal position remains strong with a fully funded Budget Reserve Fund (or "Rainy Day Fund") and projected that approximately $2.87 billion would be available to continue reducing the state's unfunded pension liabilities.

"The national economy continues to show signs of slowing down – but Connecticut's fiscal discipline over the last several years has given us the stability and strength necessary to weather economic uncertainties," said Braswell. "Connecticut may not be able to control global uncertainties, but we can be smart about preparing for them."

A law originally proposed by former Comptroller Kevin Lembo in 2015 requires the final surplus amount, plus excess revenue in certain volatile categories, be deposited into the state's Budget Reserve Fund (commonly known as the "Rainy Day Fund"). The table below shows the state of the Budget Reserve Fund, and projected transfers to pay down pension debt at an accelerated rate.

Budget Reserve Fund

Current Balance		3,313,380,000
Projected volatility transfer from GF		1,847,500,000
Projected surplus transfer from GF	+	1,017,928,188
Projected ending balance		6,178,808,188
Projected ending balance as percent of FY23 GF appropriations		28.0%
Excess to pay down debt (amount above 15% BRF cap)		2,865,428,188
Projected Deposit to SERS		2,008,874,288
Projected Deposit to TRS		856,553,900

"Connecticut's improving financial position is critical as the U.S. economy continues to send mixed messages," Braswell said, pointing to continued elevated inflation and concerns about job growth.

Braswell pointed to economic indicators in Connecticut and across the nation:

NOTE – Economic indicators largely look back to past periods. Therefore, some of the information presented this month may appear inconsistent with more recent developments in the rapidly changing response to the COVID-19 pandemic.

Economic Summary

Areas of the U.S. economy have started to show signs of slowing down. Inflation remains elevated but may have started to moderate as the CPI came in at an annual rate of 7.1% in November, as Federal Reserve raised interest rates once again by 50 basis points to cool demand and bring prices down. Mortgage rates have been moderating over the past six weeks, declining significantly after hitting a 7.08% high last month, but are still double what they were a year, and the housing market is cooling off. Job growth and the unemployment rate are relatively flat. The U.S. added 263,000 jobs in November and the unemployment rate remained at 3.7%. The number of unemployed people decreased by 48,000 and jobless claims decreased slightly. Connecticut added 6,200 jobs in November and the state unemployment rate decreased to 4.2%. However, recent weekly and continuing unemployment claims show the number of unemployed people growing and jobless claims ticking up in Connecticut. U.S. household debt is up as inflation and increasing interest rates make it more expensive to borrow. The U.S. labor and housing markets may be slowing down, but GDP and consumer spending remain resilient. U.S. GDP grew 3.2% in the third quarter and consumer spending increased 0.1% from last month. Consumer confidence increased in December mostly due to lower gas prices.
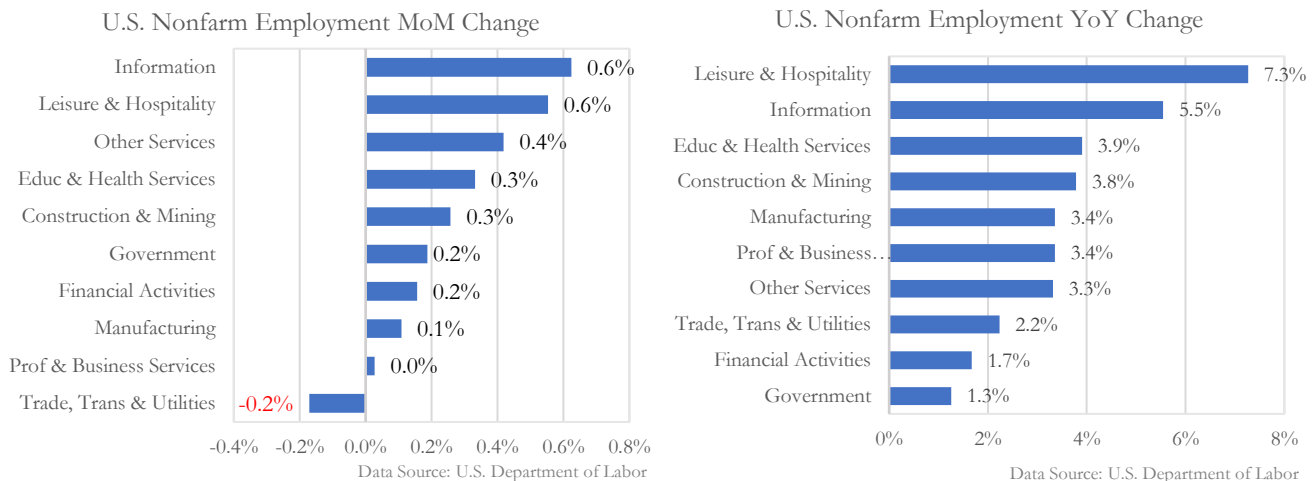
Labor Market Statistical Summary

