

FOR IMMEDIATE RELEASE
March 4, 2024

COMPTROLLER SEAN SCANLON PROJECTS \$167.9 MILLION SURPLUS

Special Transportation Fund to end fiscal year with \$240.7 million surplus

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his monthly financial and economic update, projected a Fiscal Year 2024 General Fund surplus of \$167.9 million and a Special Transportation Fund surplus of \$240.7 million, both in general agreement with the Office of Policy and Management's projections.

The anticipated surplus is \$1.2 million higher than last month's projection due to a decrease in expenditures across several agencies last month, yet it is still \$231.8 million lower than budgeted. Revenue projections have remained steady from last month at \$22.5 billion but are still expected to amount to \$5.4 million less than budgeted.

"Our state and national economy continue to show signs of strength, and consumers are feeling more optimistic as a result," **said Comptroller Scanlon**. "A booming stock market, low unemployment, and sturdy consumer spending are all indicators of a healthy economy. These trends, our continued surplus, and the prospect of interest rate cuts have our office feeling positive about our budget and the economy in 2024."

In a letter to Governor Ned Lamont, Scanlon noted that the national economy entered 2024 with continued resilience amid cooling inflation. The labor market started the year strong, with the economy adding 353,000 jobs, unemployment remaining steady at 3.7%, and wage growth reaccelerating.

Based on current estimates, \$478.5 million in volatile revenues from final and estimated income taxes as well as pass-through entity tax payments would be made to the Budget Reserve Fund (BRF) at fiscal year-end. After adding the projected General Fund surplus of \$167.9 million, the BRF balance is anticipated to be slightly less than \$4.0 billion or 18.0% of net General Fund appropriations, before statutorily required transfers, by the end of Fiscal Year 2024.

As a result of the fiscal guardrails, the state has been able fund the BRF to its statutory limit while continuing to make additional payments towards its pension plans. This has resulted in hundreds of millions of dollars in annual savings that would have been used for debt service payments and continues to put Connecticut in a much stronger position to weather economic headwinds as they arise.

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Economic Outlook

The U.S. economy entered 2024 with continued resilience, albeit with some moderation in growth and inflationary pressures. The labor market started the year strong, with the economy adding 353,000 jobs, unemployment remaining steady at 3.7%, and wage growth reaccelerating. However, economic growth is expected to slow in 2024 as consumer spending starts to fade and interest rates remain elevated.

Consumer confidence rose in January along with the prospects of a soft landing. Additionally, fears of entering a recession in the next 12 months continued to dissipate. Nevertheless, current events such as the ongoing war between Israel and Hamas, rising prices in general, and high interest rates continue to have many Americans feeling concerned.

