



— STATE COMPTROLLER —
SEAN SCANLON

FOR IMMEDIATE RELEASE

September 5, 2023

COMPTROLLER SEAN SCANLON PROJECTS \$390.2 MILLION SURPLUS, APPLAUDS JOB GROWTH AND COOLING INFLATION

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his first monthly financial and economic update of Fiscal Year (FY) 2024, projected a General Fund surplus of \$390.2 million and a Special Transportation Fund surplus of \$204.2 million. These figures represent general agreement with the Office of Policy and Management’s projections earlier this month.

Scanlon estimated that come the closeout of FY 2023, \$1.9 billion will be transferred out of the Budgetary Reserve Fund (BRF) into the State Employees and Teachers’ Retirement Systems. \$1.3 billion would be transferred in September and the remainder once the FY 2023 operating surplus is finalized in December.

“As we begin Fiscal Year 2024, Connecticut’s fiscal responsibility continues to create real results, while paying down our pension debt and spurring job growth,” **said Comptroller Scanlon**. “I look forward to working with the Governor Lamont and the legislature to ensure we maintain and enact policies that continue to promote prosperity in Connecticut.”

In a letter to Governor Ned Lamont, Comptroller Scanlon also noted that, while a little higher than the Federal Reserve’s 2% target, inflation has cooled to 3% from a high of 9.1% in June of 2022. Furthermore, the Federal Reserve is no longer forecasting a recession, as the consumer spending and job market have remained strong nationally.

In Connecticut, the job market remains strong as well. Connecticut gained 19,200 jobs so far this year after gaining 26,800 in all of 2022. The number of unemployed is below 70,000 for the first time since August 2019.

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Economic Summary

While inflation has cooled from 9.1% last summer to 3.2% last month, Federal Reserve Chair Jerome Powell said on August 25th that inflation is still too high, and he warned that restoring price stability (the Fed is committed a getting inflation to their 2% target) will likely require an extended period of elevated interest rates. The central bank has already raised its benchmark interest rate from near zero in early 2022 to just over 5.25% in the most aggressive series of rate hikes since the early 1980's. The next Federal Reserve meeting is scheduled for September 20, 2023.

Rising interest rates have been a significant drag on the housing market. Mortgage rates have climbed to their highest level in more than two decades, and sales of existing homes have dropped sharply (although sales of newly-build homes are on the rise). According to Freddie Mac, the 30-year fixed-rate mortgage averaged 7.09% as of August 17, up 5.13% from one year ago.

In Connecticut year-over-year sales of single-family homes decreased 28.5% and new listings were down 25.86% in July. In addition, 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.

On a positive note, the state's job market remains strong. Connecticut gained 19,200 jobs so far this year after gaining 26,800 in all of 2022. The number of unemployed is below 70,000 for the first time since August 2019. "While job growth may slow toward the end of the year as it has in recent years, Connecticut's labor market is healthy as we start the second half of 2023," said Patrick Flaherty, Director of the Office of Research as the Connecticut Department of Labor.

Stock Market and State Revenue

As of August 31st, the NASDAQ, S&P 500, and Dow Jones Industrial Averages were down 2.2%, 1.8%, and 2.4% respectively for the month, but up 34.09%, 17.40% and 4.75% 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 15.8% compared with the same period from FY 2023, though it is still early in the fiscal year.