United States	November 2022	October 2022	November 2021
Unemployment Rate	3.7%	3.7%	4.2%
Total Unemployed	6,011,000	6,059,000	6,802,000
Total Nonfarm Employment	158,470,000	158,608,000	155,324,000
Job Growth	+263,000	+284,000	+210,000
Covid Job Recovery	100.0%	100.0%	82.6%
Average Monthly Initial Unemployment Claims	221,750	228,000	229,000
Labor Force Participation Rate	62.1%	62.2%	61.9%
Average Hourly Wage	$32.82	$32.64	$31.15

Connecticut	November 2022	October 2022	November 2021
Unemployment Rate	4.2%	4.3%	5.2%
Total Unemployed	79,600	81,300	96,600
Total Nonfarm Employment	1,672,800	1,666,600	1,636,300
Job Growth	+6,200	-1,100	+5,600
Covid Job Recovery	90.9%	89.4%	75.3%
Average Monthly Initial Unemployment Claims	2,638	2,277	2,718
Labor Force Participation Rate	64.3%	64.2%	63.8%
Average Hourly Wage	$35.03	$35.28	$34.11

National Job Growth

The Bureau of Labor Statistics reported the U.S. added 263,000 jobs in November after adding 284,000 in October and 269,000 in September. This growth marks 23 straight months of job gains. Year-over-year, all sectors saw improvement. Month-over-month, the largest job gains occurred in leisure and hospitality (+88,000), education and health services (+82,000), and government (+42,000). Trade, transportation, and utilities lost 49,000 jobs mostly due to a 29,900 drop in retail trade. 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.

U.S. Nonfarm Employment MoM Change

Sector	Change
Information	0.6%
Leisure & Hospitality	0.6%
Other Services	0.4%
Educ & Health Services	0.3%
Construction & Mining	0.3%
Government	0.2%
Financial Activities	0.2%
Manufacturing	0.1%
Prof & Business Services	0.0%
Trade, Trans & Utilities	-0.2%

Data Source: U.S. Department of Labor

U.S. Nonfarm Employment YoY Change

| Sector	Change
Leisure & Hospitality	7.3%
Information	5.5%
Educ & Health Services	3.9%
Construction & Mining	3.8%
Manufacturing	3.4%
Prof & Business...	3.4%
Other Services	3.3%
Trade, Trans & Utilities	2.2%
Financial Activities	1.7%
Government	1.3%

Data Source: U.S. Department of Labor

Seven industry sectors have gained jobs above their pre-pandemic levels: construction, trade transportation and utilities, professional and business services, information, financial activities, manufacturing, and education and health services. The U.S. has recovered 100% of the 21,991,000 jobs lost in March and April 2020 due to the COVID-19 lockdown.

Several firms have announced layoff plans due to recession fears. Layoffs have mostly been concentrated in the big tech sector including Amazon, Twitter, Meta, and Hewlett-Packard. Despite these layoffs, the tech sector is relatively small so impacts on overall employment figures would be insignificant. There are still a record number of job openings across industries so employees should still be able to find new jobs relatively quickly. There were 10.3 million job openings in October which means 1.71 jobs for every unemployed person.

National Unemployment

The Bureau of Labor Statistics reported the U.S. unemployment rate remained unchanged from last month at 3.7%. The total number of unemployed people in October was 6 million, a decrease of 48,000 from last month.

For the week ending December 17, seasonally adjusted initial claims totaled 216,000, while average weekly initial claims were 221,750. The level of jobless claims has increased slowly from the lows in March. For the week ending December 10, seasonally adjusted continued claims totaled 1,672,000, while average weekly continued claims were 1,657,000.