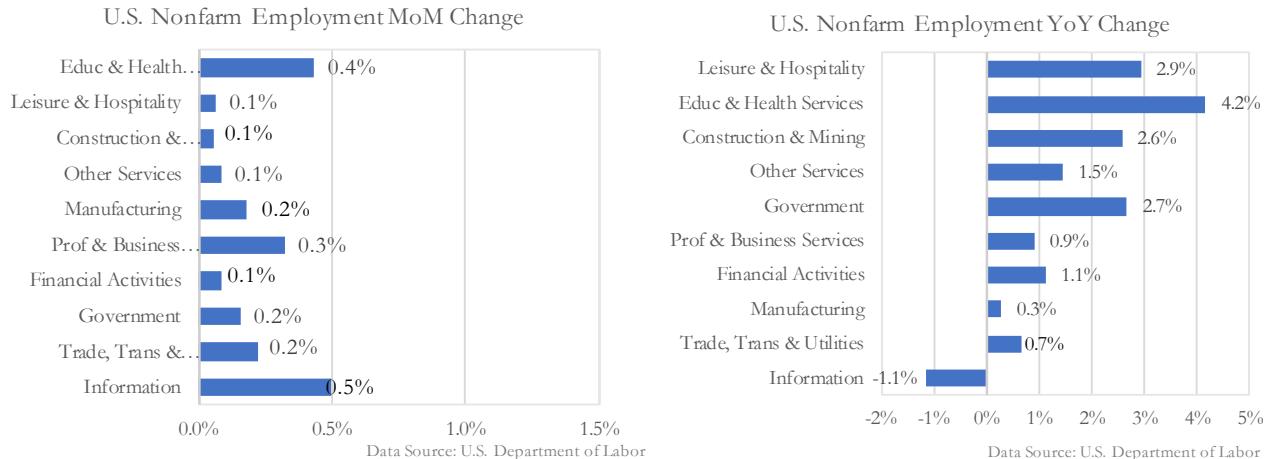
Labor Market Statistical Summary

| United States | Jan-24 | Dec-23 | Jan-23 |
|---|-------------|-------------|-------------|
| Unemployment Rate | 3.7% | 3.7% | 3.4% |
| Total Unemployed | 6,124,000 | 6,268,000 | 5,719,000 |
| Total Nonfarm Employment | 157,700,000 | 157,347,000 | 154,773,000 |
| Job Growth | +353,000 | +216,000 | +517,000 |
| Job Openings to Unemployed Ratio | - | 0.7 | 0.5 |
| Quit Rate | - | 3.4% | 2.5% |
| Average Monthly Initial Unemployment Claims | 208,250 | 212,500 | 191,500 |
| Labor Force Participation Rate | 62.5% | 62.5% | 62.4% |
| Average Hourly Wage | \$29.66 | \$29.53 | \$28.31 |
| 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 |

* January 2024 data was not available at the time this outlook was compiled.

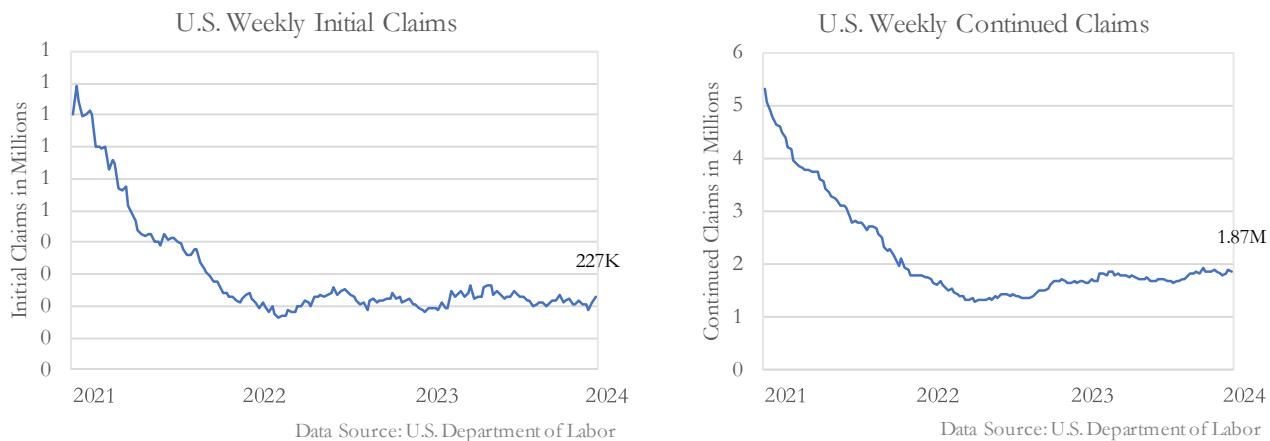
National Job Growth

The Bureau of Labor Statistics reported the U.S. added 353,000 jobs in January, which is higher than anticipated and above the average monthly gain of 244,000 over the prior 12 months, with the largest increase in Education and Health Services. Year-over-year the U.S. added 2,927,000 jobs, and the two sectors with the largest growth were Education and Health Services (+1,037,000) and Government (+601,000). 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.



