

FOR IMMEDIATE RELEASE
April 1, 2024

COMPTROLLER SEAN SCANLON PROJECTS \$108.7 MILLION SURPLUS

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his monthly financial and economic update, projected a Fiscal Year 2024 General Fund surplus of \$108.7 million and a Special Transportation Fund surplus of \$229.5 million, both in general agreement with the Office of Policy and Management’s projections.

New data available on revenues and expenditures resulted in a \$59.2 million decrease from last month’s estimate. The largest downward revisions were seen in the sales and use tax, as well as the inheritance and estate tax, both of which have seen lower than anticipated collections. However, the Comptroller noted that April’s post-Tax Day consensus revenue projection will provide a clearer and more-definitive picture of where collections will end for FY 24.

“The U.S. economy continues to gently cool,” **said Comptroller Scanlon.** “Although jobs continue to grow and inflation remains relatively flat—both important signs for our state and national economies—higher interest rates and prices of consumer goods have overshadowed those positive economic indicators for many.”

In his letter to Governor Ned Lamont, Scanlon noted that both the United States and Connecticut showed job growth in February, adding 275,000 and 900 jobs, respectively. While the Federal Reserve opted not to cut interest rates this past month, economists are anticipating them to later this year.

Despite these positive economic indicators, low consumer confidence in our economy lends itself to a “vibecession,” a term [coined by economist Kyla Scanlon in 2022](#) to describe when the sentiment of the general public is much more negative than the story indicators tell on paper.

“We cannot lose sight of the fact that for the sixth consecutive year, our state budget is operating with a surplus,” **Comptroller Scanlon added.** “This will empower us to continue making historic payments towards our pension debt, freeing up money in next year’s budget and saving us money down the road.”

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Economic Outlook

The U.S. economy continues to gently cool, with mixed economic indicators creating uncertainty for consumers. Although jobs continue to grow and inflation has stayed relatively flat, the high cost of borrowing and carrying debt has overshadowed those positive economic indicators, resulting in lower consumer sentiment about the state of the economy.

The labor market continues to show strength, adding 275,000 jobs in February. However, employment gains in December and January were revised down by a cumulative 167,000 jobs, while unemployment rose to a two-year high of 3.9 percent. It is still expected that the Federal Reserve will cut interest rates later this year, but the Fed left rates unchanged at the March Federal Open Market Committee meeting.

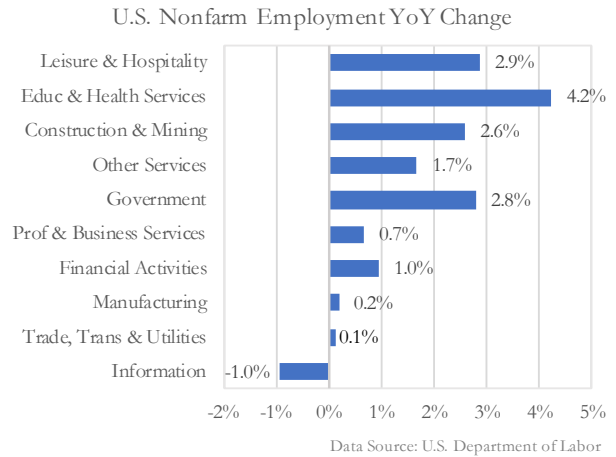
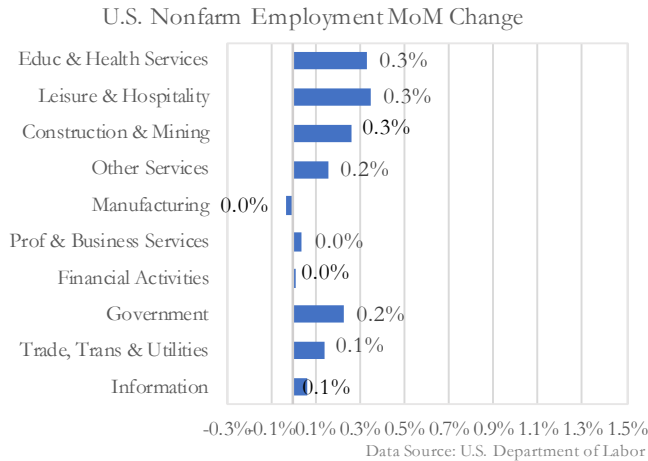
Consumer confidence declined in February, while fears of entering a recession in the next 12 months increased. Furthermore, current events such as the ongoing war between Israel and Hamas, rising prices in general, and high interest rates continue to have many Americans feeling concerned.