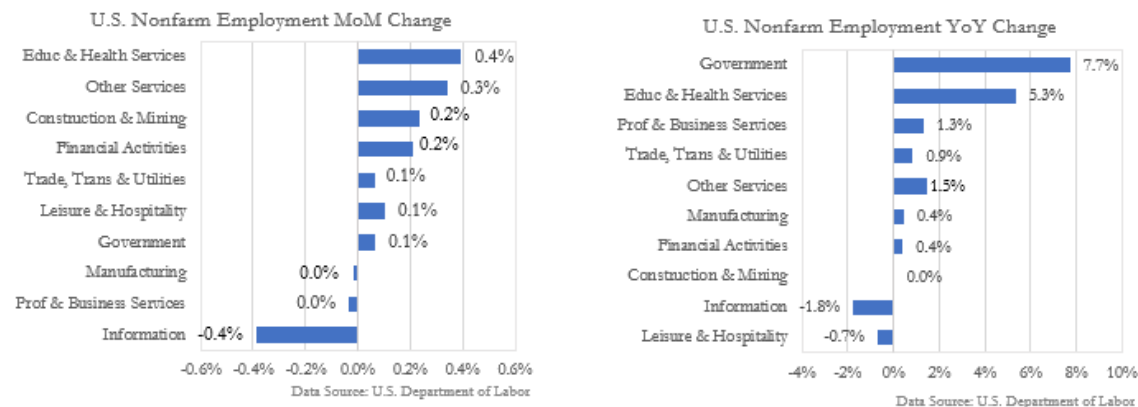
Labor Market Statistical Summary

United States	Jul-23	Jun-23	Jul-22
Unemployment Rate	3.5%	3.6%	3.5%
Total Unemployed	5,800,000	6,000,000	5,700,000
Total Nonfarm Employment	156,342,000	156,155,000	152,875,000
Job Growth	+187,000	+209,000	+528,000
Covid Job Recovery	100.0%	100.0%	100.0%
Average Monthly Initial Unemployment Claims	227,000	236,000	218,000
Labor Force Participation Rate	62.6%	62.6%	62.1%
Average Hourly Wage	\$33.74	\$33.58	\$32.27

Connecticut	Jul-23	Jun-23	Jul-22
Unemployment Rate	3.6%	3.7%	4.0%
Total Unemployed	69,000	70,100	76,200
Total Nonfarm Employment	1,692,200	1,689,300	1,670,800
Job Growth	+2,900	-2,500	+8,700
Covid Job Recovery	98.2%	96.4%	87.9%
Average Monthly Initial Unemployment Claims	17,096	18,196	14,836
Labor Force Participation Rate	64.10%	64.10%	64.5%
Average Hourly Wage	\$35.74	\$35.16	\$34.58

National Job Growth

The Bureau of Labor Statistics reported the U.S. added 187,000 jobs in July, with the largest increase in Education & Health Services (+100,000). Year-over-year the U.S. added 3.5M jobs, and the two sectors with the largest growth were Government (+1,630,000) as well as Education & Health Services (+\$1,289,000). The Information sector had decreases both month-over-month and year-over-year of 12,000 and 56,000 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.

National Unemployment

The Bureau of Labor Statistics reported the U.S. unemployment rate at 3.5% in July, down slightly from 3.6% in June. The total number of unemployed people in July was 5.8 million compared to 6.0 million in June.

For the week ending August 19, seasonally adjusted initial claims totaled 230,000. For the week ending August 12, seasonally adjusted continued claims totaled 1,702,000.



Connecticut Job Growth

Connecticut payroll was up 2,900 jobs in July, while June job losses were revised to 2,500 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.