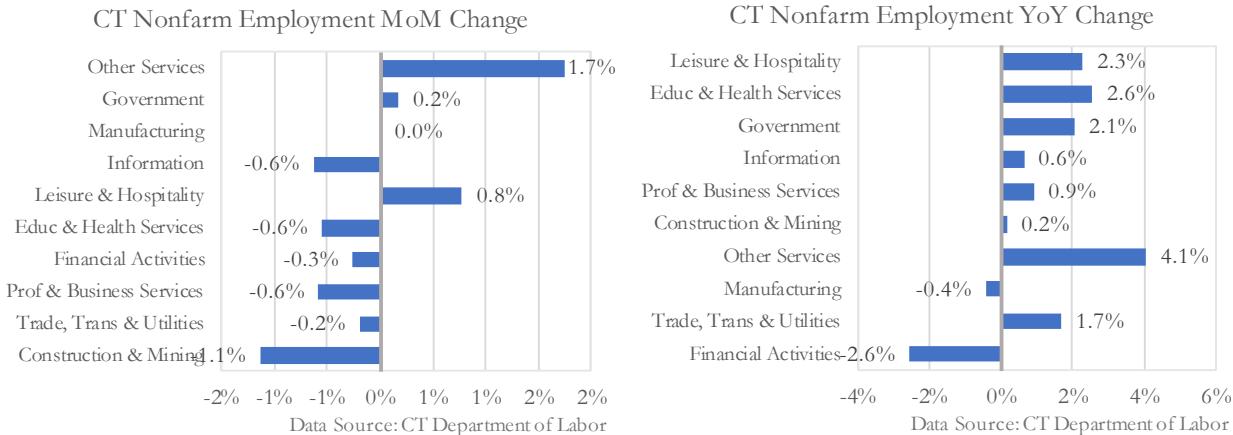
National Unemployment

The Bureau of Labor Statistics reported the U.S. unemployment rate was 3.7% in January, unchanged from the rate in December. The total number of unemployed people in January fell 144,000 compared to the prior month to 6,124,000. For the week ending January 27, seasonally adjusted initial claims totaled 227,000 and seasonally adjusted continued claims totaled 1,865,000.



Connecticut Job Growth

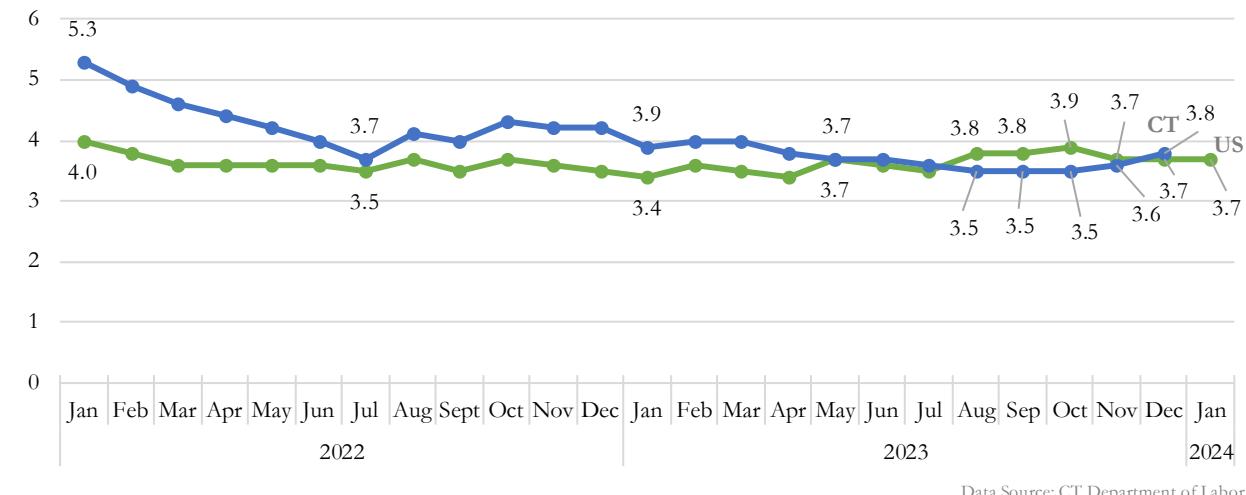
Connecticut nonfarm payroll was down 2,500 jobs in December. Connecticut nonfarm employment is 1.4% higher than it was a year ago. According to the Department of Labor, private sector employment declined for the month (2,900), but is still 18,000 higher than this time last year. Moreover, the private 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. Job growth data for January 2024 was not available at the time this outlook was compiled.



