

FOR IMMEDIATE RELEASE
February 1, 2024

COMPTROLLER SEAN SCANLON PROJECTS \$166.7 MILLION SURPLUS AND LOW UNEMPLOYMENT IMPACT ON ECONOMY

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his monthly financial and economic update, projected a Fiscal Year 2024 General Fund surplus of \$166.7 million and a Special Transportation Fund surplus of \$241.0 million, both in general agreement with the Office of Policy and Management’s (OPM’s) projections.

This represents a slight decrease in surplus forecasts, due to downward revisions in areas such as sales and use tax and federal grant revenue. Much of these reductions were offset, however, by an upward revision in the withholding component of the personal income tax. As unemployment continues to remain low, this revenue source continues to exceed previous projections. In total, these factors resulted in a downward revision of \$11.3 million.

“Connecticut’s economy showed continued resiliency through the growth of 23,000 jobs over the last year,” **said Scanlon**. “The average hourly wage has risen month-over-month, and we can expect to see this trend continue next month with the minimum wage increase that began on January 1. These are all encouraging signs for Connecticut’s working families and our state’s fiscal health.”

Recently, [national news has highlighted the growth of the U.S. economy](#), in large part due to consumer spending. While the Federal Reserve has elected not to cut interest rates just yet, economists have praised what is thought to be a “soft landing,” as inflation continues to cool and as an economic recession appears less likely than it did a year ago.

Comptroller Scanlon currently projects that, at the end of the fiscal year, \$478.5 million in volatility revenue transfers will be made to the Budget Reserve Fund in addition to the budget surplus. This will put the Budget Reserve Fund, also known as the Rainy Day Fund, above its statutory limit and allow for additional payments towards the state’s pension debt.

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Economic Outlook

The U.S. economy is showing signs of slowing, with eroding spending power, elevated interest rates, a cooling labor market, and consumers being more cautious with their spending. At the same time, we see three economic tailwinds that will simultaneously support activity, including the avoidance of a labor market retrenchment, easing inflation and labor costs compression, and likely interest rate cuts from the Fed for the first time since 2020.

Although the odds of entering a recession in the next 12 months are higher than usual, it's by no means guaranteed. Moreover, the prospects of a soft landing have risen, indicating that slipping into a recession is less likely, helping to bolster consumer confidence. However, current events such as the war between Israel and Hamas, rising prices in general, and high interest rates continue to have many Americans feeling concerned.

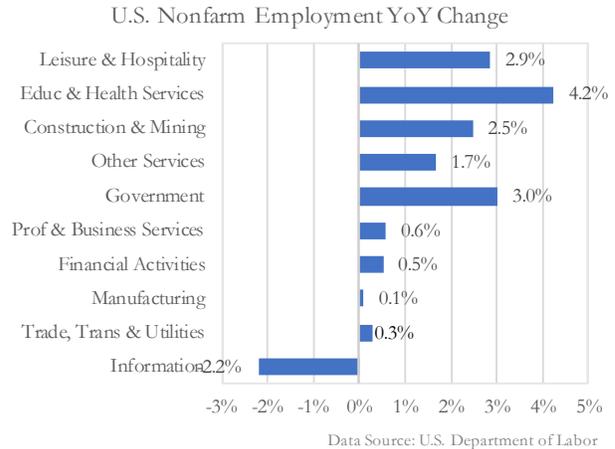
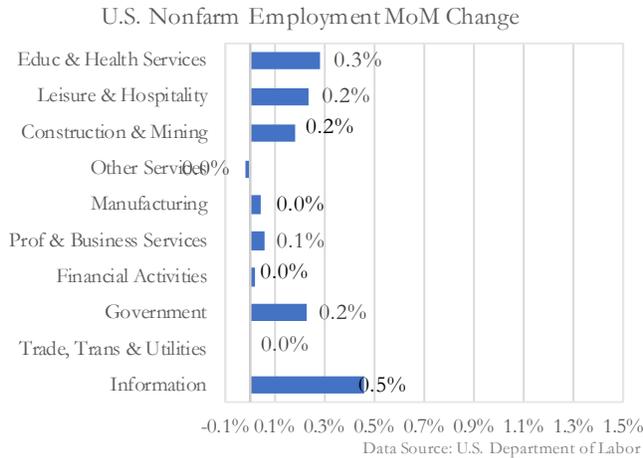
Labor Market Statistical Summary