Data Source: U.S. Department of Labor
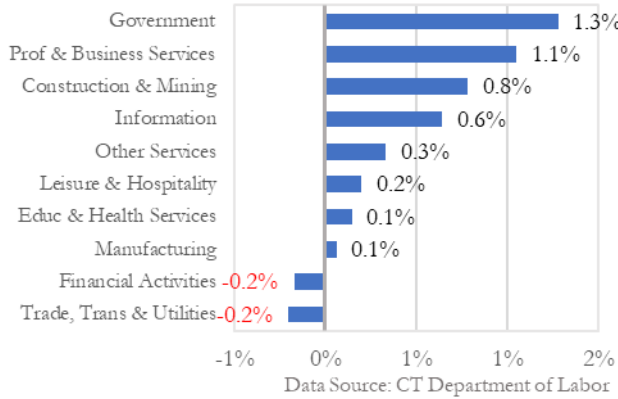

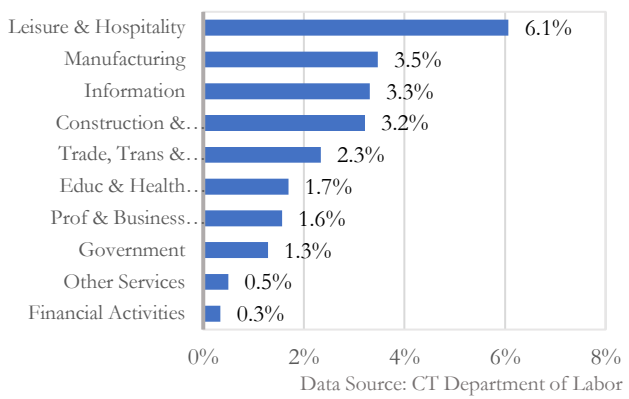Data Source: U.S. Department of Labor
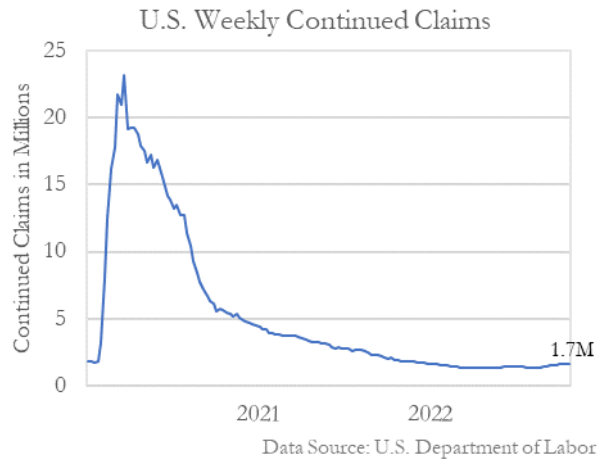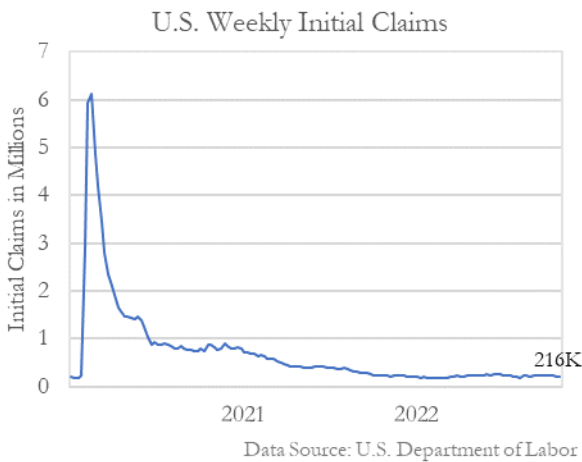
Connecticut Job Growth

The Connecticut Department of Labor reported the state added 6,200 jobs in November while the originally small October job gain of 500 was revised downward by 1,600 positions to a loss of 1,100, ending 9 straight months of job gains. Total nonfarm payroll was 1,672,800, which is up 262,600 since April 2020 but is down by 26,200 from its pre-pandemic level in February 2020.

Eight industry sectors increased month over month, while two declined. The largest job gains occurred in leisure and government (+2,900), and professional and business services (+2,300). Job declines occurred in trade, transportation, and utilities (-600), and financial activities (-200). The following graphs display the month-over-month and year-over-year net change in nonfarm employment by sector.

CT Nonfarm Employment MoM Change

Government	1.3%
Prof & Business Services	1.1%
Construction & Mining	0.8%
Information	0.6%
Other Services	0.3%
Leisure & Hospitality	0.2%
Educ & Health Services	0.1%
Manufacturing	0.1%
Financial Activities	-0.2%
Trade, Trans & Utilities	-0.2%

Data Source: CT Department of Labor

CT Nonfarm Employment YoY Change

|	
Leisure & Hospitality	6.1%
Manufacturing	3.5%
Information	3.3%
Construction &…	3.2%
Trade, Trans &…	2.3%
Educ & Health…	1.7%
Prof & Business…	1.6%
Government	1.3%
Other Services	0.5%
Financial Activities	0.3%

Data Source: CT Department of Labor

Overall, Connecticut has recovered 90.9% of the 289,400 nonfarm jobs lost in March and April 2020 due to the COVID-19 lockdown. The private sector has recovered 93.2% of jobs lost while the public sector has only recovered 65.7%. See Appendix 2 for detailed industry sector data.
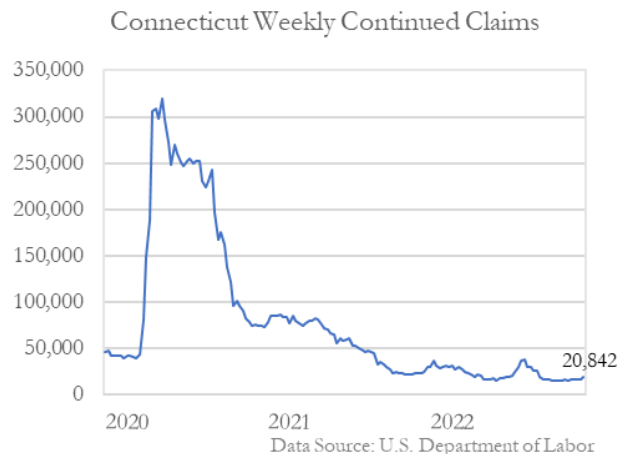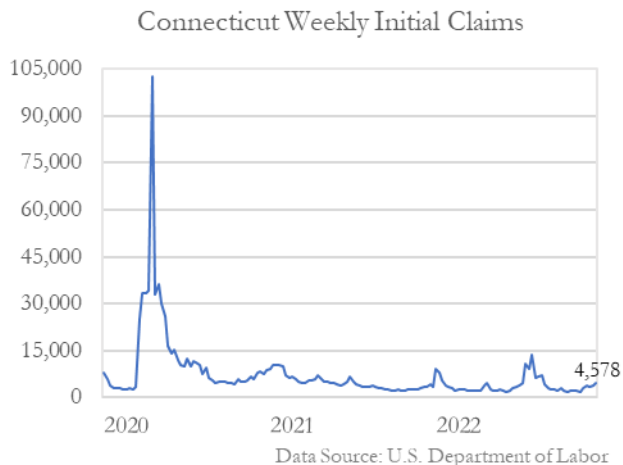
Connecticut Unemployment