Labor Market Statistical Summary

United States	Feb-24	Jan-24	Feb-23
Unemployment Rate	3.9%	3.7%	3.6%
Total Unemployed	6,500,000	6,124,000	5,936,000
Total Nonfarm Employment	157,808,000	157,533,000	155,060,000
Job Growth	+275,000	+353,000	+311,000
Job Openings to Unemployed Ratio	-	0.7	0.6
Quit Rate	-	2.1	2.5
Average Monthly Initial Unemployment Claims	211,000	208,250	193,000
Labor Force Participation Rate	62.5%	62.5%	62.4%
Average Hourly Wage	\$34.57	\$34.52	\$33.15
Connecticut	Feb-24	Jan-24	Feb-23
Unemployment Rate	4.5%	4.4%	3.5%
Total Unemployed	86,100	82,900	65,800
Total Nonfarm Employment	1,702,500	1,701,600	1,687,600
Job Growth	+900	+7,400	+5,600
Job Openings to Unemployed Ratio	-	1.1	1.0
Quit Rate	-	2.3	2.6
Average Monthly Initial Unemployment Claims	3,167	4,652	3,159
Labor Force Participation Rate	64.5%	64.4%	64.7%
Average Hourly Wage	\$37.54	\$37.05	\$35.88

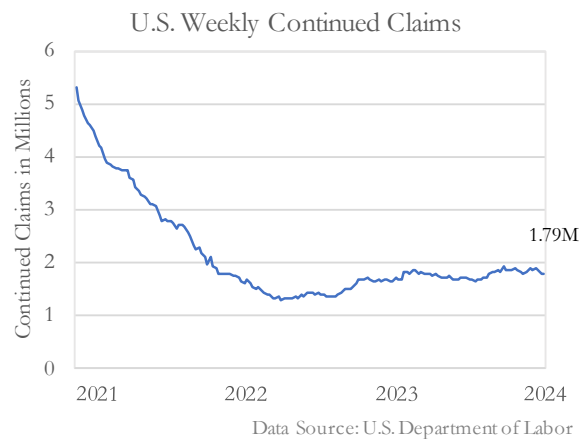
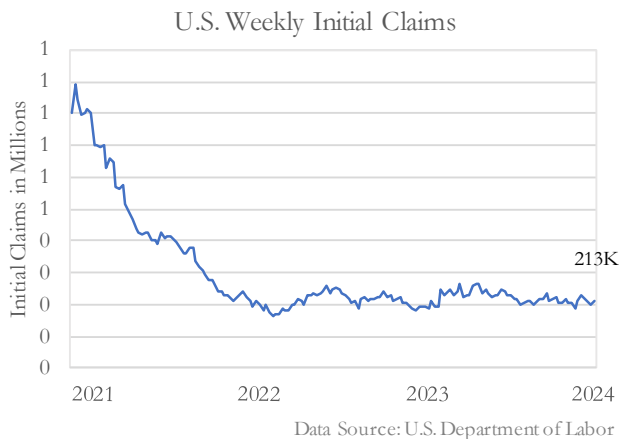
National Job Growth

The Bureau of Labor Statistics reported the U.S. added 275,000 jobs in February, above the average monthly gain of 229,000 over the prior 12 months, with the largest increase in Education and Health Services. Year-over-year the U.S. added 2,748,000 jobs, and the two sectors with the largest growth were Education and Health Services (+1,055,000) and Government (+629,000). 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