United States	Dec-23	Nov-23	Dec-22
Unemployment Rate	3.7%	3.7%	3.5%
Total Unemployed	6,300,000	6,291,000	5,700,000
Total Nonfarm Employment	157,232,000	157,016,000	154,535,000
Job Growth	+216,000	+199,000	+223,000
Job Openings to Unemployed Ratio	-	0.7	0.6
Quit Rate	-	2.2%	2.7%
Average Monthly Initial Unemployment Claims	212,500	220,250	221,000
Labor Force Participation Rate	62.5%	62.8%	62.3%
Average Hourly Wage	\$34.27	\$34.10	\$32.92

Connecticut	Dec-23	Nov-23	Dec-22
Unemployment Rate	3.8%	3.6%	4.0%
Total Unemployed	72,000	67,846	76,200
Total Nonfarm Employment	1,695,800	1,698,200	1,672,600
Job Growth	-2,500	-100	-1,600
Job Openings to Unemployed Ratio	-	0.8	0.7
Quit Rate	-	2.2%	2.6%
Average Monthly Initial Unemployment Claims	4,933	2,963	5,597
Labor Force Participation Rate	63.6%	64.4%	64.2%
Average Hourly Wage	\$36.88	\$36.64	\$35.32

National Job Growth

The Bureau of Labor Statistics reported the U.S. added 216,000 jobs in December, below the average monthly gain of 225,000 over the prior 12 months, with the largest increase in Education and Health Services. Year-over-year the U.S. added 2,697,000 jobs, and the two sectors with the largest growth were Education and Health Services (+1,051,000) and Government (+672,000). 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.



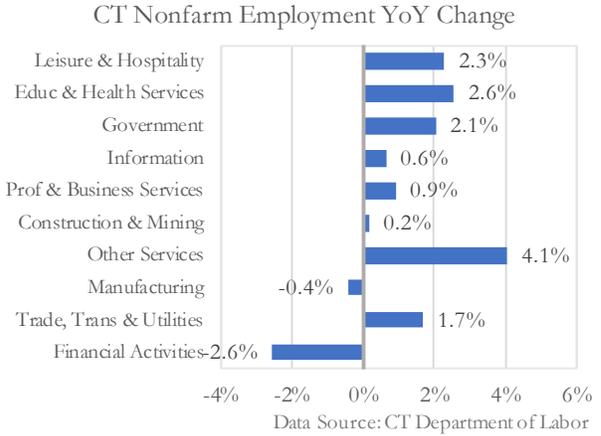
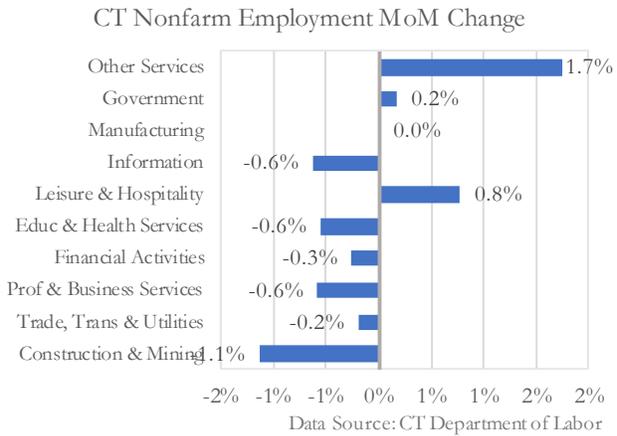
National Unemployment

The Bureau of Labor Statistics reported the U.S. unemployment rate was 3.7% in December, unchanged from the rate in November. The total number of unemployed people in December remained flat at 6,291,000. For the week ending December 30, seasonally adjusted initial claims totaled 203,000 and seasonally adjusted continued claims totaled 1,833,000.