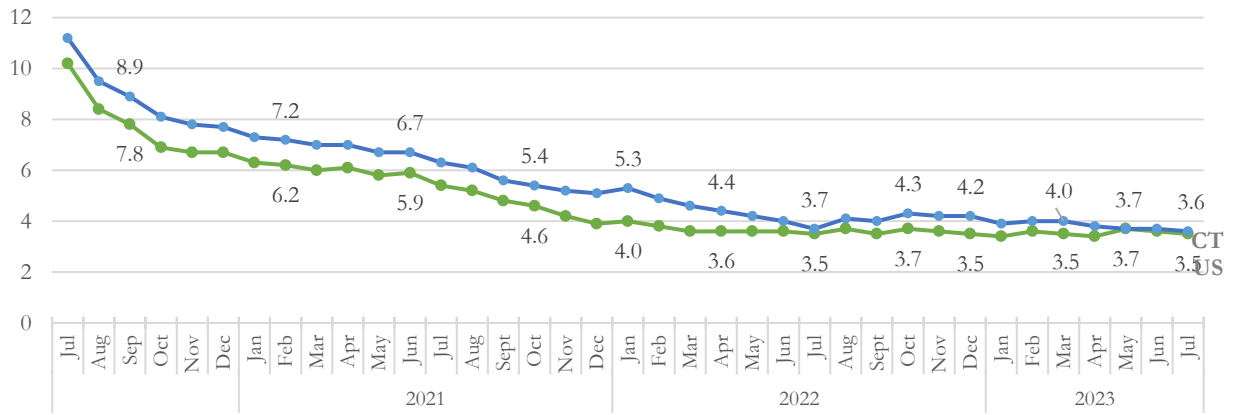


Overall, Connecticut has recovered 98.2% of the 289,400 nonfarm jobs lost in March and April 2020 due to the COVID-19 lockdown (the provide sector is 98.1% recovered from the pandemic shutdown). See Appendix 2 for detailed industry sector data.

Connecticut Unemployment

The Connecticut unemployment rate remained at 3.6% for July 2023, slightly above the national level of 3.5%.

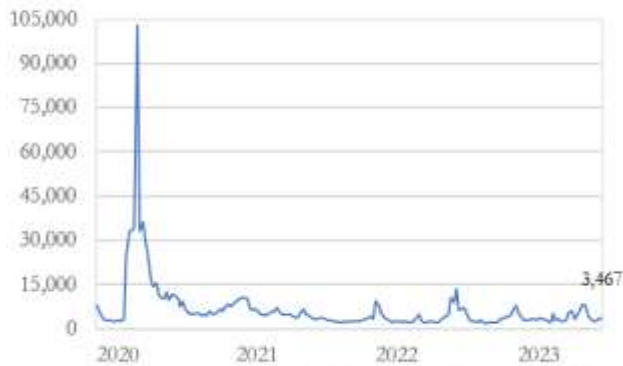
U.S. vs CT Unemployment Rate



Data Source: CT Department of Labor

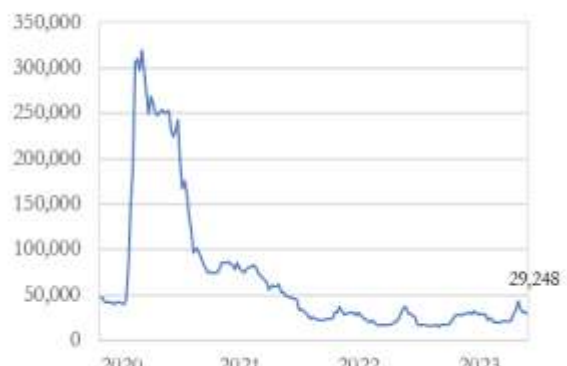
For the week ending August 12, seasonally adjusted initial claims totaled 3,467. For the week ending August 5, seasonally adjusted continued claims totaled 29,248.