The Connecticut Department of Labor reported the state unemployment rate was 4.2% in November, down from 4.3% in October. The total number of unemployed people was 79,600 in November, a decrease of 1,700 from last month.

U.S. vs CT Unemployment Rate
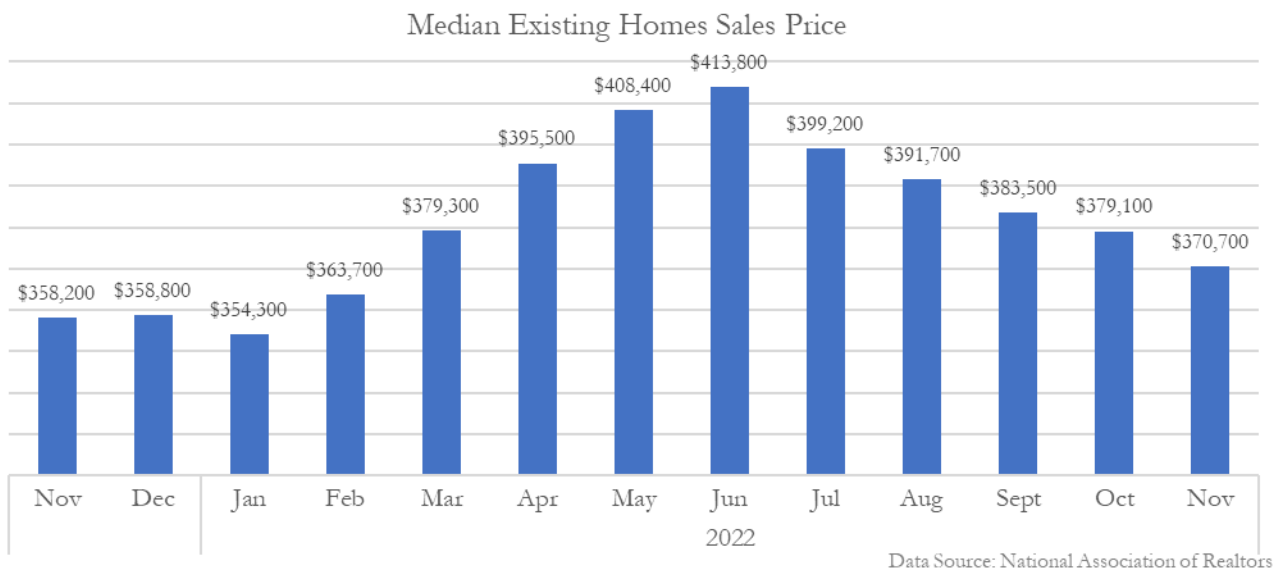

Data Source: CT Department of Labor
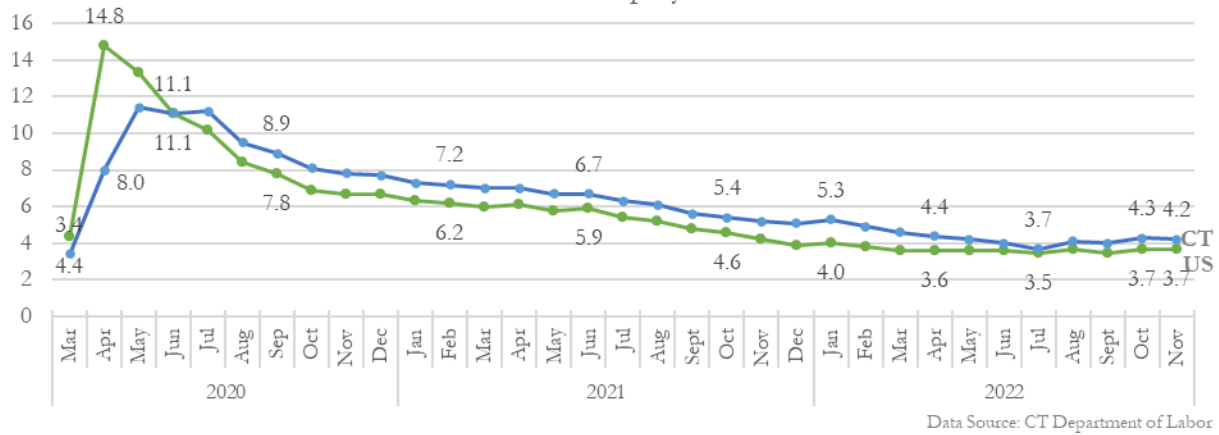
Unemployment claims for first-time filers were an average of 2,638 per week in November, up by 361 claims from last month. This level of average weekly initial claims is beginning to rise as the econonmy cools down.