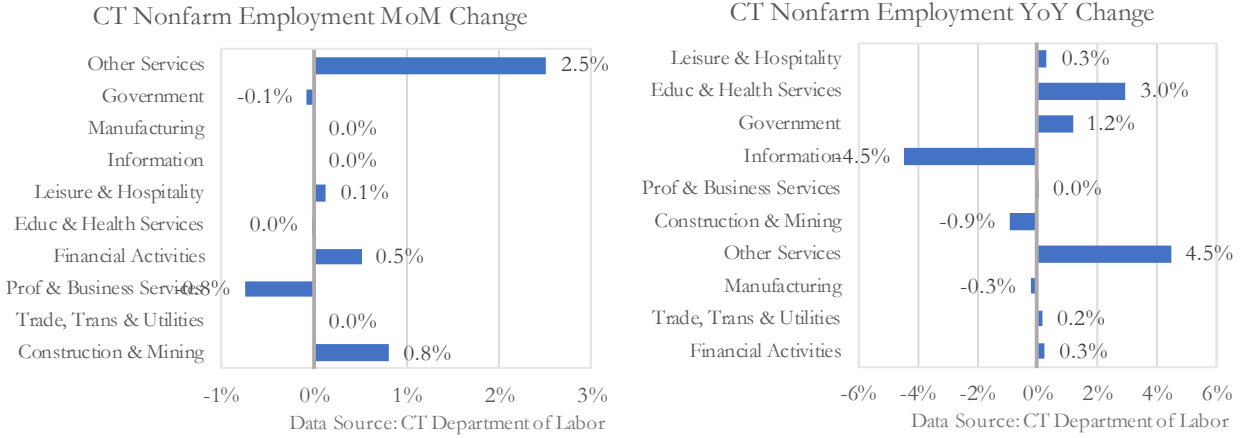
The Bureau of Labor Statistics reported the U.S. unemployment rate was 3.9 percent in February, up from 3.7 percent in January. The total number of unemployed people in February rose 376,000 compared to the prior month to 6,500,000. For the week ending February 24, seasonally adjusted initial claims totaled 213,000 and seasonally adjusted continued claims totaled 1,794,000.



Connecticut Job Growth

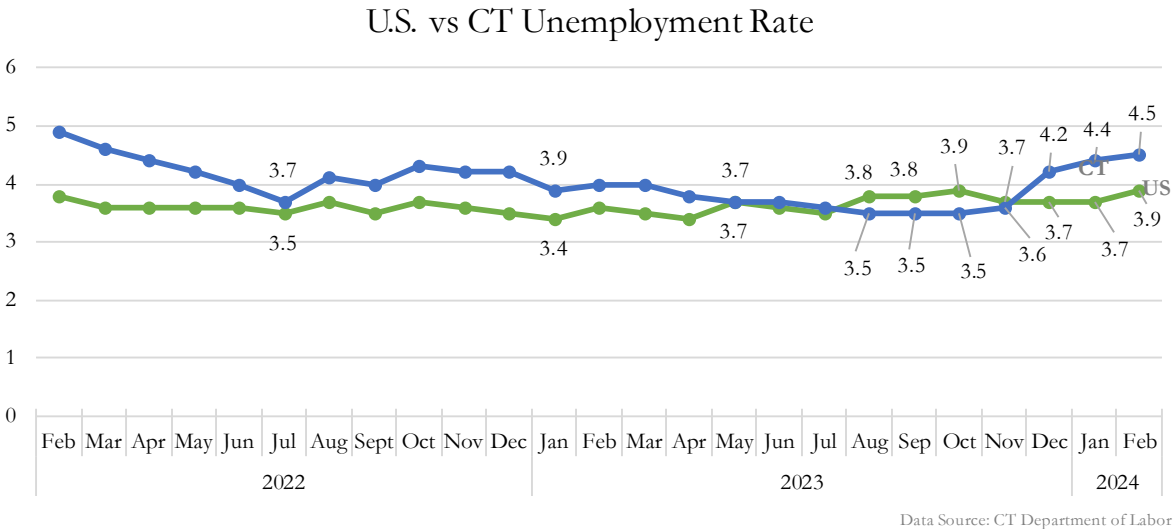
Connecticut nonfarm payroll was up 900 jobs in February. Connecticut nonfarm employment is 3.8 percent higher than it was a year ago. According to the Department of Labor, private sector employment increased for the month (1,100), and is 12,200 jobs higher than this time last year. Moreover, the private sector has more than fully recovered (103.0 percent) from the April 2020

COVID pandemic level lows. Four out of the ten major industry sectors added jobs in February while three declined and three 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.

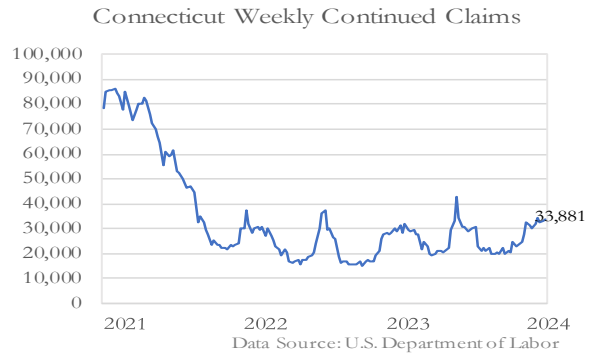
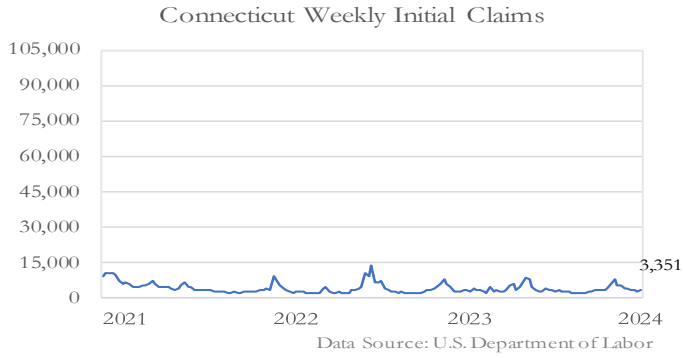