Connecticut Job Growth

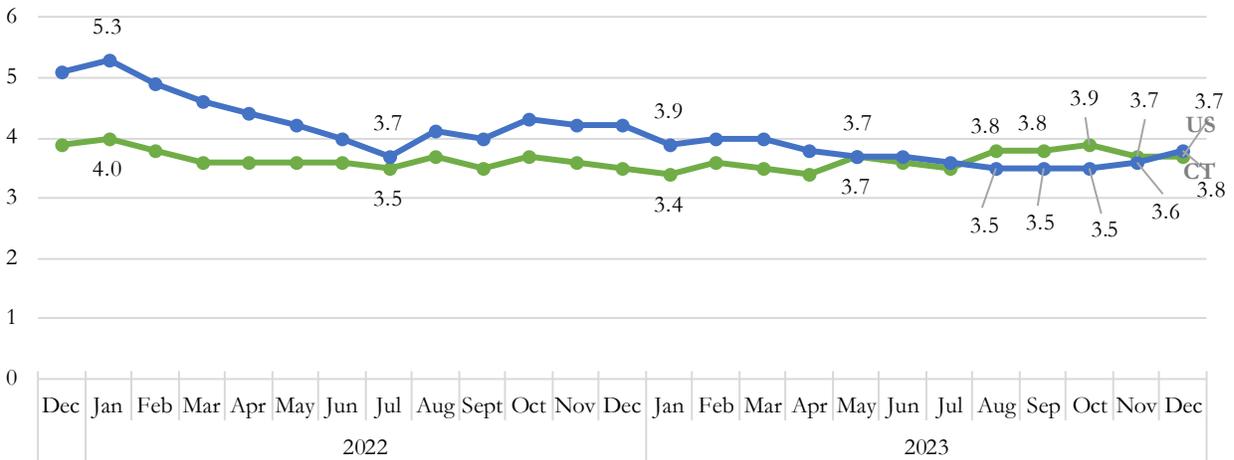
Connecticut nonfarm payroll was down 2,500 jobs in December. Connecticut nonfarm employment is 1.4% higher than it was a year ago. According to the Department of Labor, private sector employment declined for the month (2,900), but is still 18,000 higher than this time last year. Moreover, the private sector is still more than fully recovered (100.5%) from the April 2020 COVID pandemic level lows. Three out of the ten major industry sectors added jobs in December while six declined and one remained unchanged. The following graphs display the month-over-month and year-over-year net change in nonfarm employment by sector. See Appendix 2 for detailed industry sector data.



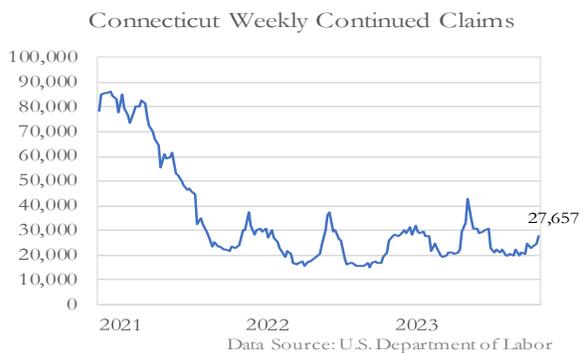
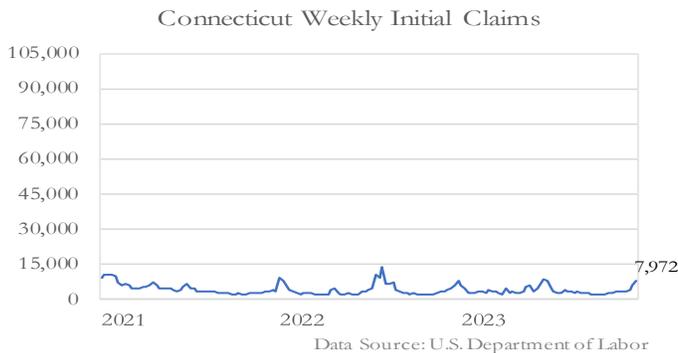
Connecticut Unemployment

The Connecticut unemployment rate was 3.8% for December 2023, just above the national level of 3.7%. The total number of unemployed people in December increased by 4,200 to 72,000.