Connecticut Weekly Initial Claims

4,578

Data Source: U.S. Department of Labor

Connecticut Weekly Continued Claims

20,842

Data Source: U.S. Department of Labor

National Housing Market

The National Association of Realtors (NAR) reported existing-home sales decreased for the tenth month in a row, down 7.7.% from last month and 35.4% from last year. This is due to a lack of inventory, elevated home prices, and rising mortgage rates reducing affordability.

The median existing-home sales price was $370,700 in November, down for the fifth month in a row after June's all-time high. However, November's median price is still $12,500 or 3.5% higher than last year. Price growth is slowing but still remains much greater than pre-pandemic levels.
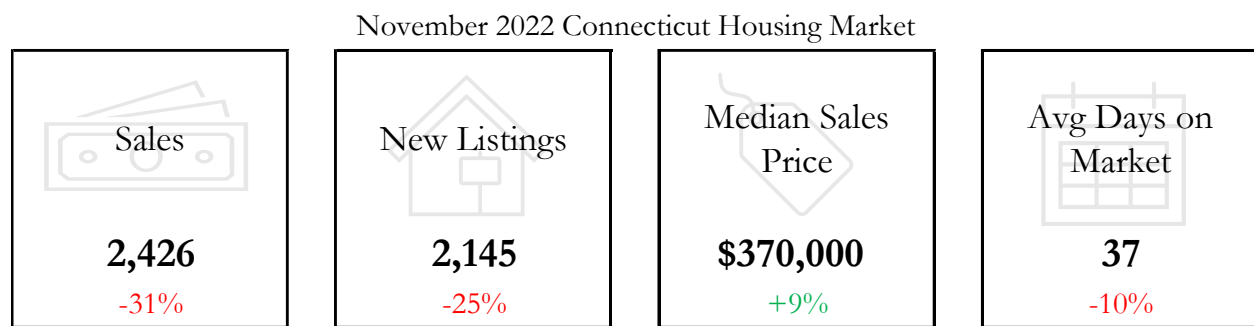

Median Existing Homes Sales Price

Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov
$358,200	$358,800	$354,300	$363,700	$379,300	$395,500	$408,400	$413,800	$399,200	$391,700	$383,500	$379,100	$370,700

2022

Data Source: National Association of Realtors

Housing affordability declined month over month and year over year. Year-over-year, monthly mortgage payments increased 64.6% from $1,242 to $2,044 while median family income rose by 4.6%. Mortgage rates have been moderating over the past six weeks, declining significantly after hitting a 7.08% high last month, but are still double what they were a year ago. First-time buyers were responsible for 26% of sales. NAR found that the annual share of first-time homebuyers is the lowest

it's ever been, while the average age of first-time homebuyers is the highest it's ever been at 36. For the fourth month in a row housing inventory decreased, reaching 1.14 million, well below necessary levels.

Connecticut Housing & Rental Market

Berkshire Hathaway HomeServices reported year over year sales of single-family homes decreased 31% and new listings were down 25% in November. Median sales price increased by 9% and median list price increased by 9%. Average days on the market decreased to 37 days from 41 a year ago. On average, sales prices came in above list prices, with a list/sell price ratio of 100.6%. Inventory sits at a 1.9-month supply at the current sales pace, down slightly from last month and up slightly from last year. See Appendix 3 for detailed Connecticut Housing Market data.

November 2022 Connecticut Housing Market

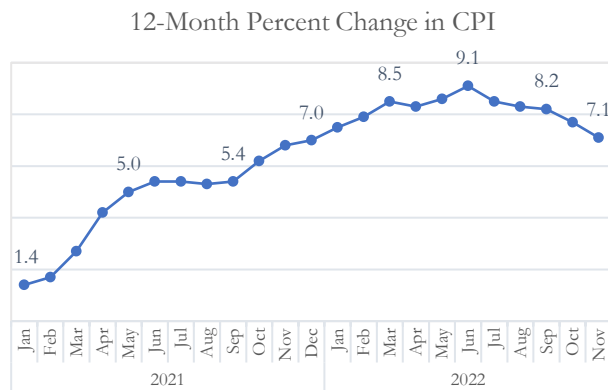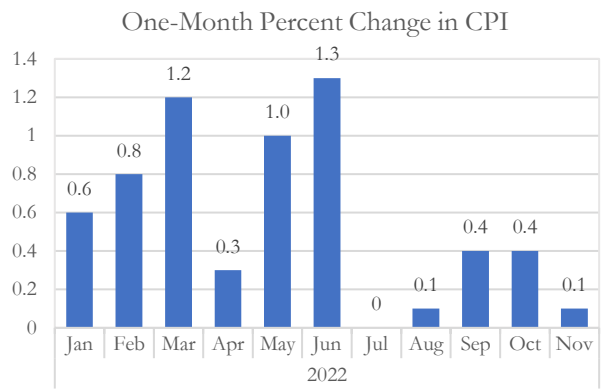| Sales	New Listings	Median Sales Price	Avg Days on Market
2,426	**2,145**	**$370,000**	**37**
-31%	-25%	+9%	-10%