Connecticut Weekly Initial Claims



Data Source: U.S. Department of Labor

Connecticut Weekly Continued Claims

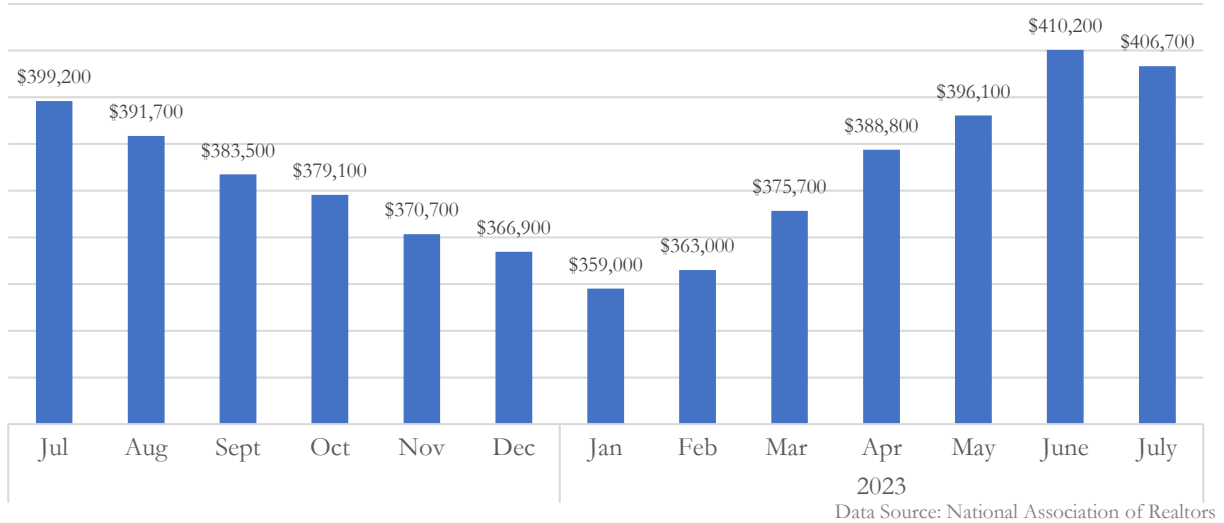


Data Source: U.S. Department of Labor

National Housing & Rental Market

The National Association of Realtors (NAR) reported existing-home sales dropped 2.2% in July and were down 16.6% year-over-year. The median existing-home sales price was \$406,700 in July, rising 1.9% from year ago and only the fourth time the monthly median sales price was above \$400,000. The inventory of unsold existing homes increased 3.7% from the previous month to 1.11 million at the end of July, or the equivalent of 3.3 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 714,000 in July, up 4.4% from the revised June rate of 684,000, and is 31.5% above the June 2022 estimate of 543,000. The median sales price of new houses sold in July 2023 was \$436,700, and the average sales price was \$513,000. The seasonally adjusted estimate of new houses for sale at the end of July was 437,000, which represents a supply of 7.3 months at the current sales rate.

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 7.09% as of August 17, up 5.13% from one year ago. While inflation has cooled from 9.1% last summer to 3.2% last month, Federal Reserve Chair Jerome Powell said on August 25th that inflation is still too high, and he warned that restoring price stability (the Fed is committed a getting inflation to their 2% target) will likely require an extended period of elevated interest rates. The central bank has already raised its benchmark interest rate from near zero in early 2022 to just over 5.25% in the most aggressive series of rate hikes since the early 1980's. The next Federal Reserve meeting is scheduled for September 20, 2023.

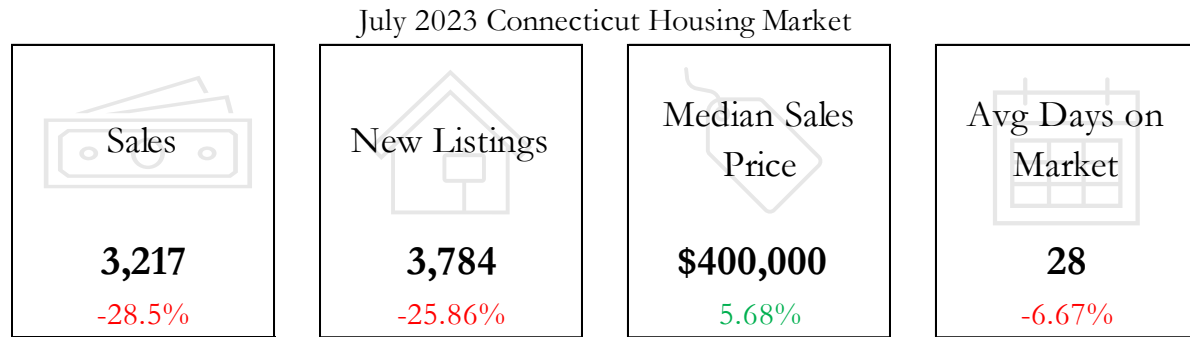


See Appendix 3 for additional new residential sales and construction information.