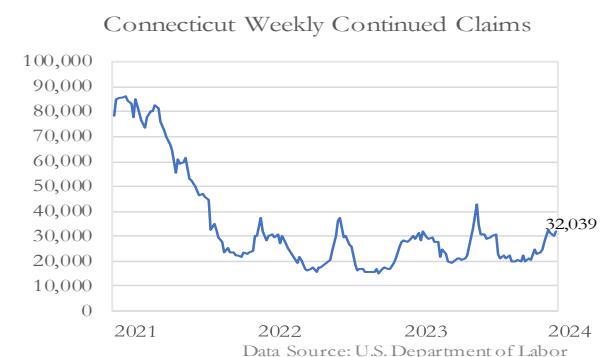
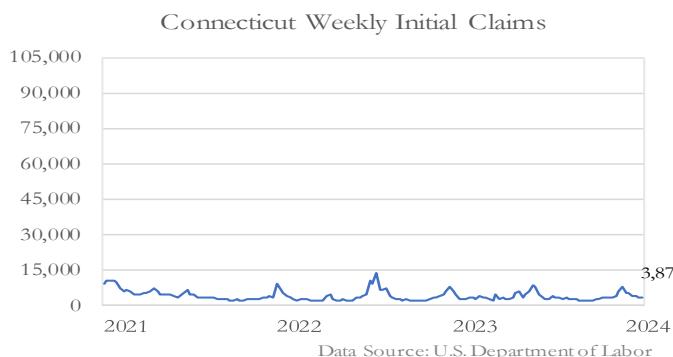
Connecticut Unemployment

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. Unemployment data for January 2024 was not available at the time this outlook was compiled.

U.S. vs CT Unemployment Rate



For the week ending January 27, seasonally adjusted initial claims totaled 3,879 and seasonally adjusted continued claims totaled 32,039.



National Housing & Rental Market

The National Association of Realtors (NAR) reported existing-home sales increased 3.1% in January and were down 1.7% year-over-year. The median existing-home sales price was \$379,100 in January, rising 5.1% from a year ago, marking the seventh consecutive month of year-over-year price increases. The inventory of unsold existing homes increased 2.0% from the previous month to 1.0 million at the end of January, or the equivalent of 3.0 months' supply at the current monthly sales price.

Median Existing Homes Sales Price



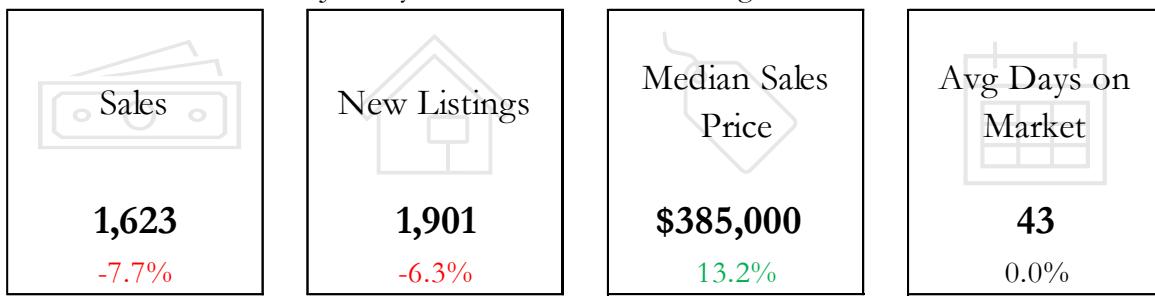
Data Source: National Association of Realtors