U.S. vs CT Unemployment Rate

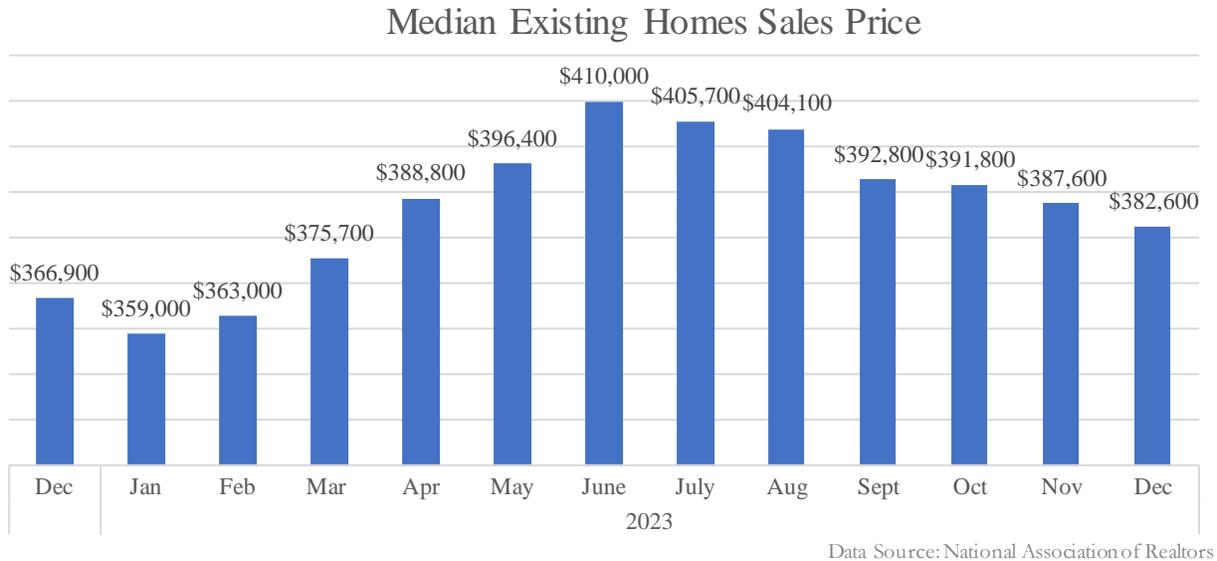


For the week ending December 30, seasonally adjusted initial claims totaled 7,972 and seasonally adjusted continued claims totaled 27,657.



National Housing & Rental Market

The National Association of Realtors (NAR) reported existing-home sales decreased 0.1% in December and were down 6.2% year-over-year. The median existing-home sales price was \$382,600 in December, rising 4.4% from a year ago, marking the sixth consecutive month of year-over-year price increases. The inventory of unsold existing homes declined 11.5% from the previous month to 1.0 million at the end of December, or the equivalent of 3.2 months' supply at the current monthly sales price.

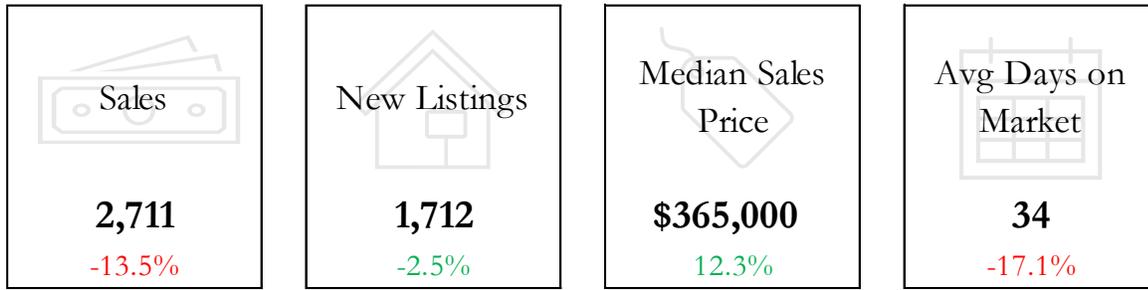


The rental market closed out 2023 with a fifth straight month of negative rent growth, as the nationwide rent decreased by 0.8% from the prior month, to \$1,379. Although rent growth has appeared to bottom out, it remains in negative territory, meaning that on average apartments across the country are slightly cheaper today than one year ago. The reduction in rent was driven in large part to the increase in supply of available apartments, with the national vacancy index now slightly higher than the pre-pandemic average at 6.5%, and the continued increase in new multifamily construction coming to market. Due to the influx of new buildings, renters are seeing more than three in ten rental listings offering concessions. As developers continue to build, the supply of new apartment inventory should be abundant in the year ahead.