Data Source: Berkshire Hathaway HomeServices

National median rent declined for the third month in a row according to Apartment List and is in line with pre-pandemic seasonal trends. National average rent was $1,356 in November, down 1% from last month and up 4.4% from last year. Every state except for Rhode Island, Arizona, Maine, Nevada, and Hawaii, saw rent prices increase year over year. Rent growth is slowing down, but prices are still much greater than before the pandemic. In Connecticut, average rent increased 3.8% year over year, from $1,488 to $1,547 but dipped slightly from last month. 35% of households in Connecticut rent their homes, and approximately 52% of Connecticut renters are cost burdened, meaning they spend more than 30% of household income on housing costs.
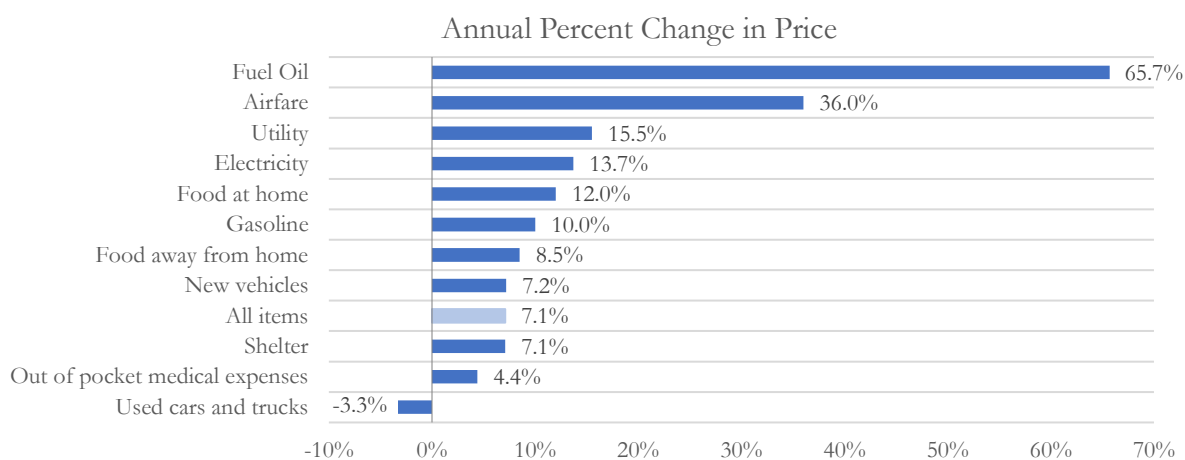
Inflation

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.1% in November for an annual rate of 7.1%—an indication inflation may be slowing down. However, prices for shelter, groceries, and gas remain elevated with the 0.6% monthly increase in shelter contributing to almost half of this month's increase. Core CPI, which excludes food and energy, rose 0.2% for an annual rate of 6%.

12-Month Percent Change in CPI

Data Source: U.S. Department of Labor

One-Month Percent Change in CPI

Data Source: U.S. Department of Labor

Annual Percent Change in Price


Data Source: U.S. Department of Labor

The Bureau of Economic Analysis reported the Personal Consumption Expenditure (PCE) price index excluding food and energy, the Federal Reserve's preferred inflationary index, increased 0.2 percent from last month and now stands at an annual rate of 5%. This is a slowdown from previous months and is an indication underlying inflation is starting to come down.

It is too early to declare a win on the inflation front because prices remain at 30-year highs. It will take some time before households feel any substantial relief. This month's reports indicate we are starting to move in the right direction, but there is still a long way to go before prices ease. The Federal Reserve raised interest rates by 50 basis points in December bringing the target range to 4.25%-4.5%.

The widespread, persistent inflation we are experiencing today disproportionately affects low-income households according to Fed Vice Chair Lael Brainard. Low-income households spend a greater share of income on necessities, have less financial cushion, and lower ability to switch to lower priced items. On average, low-income households spend approximately 75% of income on basic necessities such as groceries, gasoline, utilities, rent, and transportation—compared to only about 30% for high-income households. Additionally, households of different income levels have different abilities to change behavior such as switching to generic, buying in bulk, or foregoing goods altogether. On top of this, lower-income households have smaller financial cushions if catastrophic events occur such as job loss, health crises, or costly damage to a home or vehicle.

GDP

The Bureau of Economic Analysis reported the "third" estimate of U.S. real gross domestic product (GDP) increased at an annual rate of 3.2% in the third quarter of 2022, an increase of 0.3 percentage points from the previous estimate. This follows a 0.6% real GDP decrease in the second quarter of 2022.