The rental market started 2024 with a sixth straight month of negative rent growth, as the nationwide rent fell by 0.3% from the prior month, to \$1,373. These declines are in line with the rental market's typical seasonal pattern, as fewer renters are looking to move in the fall and winter. Year-over-year, rent growth has appears to have bottomed out but remains in negative territory at -1%, which means 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%. Despite a recent slowdown in new building permits being issued, the number of multifamily units under construction remains near record levels. 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 7.7% and new listings were down 6.3% in January. Median sales price increased by 13.2% and median list price increased by 10.1%. The average number of days on the market was 34 days, the same as last year at this time. On average, sales prices came in at 101.2% of list prices. See Appendix 3 for detailed Connecticut Housing Market data.

January 2024 Connecticut Housing Market

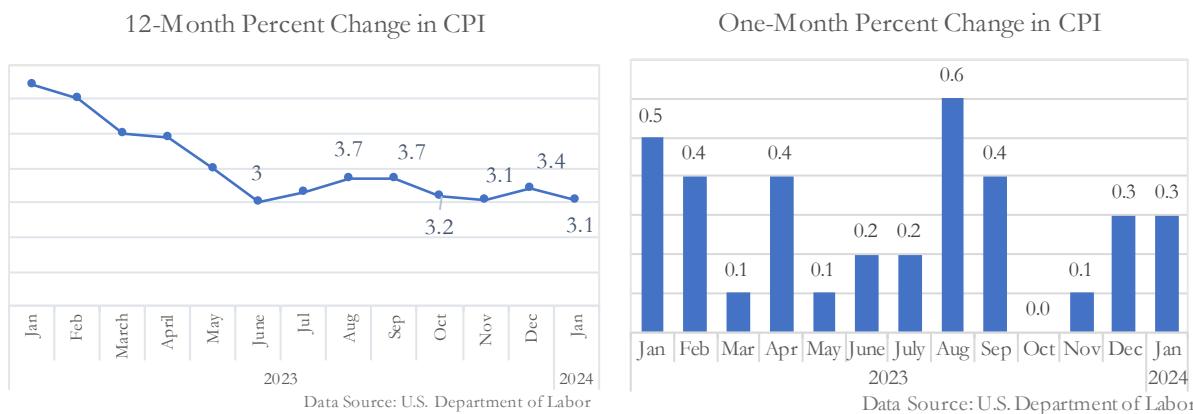


Data Source: Berkshire Hathaway HomeServices

The median rent for all bedroom and all property types in Connecticut is \$1,886, according to Zillow Rental Data. This is 6.0% lower than the national median of \$2,000. 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 January on a seasonally adjusted basis, unchanged from December. Over the last 12 months, the “all items” expenditure category dropped 3.3% to 3.1% in January.



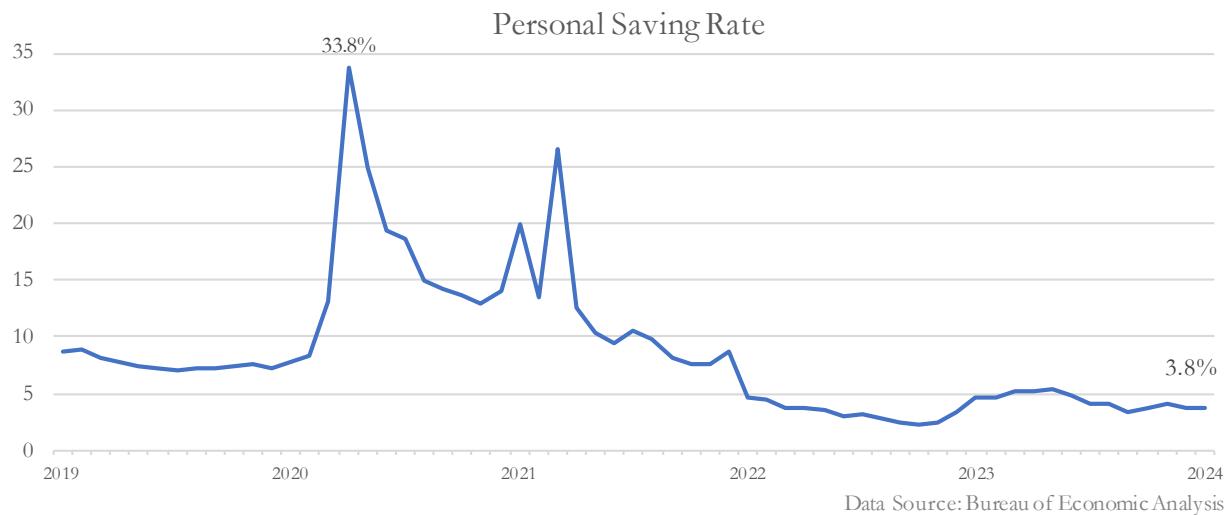
The Federal Reserve continues to hold rates steady. January’s Consumer Price Index rose 3.1%, compared to December’s 3.4%, which is still above the Fed’s goal of 2.0%. Many believe that central banks are likely to wait until there is undeniable evidence of inflation sustainability moving towards their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