Connecticut Housing & Rental Market

Berkshire Hathaway HomeServices reported year-over-year sales of single-family homes decreased 13.5% and new listings were up 2.5% in December. Median sales price increased by 12.3% and median list price increased by 10.8%. Average days on the market decreased seven days compared to a year ago from 41 days in December 2022 to 34 days in December 2023. On average, sales prices came in at 101.8% of list prices. See Appendix 3 for detailed Connecticut Housing Market data.

December 2023 Connecticut Housing Market

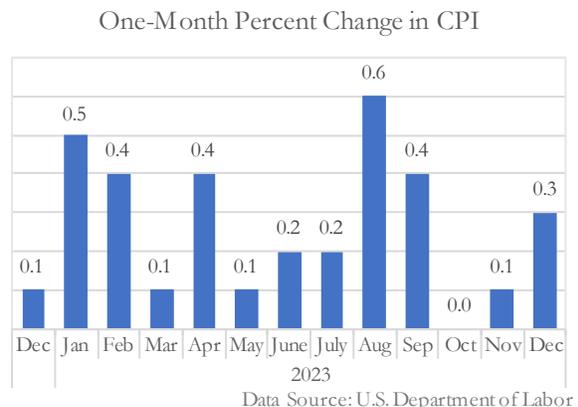
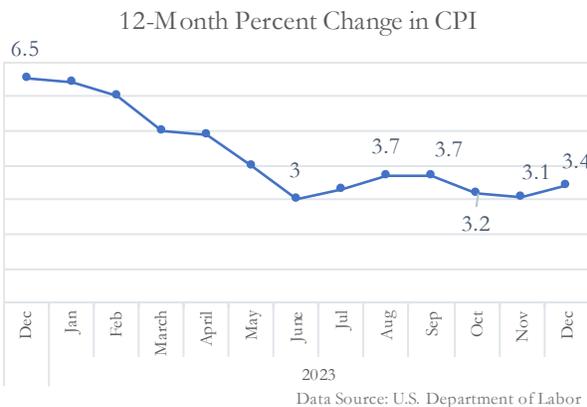


Data Source: Berkshire Hathaway HomeServices

The median rent for all bedroom and all property types in Connecticut is \$1,850, according to Zillow Rental Data. This is 7.0% lower than the national median. Despite being lower than the national median, the National Low-Income Housing Coalition reports that there is a shortage of 89,013 rental homes that would be affordable and available to extremely low-income renters in Connecticut.

Inflation

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.3% in December on a seasonally adjusted basis, after being 0.1% in November. Over the last 12 months, the “all items” expenditure category dropped 3.1% to 3.4% in December.



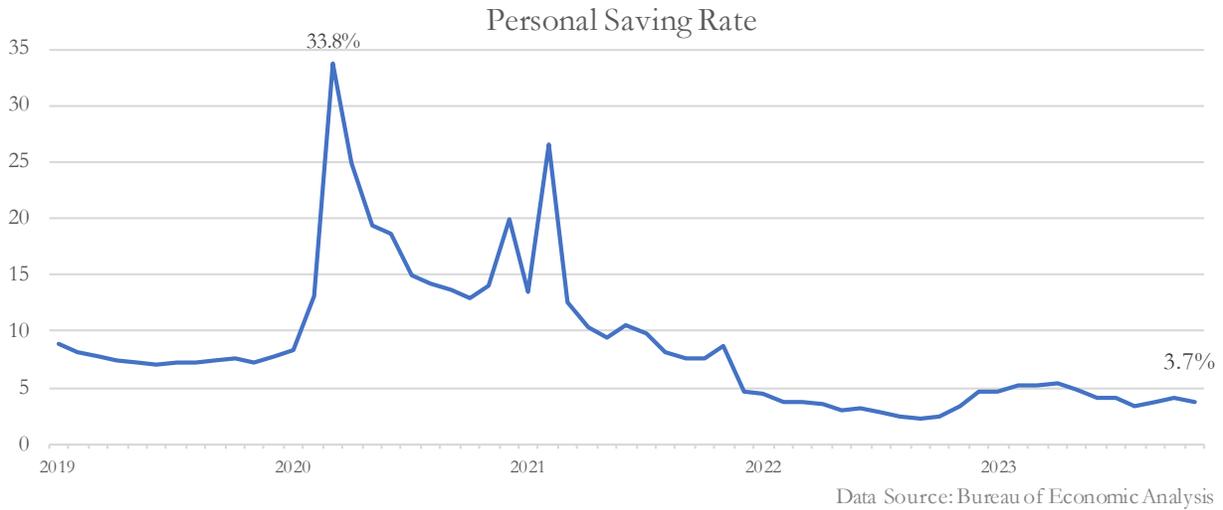
The Federal Reserve continues to hold rates steady. December’s Consumer Price Index rose 3.4%, compared to November’s 3.1%, which is still above the Fed’s goal of 2.0%. Many believe that central banks are likely to wait until there is undeniable evidence of inflation sustainability moving towards their targets before any rate cuts. Therefore, it’s unlikely rate cuts will occur before the third quarter of 2024.