Connecticut Unemployment

The Connecticut unemployment rate was 4.5 percent for February 2024, above the national level of 3.9 percent. The total number of unemployed people in February increased by 3,200 to 86,100.

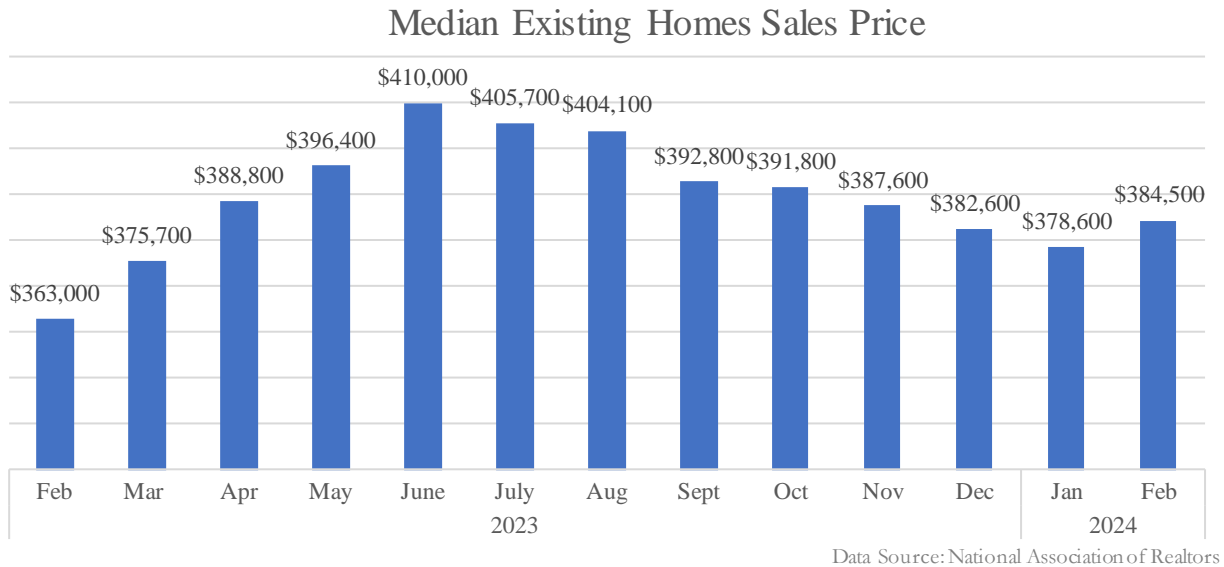


For the week ending February 24, seasonally adjusted initial claims totaled 3,351 and seasonally adjusted continued claims totaled 33,881.



National Housing & Rental Market

The National Association of Realtors (NAR) reported existing-home sales decreased 0.3 percent in February, but were up 5.9 percent year-over-year. The median existing-home sales price was \$384,500 in February, rising 5.9 percent from a year ago, marking the eighth consecutive month of year-over-year price increases. The inventory of unsold existing homes increased 5.9 percent from the previous month to 1.1 million at the end of January, or the equivalent of 2.9 months' supply at the current monthly sales price.