The national rent index increased by 0.3% over the course of July. However, the rental market hit a big milestone this month, as national rent growth is actually negative year-over-year.

Connecticut Housing & Rental Market

Berkshire Hathaway HomeServices reported year-over-year sales of single-family homes decreased 28.5% and new listings were down 25.86% in July. Median selling price increased by 5.7% and median listing price increased by 5.4%. Average days on the market decreased from a year ago from 30 to 28 days. On average, sales prices came in at 104.4% of list prices. See Appendix 4 for detailed Connecticut Housing Market data.



Data Source: Berkshire Hathaway HomeServices

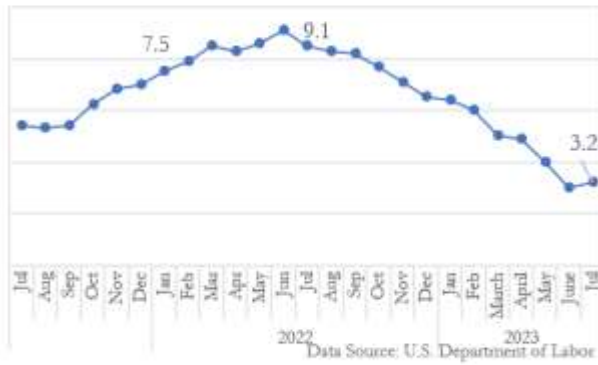
The median rent for all bedroom and all property types in Connecticut is \$1,975, according to Zillow Rental Data. This is higher than the national median of \$1,759. A report from the National Low-Income Housing Coalition analyzing the affordability of each state found that a minimum wage worker in 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 0.2% in July on a seasonally adjusted basis, after increasing 0.2% in June. Over the last 12 months, the all items increased 3.2%, up from 3.0% in June.

The largest annual percentage increases in prices were in Transportation Services (+9.0%) and Shelter (+7.7%). Shelter prices are measured as the rent that tenants pay and the rent that homeowners would pay to live in their houses if they didn't own them. Shelter prices are the largest component of the CPI. They make up 33% of the all items CPI and 42% of the core CPI, which excludes food and energy prices.