Consumer Spending, Saving & Debt

The Bureau of Economic Analysis reported Personal Income increased \$60.0 billion (0.3%) in December. This was primarily the result of increases in compensation and personal interest income.

Personal Consumption Expenditures (PCE) increased \$133.9 billion (0.7%), reflecting an increase of \$75.6 billion in spending for services and a \$58.4 billion increase in spending for goods. Within services, the largest contributors to the increase were financial services and insurance, health care services, and recreational services. Within good, the leading contributors to the increase were motor vehicles and parts (led by new light trucks, other nondurable goods (led by prescription drugs), and gasoline and other energy goods (led by gasoline).

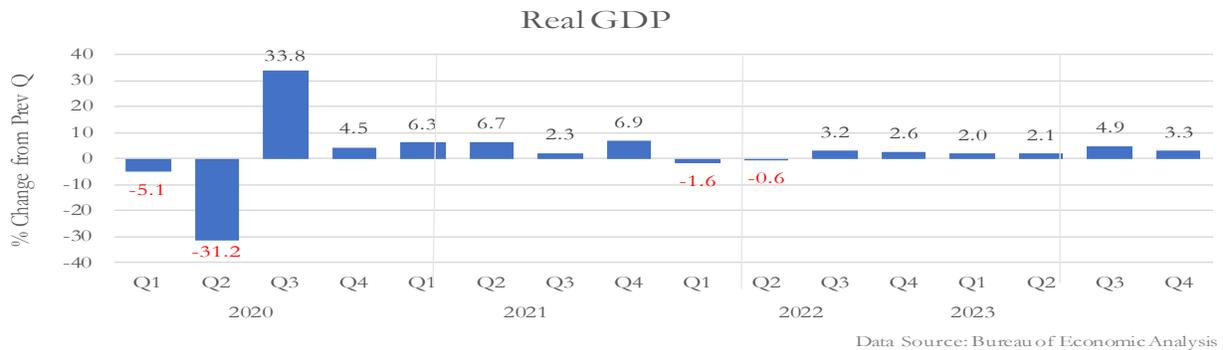
The personal-saving rate was 3.7% in December, compared with 4.1% in November.



National Gross Domestic Product (GDP)

The Bureau of Economic Analysis released the advance estimate of U.S. real Gross Domestic Product, which increased at an annual rate of 3.3% in the fourth quarter of 2023. The estimate is based on source data that is incomplete and will be updated with revisions once the source data is complete. The increase in real GDP reflected increases in consumer spending, exports, state and local government spending, nonresidential fixed investment, federal government spending, private inventory investment, and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, also increased.

Compared to the third quarter, the deceleration in real GDP in the fourth quarter primarily reflected slowdowns in private inventory investment, federal government spending, residential fixed investment, and consumer spending. Imports decelerated as well.



Stock Market and State Revenue

As of January 28, the NASDAQ, S&P 500, and Dow Jones Industrial Averages were up 2.2%, 2.1%, and 1.0%, respectively, for the month. The NASDAQ, S&P 500 and The Dow Jones Industrial Averages are up 33.4%, 20.0%, and 11.8% year-to-date, respectively. With inflation numbers staying low, increased consumer confidence, and expectations of Fed rate cuts, the stock market has continued its upward momentum during the month of December, which is historically a strong month.