Real GDP

Data Source: Bureau of Economic Analysis
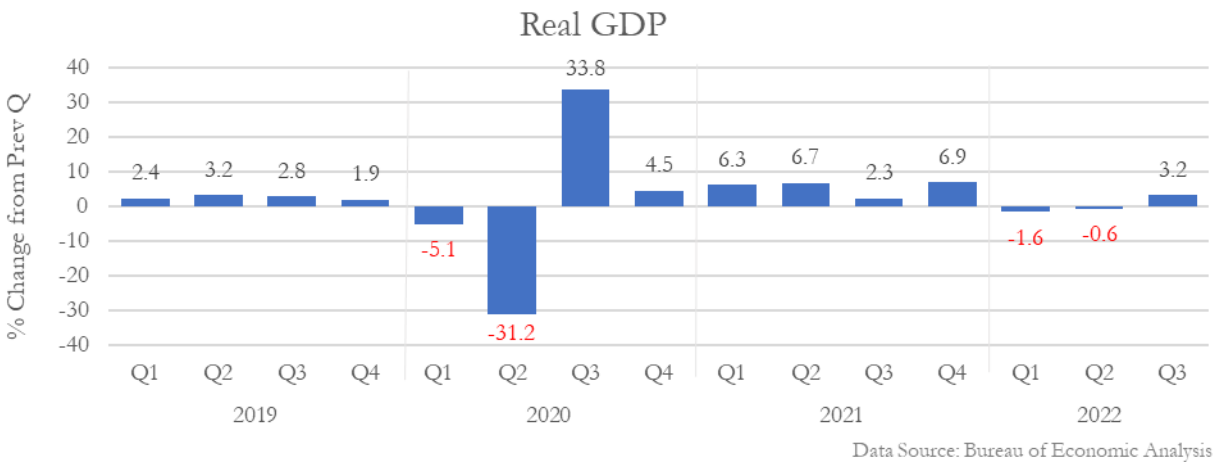
GDP is calculated by adding public consumption, private investment, government spending, and the difference between exports and imports. The "third" estimate primarily reflected upward revisions to consumer spending and nonresidential fixed investment offset by downward revisions to private inventory investment.

The increase in exports reflected increases in both goods and services. Public consumption, or consumer spending, increased due to spending on services rather than goods. Within private inventory investment, the decrease was led by retail trade (mainly clothing and accessory stores as well as "other" retailers). The increase in state and local government spending was led by increases in compensation of state and local government employees and investment in structures. The increase in federal government spending was led by defense spending.

Consumer Spending, Saving & Debt

The Bureau of Economic Analysis reported consumer spending increased $19.8 billion (0.1%) in November. Spending on services increased by $79.2 billion with the largest contributor to the increase spending on housing. Spending on goods decreased by $59.5 billion, driven by spending on new motor vehicles (mainly new light trucks). Personal income increased $80.1 billion (0.4%) primarily due to increases in compensation and personal income receipts on assets. The personal-saving rate was 2.4% in November, up from 2.3%. The following graph displays the monthly change in consumer spending.

Monthly Change in Consumer Spending
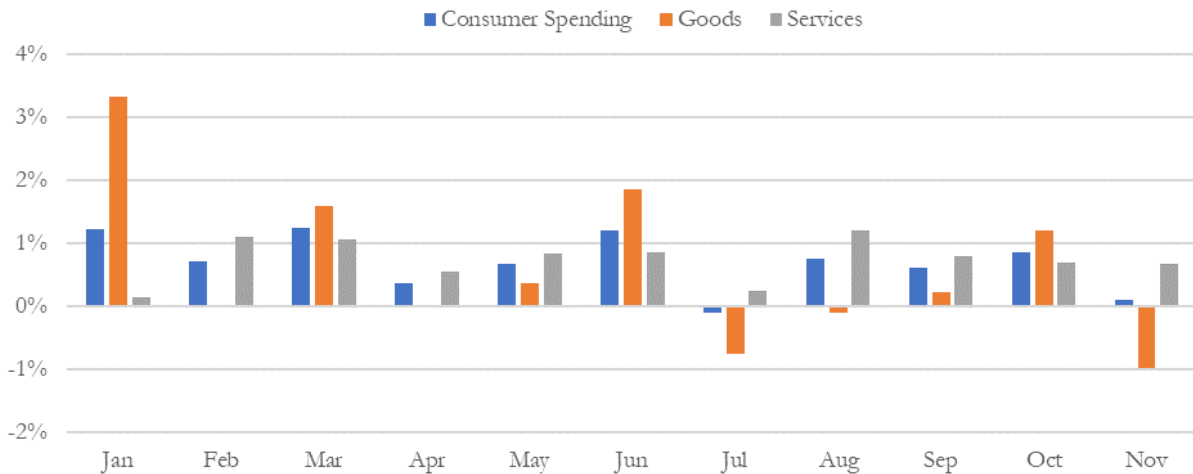
Data Source: Bureau of Economic Analysis

The Federal Reserve Bank of New York reported total household debt increased by $351 billion in the third quarter of 2022, a 2.2% rise from the previous quarter, and the largest nominal quarterly increase since 2007. The increase was driven by a $282 billion increase in mortgage balances which comprise 71% of household debt, and credit card debt, up by $38 billion from last quarter which had the largest year over year increase in over 20 years. Record inflation coupled with strong consumer demand and rising interest rates are large contributors to increased debt. Delinquency rates are rising, however remain historically low due to pandemic stimulus and forbearance programs. The chart below displays debt share by type and age.