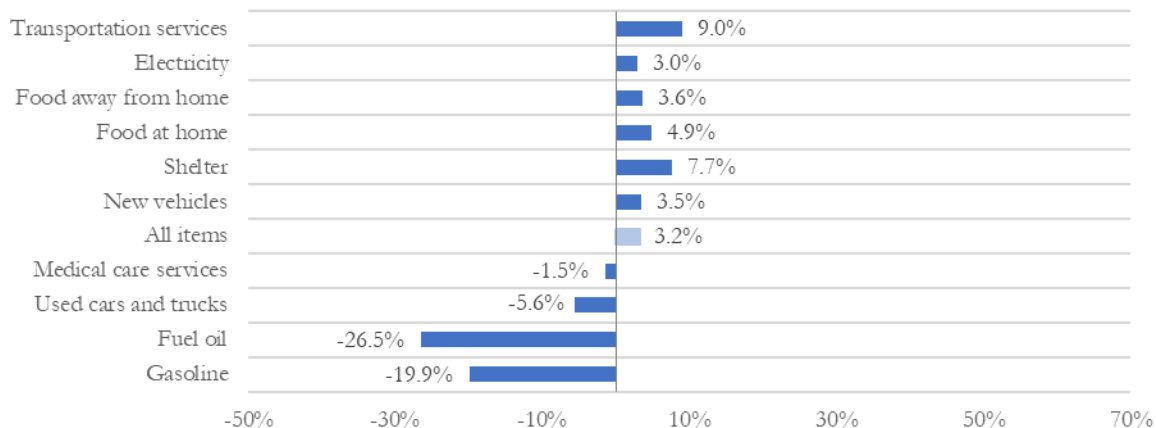
12-Month Percent Change in CPI



One-Month Percent Change in CPI



Annual Percent Change in Price

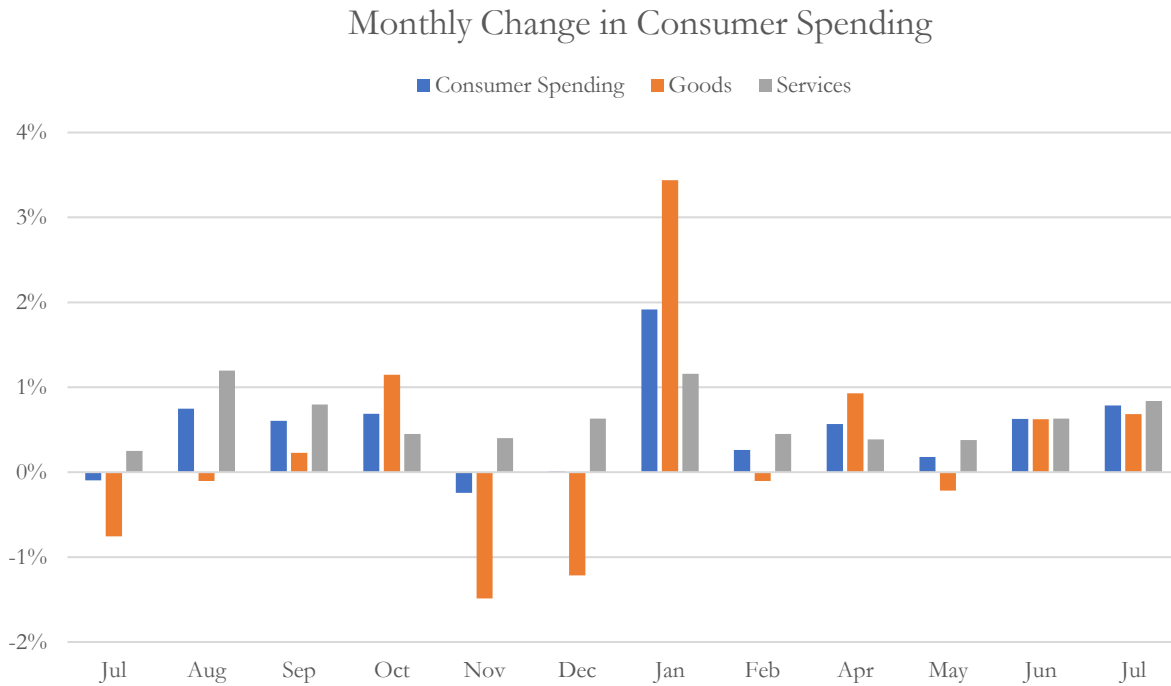


Consumer Spending, Saving & Debt

The Bureau of Economic Analysis reported Personal Income increased \$45.5 billion (0.2%) in July, led by increases in compensation that was partly offset by a decrease in personal current transfer receipts.