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 projections of estimated and final payments indicate that they will be down a combined 29.1% compared with the same period from FY 2023.

Consumer Confidence

The Conference Board reported the U.S. consumer confidence index increased in December to 110.7 (1985=100), up from the revised 101.0 in November. The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, rose to 148.5 (1985=100) from 136.5 last month. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, rose to 85.6 (1985=100) in December, up from 77.4 in November. This increase brings expectations back to levels of optimism last seen in July of this year.

The survey showed that consumer confidence reflected more positive ratings of current business conditions and job availability, as well as less pessimistic views of business, labor market, and personal income prospects over the next six months according to Dana Peterson, Chief Economist at the Conference Board. Consumers' perceived likelihood of a recession over the next 12 months abated in December to the lowest level this year, although two-thirds still see a downturn possible in 2024. Despite the fear of a recession, the survey noted that roughly 36% of respondents expect their family's financial situation to be better in the next six months, with 12% expecting it to be worse.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector							
Sector	November	October	November	MoM		YoY	
	2023	2023	2022	Change	Rate	Change	Rate
Information	3,051,000	3,037,000	3,120,000	14,000	0.5%	-69,000	-2.2%
Trade, Trans & Utilities	28,846,000	28,846,000	28,767,000	0	0.0%	79,000	0.3%
Government	23,003,000	22,951,000	22,331,000	52,000	0.2%	672,000	3.0%
Financial Activities	9,148,000	9,146,000	9,101,000	2,000	0.0%	47,000	0.5%
Prof & Business Services	22,946,000	22,933,000	22,814,000	13,000	0.1%	132,000	0.6%
Manufacturing	12,986,000	12,980,000	12,974,000	6,000	0.0%	12,000	0.1%
Other Services	5,895,000	5,896,000	5,798,000	-1,000	0.0%	97,000	1.7%
Construction & Mining	8,697,000	8,681,000	8,487,000	16,000	0.2%	210,000	2.5%
Leisure & Hospitality	16,782,000	16,742,000	16,316,000	40,000	0.2%	466,000	2.9%
Educ & Health Services	25,878,000	25,804,000	24,827,000	74,000	0.3%	1,051,000	4.2%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector							
Sector	December	November	December	MoM		YoY	
	2023	2023	2022	Change	Rate	Change	Rate
Other Services	64,100	63,000	61,600	1,100	1.7%	2,500	4.1%
Leisure & Hospitality	156,500	155,300	153,000	1,200	0.8%	3,500	2.3%
Financial Activities	113,600	113,900	116,600	-300	-0.3%	-3,000	-2.6%
Government	233,600	233,200	228,900	400	0.2%	4,700	2.1%
Trade, Trans & Utilities	300,700	301,300	295,700	-600	-0.2%	5,000	1.7%
Educ & Health Services	356,500	358,500	347,600	-2,000	-0.6%	8,900	2.6%
Manufacturing	158,400	158,400	159,100	0	0.0%	-700	-0.4%
Prof & Business Services	220,600	221,900	218,600	-1,300	-0.6%	2,000	0.9%
Information	31,300	31,500	31,100	-200	-0.6%	200	0.6%
Construction & Mining	60,500	61,200	60,400	-700	-1.1%	100	0.2%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary						
	December-23	December-22	% Change	YTD 2023	YTD 2022	% Change
New Listings	1,712	1,755	-2.5%	41,463	51,533	-19.5%
Sold Listings	2,711	3,135	-13.5%	35,536	45,341	-21.6%
Median List Price	\$359,999	\$325,000	10.8%	\$359,000	\$339,000	5.9%
Median Selling Price	\$365,000	\$325,000	12.3%	\$370,000	\$345,000	7.3%
Median Days on the Market	16	20	-20.0%	14	17	-17.7%
Average Listing Price	\$544,073	\$487,528	11.6%	\$557,206	\$514,454	8.3%
Average Selling Price	\$547,085	\$483,165	13.2%	\$564,693	\$522,993	8.0%
Average Days on the Market	34	41	-17.1%	34	36	-5.6%
List/Sell Price Ratio	101.8%	100.2%	1.7%	102.9%	102.4%	0.5%

Data Source: Berkshire Hathaway HomeServices