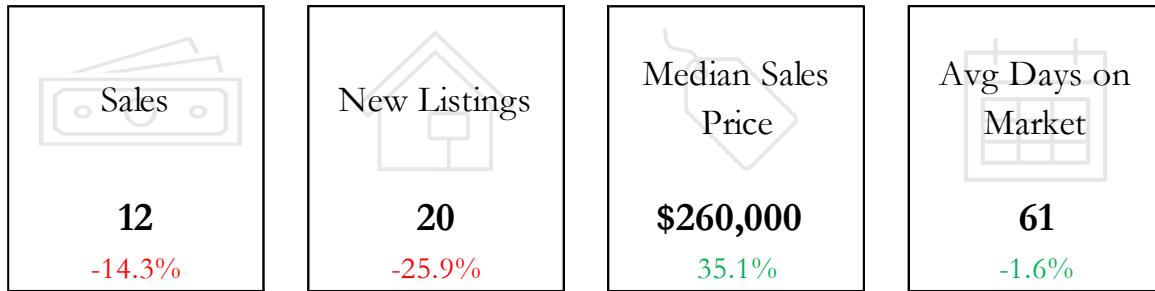
The rental market turned a corner in February with nationwide rent prices increasing slightly by 0.2 percent to \$1,377 after six consecutive months of negative rent growth. This change is in line with the rental market's typical seasonal pattern, as we transition into the time of year when moving activity starts to pick back up. Year-over-year, rent growth appears to have bottomed out but remains in negative territory at -1 percent, 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 6.8 percent. Building permits issued in February increased 3.3 percent over the prior month and 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 14.3 percent and new listings were down 25.9 percent in February. Median sales price increased by 35.1 percent and median list price increased by 32.1 percent. The average number of days on the market was 61 days, one day less than last year at this time. On average, sales prices came in at 104.2 percent of list prices. See Appendix 3 for detailed Connecticut Housing Market data.

February 2024 Connecticut Housing Market



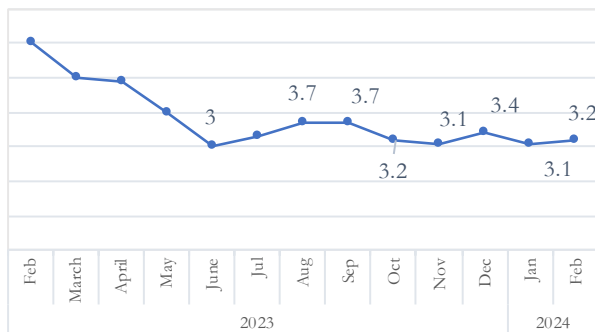
Data Source: Berkshire Hathaway HomeServices

The median rent for all bedroom and all property types in Connecticut is \$1,900, according to Zillow Rental Data. This is 6.0 percent lower than the national median of \$2,055. 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

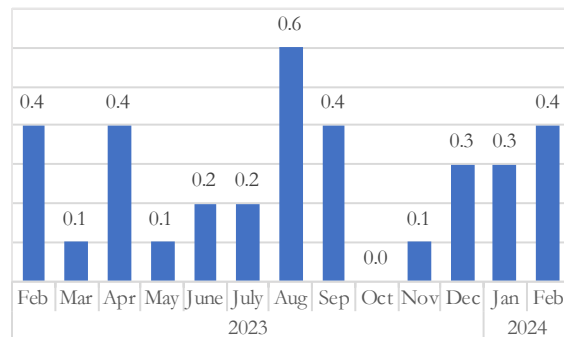
The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.4 percent in February on a seasonally adjusted basis, up 0.1 percent from January. Over the last 12 months, the “all items” expenditure category dropped 2.8 percent to 3.2 percent in February.

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

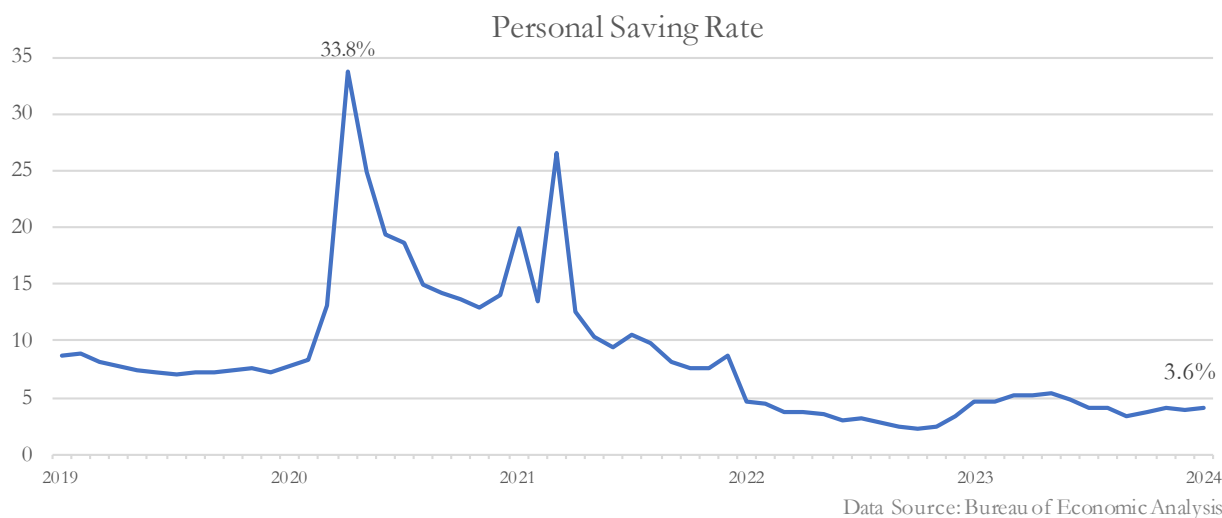
The Federal Reserve continues to hold rates steady. February’s Consumer Price Index rose 3.2 percent, compared to January’s 3.1 percent, which is still above the Fed’s goal of 2.0 percent. Many believe that central banks are likely to wait until there is undeniable evidence of inflation sustainability moving towards their targets before any rate cuts.