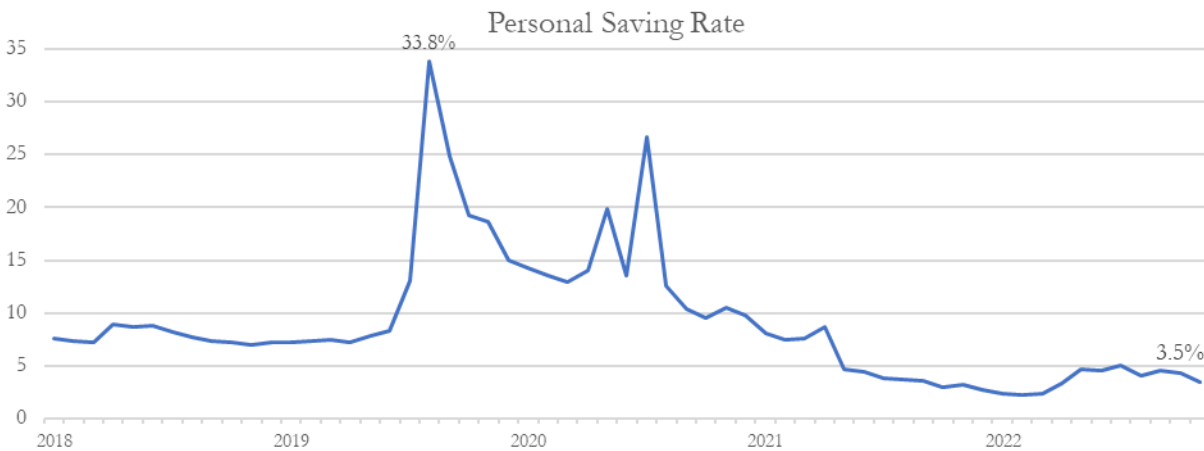
Personal Consumption Expenditures (PCE) increased \$144.6 billion, reflecting an increase of \$102.7 billion in spending for services and an increase of \$41.9 billion in spending for goods. Within services, the largest contributors to the increase were financial services and insurance (led by portfolio management and investment advice services), housing, food services, and health care (led by outpatient services). Within goods, the largest contributors to the increase were “other” nondurable goods (led by pharmaceuticals and recreational items), food and beverages (led by groceries), and recreational goods and vehicles (led by video, audio, photographic, and information processing equipment and media).

The following graph displays the monthly change in consumer spending:



Data Source: Bureau of Economic Analysis

The personal-saving rate was 3.5% in July, compared with 4.3% in June.



Data Source: Bureau of Economic Analysis

GDP

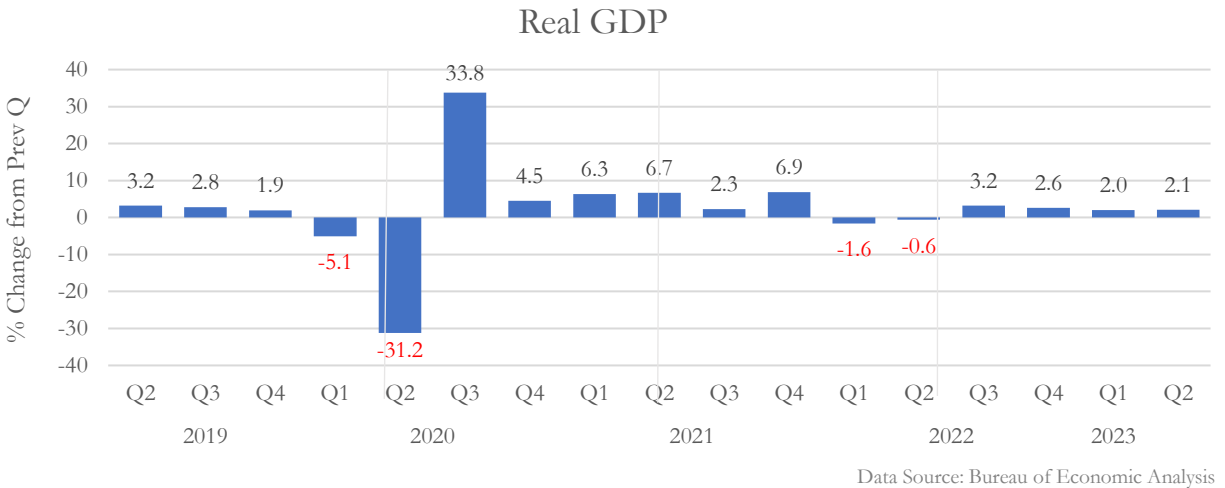
The Bureau of Economic Analysis released the second estimate of U.S. real Gross Domestic Product (GDP), which increased at an annual rate of 2.1% in the second quarter of 2023, compared to the “advance” estimate of 2.4%. The updated estimates primarily reflect downward revisions to private industry investment and nonresidential fixed investment that were partly offset by an upward revision to state and local government spending.