Stock Market and State Revenue

The first half of calendar year 2022 marked a steady decline in the stock market which continued into the second half of the year. Negative GDP, high inflation, shifting monetary policy, and geopolitical issues created persistent volatility. Investors were, and continue to be, increasingly pessimistic about the economic future as recession concerns arise. However, the fourth quarter tends to perform well, and the market rallied in November as the holiday season approaches and Federal Reserve Chair Jerome Powell indicated large rate hikes may be coming to an end. As of December 28, stocks were headed for a down December and their worst year since 2008.

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 up a combined 10.3% compared with the same period from FY 2022.

The withholding portion of the income tax is the largest single General Fund revenue source. In FY 2022, income tax withholding performed very well. The budget plan called for growth in withholding receipts of 1.8% over FY 2021 realized amounts. FY 2022 results show collections came in 8.9% above the same period in FY 2021. In FY 2023, the budget plan calls for growth in withholding receipts of 3.8% over FY 2022 realized amounts. Through the first five months of FY 2023, collections are 10.3% above the same period in FY 2022.

Consumer Confidence

The Conference Board reported the U.S. consumer confidence index increased in December following back-to-back monthly declines, from 101.4 to 108.3. In the December survey, the Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, improved from 138.3 to 147.2. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, improved from 76.7 to 82.4. However, expectations are still lingering around 80 – a level associated with recession. The improvement in this month's survey was mostly due to declines in gas prices.

Appendix 1: National Employment Data by Sector

| | November | October | November | MoM | | YoY | |
Sector	2022 (P)	2022 (R)	2021 (R)	Change	Rate	Change	Rate
U.S. Nonfarm Employment by Sector							
Trade, Trans & Utilities	28,712,000	28,761,000	28,084,000	-49,000	-0.2%	628,000	2.2%
Prof & Business Services	22,459,000	22,453,000	21,730,000	6,000	0.0%	729,000	3.4%
Manufacturing	12,934,000	12,920,000	12,514,000	14,000	0.1%	420,000	3.4%
Financial Activities	8,997,000	8,983,000	8,849,000	14,000	0.2%	148,000	1.7%
Government	22,418,000	22,376,000	22,140,000	42,000	0.2%	278,000	1.3%
Construction & Mining	8,343,300	8,321,900	8,038,900	21,400	0.3%	304,400	3.8%
Educ & Health Services	24,806,000	24,724,000	23,874,000	82,000	0.3%	932,000	3.9%
Other Services	5,765,000	5,741,000	5,580,000	24,000	0.4%	185,000	3.3%
Leisure & Hospitality	16,003,000	15,915,000	14,919,000	88,000	0.6%	1,084,000	7.3%
Information	3,065,000	3,046,000	2,904,000	19,000	0.6%	161,000	5.5%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

| | November | October | November | MoM | | YoY | |
Sector	2022 (P)	2022 (R)	2021 (R)	Change	Rate	Change	Rate
CT Nonfarm Employment by Sector							
Financial Activities	117,100	117,300	116,700	-200	-0.2%	400	0.3%
Prof & Business Services	220,500	218,200	217,100	2,300	1.1%	3,400	1.6%
Trade, Trans & Utilities	297,500	298,100	290,700	-600	-0.2%	6,800	2.3%
Government	228,600	225,700	225,700	2,900	1.3%	2,900	1.3%
Other Services	60,500	60,300	60,200	200	0.3%	300	0.5%
Construction & Mining	64,200	63,700	62,200	500	0.8%	2,000	3.2%
Information	31,200	31,000	30,200	200	0.6%	1,000	3.3%
Educ & Health Services	341,800	341,300	336,100	500	0.1%	5,700	1.7%
Manufacturing	161,000	160,900	155,600	100	0.1%	5,400	3.5%
Leisure & Hospitality	150,400	150,100	141,800	300	0.2%	8,600	6.1%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary	Nov 2022	Nov 2021	% Change	YTD 2022	YTD 2021	% Change
New Listings	2,145	2,844	-24.6%	39,622	48,047	-17.5%
Sold Listings	2,426	3,511	-30.9%	32,740	40,364	-18.9%
Median List Price	$369,900	$339,900	8.8%	$369,900	$349,900	5.7%
Median Selling Price	$370,000	$340,000	8.8%	$379,000	$351,750	7.8%
Median Days on the Market	21	24	-12.5%	17	23	-26.1%
Average Listing Price	$558,770	$500,911	11.6%	$578,574	$570,121	1.5%
Average Selling Price	$558,758	$501,720	11.4%	$589,178	$570,922	3.2%
Average Days on the Market	37	41	-9.8%	36	44	-18.2%
List/Sell Price Ratio	100.6%	100.8%	-0.2%	102.6%	101.5%	1.1%

Data Source: Berkshire Hathaway HomeServices

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