Consumer Spending, Saving & Debt

The Bureau of Economic Analysis reported Personal Income increased \$233.7 billion (1.0% at a monthly rate) in January. This was due to increases in government social benefits, personal income receipts on assets, and compensation. The increase in government social benefits was primarily driven by social security benefits, reflecting a 3.2% cost-of-living adjustment, and other government social benefits reflecting an increase in Affordable Care Act enrollment.

Personal Consumption Expenditures (PCE) increased \$43.9 billion (0.2%), reflecting an increase of \$121.0 billion in spending for services, which was partly offset by a \$77.0 billion decrease in spending for goods. Within services, the largest contributors to the increase were housing and utilities, financial services and insurance, and health care services. Within goods, the main contributors to the decrease included motor vehicles and parts, gasoline and other energy goods, and other nondurable goods.

The personal-saving rate was 3.8% in January, compared with 3.7% in December.

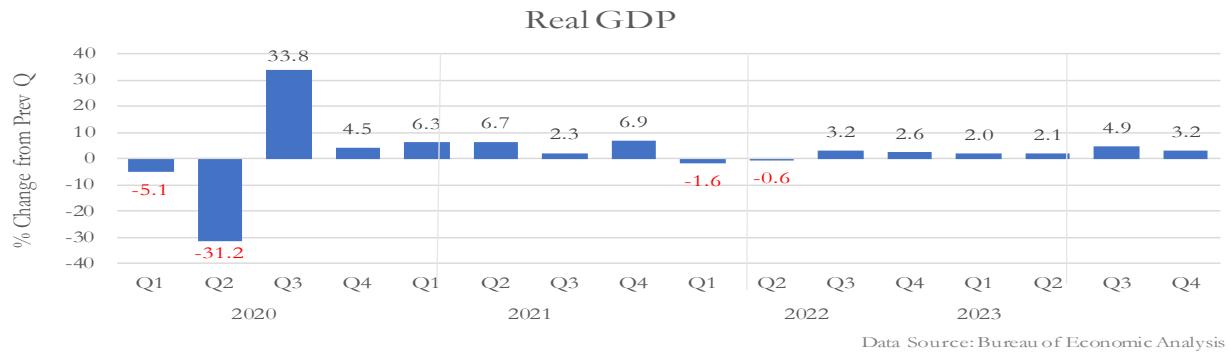


National Gross Domestic Product (GDP)

The Bureau of Economic Analysis released the “second” estimate of U.S. real Gross Domestic Product, which increased at an annual rate of 3.2% in the fourth quarter of 2023. The estimate is 0.1% lower than the “advance” estimate from the prior month, which was the result of more complete source data being available. The update primarily reflected a downward revision to private inventory investment that was partly offset by upward revisions to state and local government spending and consumer spending.