The increase in GDP reflects increases in consumer spending, nonresidential fixed investment, state and local government spending, and federal government spending that were partly offset by

decreases in exports, residential fixed investment, and private inventory investment. Imports, which are a subtraction in the calculation of GDP, decreased.

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 a smaller decrease 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 declined in August, and now stands at 106.1 (1985=100), down from 114.0 in July. The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, fell to 144.8 (1985=100) from 153.0 last month. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, declined to 80.2 (1985=100) from 88.0 in July. Expectations remain slightly above 80 – the level that historically signals a recession within the next year – signaling that consumer fears of an impending recession continue to recede.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector							
Sector	July	June	July	MoM		YoY	
	2023 (P)	2023 (P)	2022	Change	Rate	Change	Rate
Trade, Trans & Utilities	28,885,000	28,867,000	28,641,000	18,000	0.1%	244,000	0.9%
Prof & Business Services	23,032,000	23,040,000	22,735,000	-8,000	0.0%	297,000	1.3%
Manufacturing	12,985,000	12,987,000	12,927,000	-2,000	0.0%	58,000	0.4%
Financial Activities	9,163,000	9,144,000	9,126,000	19,000	0.2%	37,000	0.4%
Government	22,701,000	22,686,000	21,071,000	15,000	0.1%	1,630,000	7.7%
Construction & Mining	8,614,000	8,594,000	8,614,000	20,000	0.2%	0	0.0%
Educ & Health Services	25,408,000	25,308,000	24,119,000	100,000	0.4%	1,289,000	5.3%
Other Services	5,887,000	5,867,000	5,800,000	20,000	0.3%	87,000	1.5%
Leisure & Hospitality	16,593,000	16,576,000	16,712,000	17,000	0.1%	-119,000	-0.7%
Information	3,074,000	3,086,000	3,130,000	-12,000	-0.4%	-56,000	-1.8%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector							
Sector	July	June	July	MoM		YoY	
	2023	2023	2022	Change	Rate	Change	Rate
Educ & Health Services	354,200	351,200	343,100	3,000	0.9%	11,100	3.2%
Construction & Mining	61,700	60,300	60,800	1,400	2.3%	900	1.5%
Prof & Business Services	223,400	224,800	222,000	-1,400	-0.6%	1,400	0.6%
Government	231,500	231,500	227,200	0	0.0%	4,300	1.9%
Financial Activities	115,300	114,700	118,300	600	0.5%	-3,000	-2.5%
Manufacturing	157,000	157,700	157,200	-700	-0.4%	-200	-0.1%
Trade, Trans & Utilities	299,400	299,500	299,300	-100	0.0%	100	0.0%
Information	31,300	31,400	31,200	-100	-0.3%	100	0.3%
Leisure & Hospitality	156,800	156,700	150,400	100	0.1%	6,400	4.3%
Other Services	61,600	61,500	61,300	100	0.2%	300	0.5%

Data Source: CT Department of Labor

Appendix 3: New Residential Sales and Construction Statistics





Appendix 4: Connecticut Housing Market Statistics

Connecticut Market Summary						
	July-23	July-22	% Change	YTD 2023	YTD 2022	% Change
New Listings	3,784	5,104	-25.9%	25,602	34,670	-26.2%
Sold Listings	3,217	4,500	-28.5%	19,749	26,444	-25.3%
Median List Price	\$389,900	\$369,900	5.4%	\$349,900	\$329,900	6.1%
Median Selling Price	\$400,000	\$378,500	5.7%	\$360,000	\$342,500	5.1%
Median Days on the Market	12	14	-14.3%	15	15	0.0%
Average Listing Price	\$598,633	\$570,275	5.0%	\$550,966	\$517,646	6.4%
Average Selling Price	\$615,083	\$584,396	5.3%	\$558,003	\$530,110	5.3%
Average Days on the Market	28	30	-6.7%	36	37	-2.7%
List/Sell Price Ratio	104.4%	103.4%	1.0%	102.7%	103.2%	-0.5%

Data Source: Berkshire Hathaway HomeServices