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 February 28, the NASDAQ, S&P 500, and Dow Jones Industrial Averages were up 3.2%, 3.7%, and 2.2%, respectively, for the month. The NASDAQ, S&P 500 and The Dow Jones Industrial Averages are up 37.6%, 26.4%, and 17.5% year-to-date, respectively. With inflation numbers staying low, increased consumer confidence, and expectations of future Fed rate cuts, the stock market has continued its upward momentum during the month of February.

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 rose in January to 114.8 (1985=100), up from the revised 108.0 in December. This was the highest reading since December 2021, and marked the third consecutive monthly increase. The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, improved to 161.3 (1985=100) from 147.2 last month. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, rose to 83.8 (1985=100) in January, up from a revised 81.9 in December.

January's increase in consumer confidence was likely the result of slower inflation, favorable employment conditions, and anticipated lower interest rates ahead, according to Dana Peterson, Chief Economist at the Conference Board. January's survey revealed that consumers remain concerned about rising prices even as inflation expectations fell to a three-year low. Additionally, consumers' perceived likelihood of a recession over the next 12 months continued to ease in January.

Appendix 1: National Employment Data by Sector

| U.S. Nonfarm Employment by Sector | | | | | | | |
|-----------------------------------|------------|------------|------------|---------|------|-----------|-------|
| Sector | January | December | January | MoM | | YoY | |
| | 2024 | 2023 | 2023 | Change | Rate | Change | Rate |
| Information | 3,032,000 | 3,017,000 | 3,067,000 | 15,000 | 0.5% | -35,000 | -1.1% |
| Trade, Trans & Utilities | 28,965,000 | 28,901,000 | 28,771,000 | 64,000 | 0.2% | 194,000 | 0.7% |
| Government | 23,091,000 | 23,055,000 | 22,490,000 | 36,000 | 0.2% | 601,000 | 2.7% |
| Financial Activities | 9,248,000 | 9,240,000 | 9,145,000 | 8,000 | 0.1% | 103,000 | 1.1% |
| Prof & Business Services | 22,978,000 | 22,904,000 | 22,771,000 | 74,000 | 0.3% | 207,000 | 0.9% |
| Manufacturing | 12,979,000 | 12,956,000 | 12,942,000 | 23,000 | 0.2% | 37,000 | 0.3% |
| Other Services | 5,868,000 | 5,863,000 | 5,784,000 | 5,000 | 0.1% | 84,000 | 1.5% |
| Construction & Mining | 8,772,000 | 8,767,000 | 8,552,000 | 5,000 | 0.1% | 220,000 | 2.6% |
| Leisure & Hospitality | 16,824,000 | 16,813,000 | 16,345,000 | 11,000 | 0.1% | 479,000 | 2.9% |
| Educ & Health Services | 25,943,000 | 25,831,000 | 24,906,000 | 112,000 | 0.4% | 1,037,000 | 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 | | | | | | |
|----------------------------|------------|------------|----------|-----------|-----------|----------|
| | January-24 | January-23 | % Change | YTD 2024 | YTD 2023 | % Change |
| New Listings | 1,901 | 2,028 | -6.3% | 1,901 | 2,028 | -6.3% |
| Sold Listings | 1,623 | 1,758 | -7.7% | 1,623 | 1,758 | -7.7% |
| Median List Price | \$379,900 | \$345,000 | 10.1% | \$379,900 | \$345,000 | 10.1% |
| Median Selling Price | \$385,000 | \$340,000 | 13.2% | \$385,000 | \$340,000 | 13.2% |
| Median Days on the Market | 23 | 27 | -14.8% | 23 | 27 | -14.8% |
| Average Listing Price | \$619,682 | \$526,383 | 17.7% | \$619,682 | \$526,383 | 17.7% |
| Average Selling Price | \$613,681 | \$520,365 | 17.9% | \$613,681 | \$520,365 | 17.9% |
| Average Days on the Market | 43 | 43 | 0.0% | 43 | 43 | 0.0% |
| List/Sell Price Ratio | 101.2% | 99.7% | 1.4% | 101.2% | 99.7% | 1.4% |

Data Source: Berkshire Hathaway HomeServices