Consumer Spending, Saving & Debt

The Bureau of Economic Analysis reported Personal Income increased \$66.5 billion (0.3 percent at a monthly rate) in February. This was due to increases in compensation and personal current transfer receipts that were partly offset by a decrease in personal income receipts on assets (led by personal dividend income).

Personal Consumption Expenditures (PCE) increased \$145.5 billion (0.8 percent), reflecting an increase of \$111.8 billion in spending for services and a \$33.7 billion increase in spending for goods. Within services, the largest contributors to the increase were financial services and insurance, transportation services, and housing and utilities. Within goods, the largest contributor was spending on motor vehicles and parts.

The personal-saving rate was 3.6% in February, compared with a revised 4.1% in January.



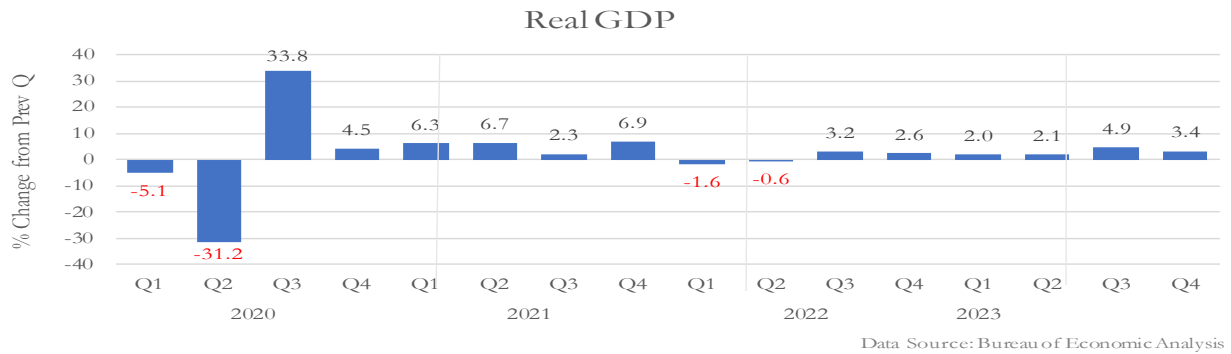
National Gross Domestic Product (GDP)

The Bureau of Economic Analysis released the “third” estimate of U.S. real Gross Domestic Product, which increased at an annual rate of 3.4 percent in the fourth quarter of 2023. The estimate is 0.2 percent higher than the “second” estimate from the prior month, which was the result of more complete source data being available. The update primarily reflected upward revisions to consumer spending and nonresidential fixed investment that were partly offset by a downward revision to private inventory investment.

The increase in real GDP reflected increases in consumer spending, state and local government spending, exports, nonresidential fixed investment, federal government spending, and residential

fixed investment that were partly offset by a decrease in private inventory 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 March 28, the NASDAQ, S&P 500, and Dow Jones Industrial Averages were up 2.7 percent, 3.6 percent, and 2.2 percent, respectively, for the month. The NASDAQ, S&P 500 and The Dow Jones Industrial Averages are up 34.0 percent, 27.9 percent, and 19.6 percent year-to-date, respectively. With inflation numbers staying low 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 fell in February to 106.7, from 110.9 in January (1985=100). The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, fell to 147.23 (1985=100) from 154.9 last month. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, fell to 79.8 (1985=100) in February, down from 81.5 in January.

February's decline in consumer confidence was likely a reflection of the continued uncertainty about the US economy. According to Dana Peterson, Chief Economist at the Conference Board, the drop was broad-based affecting all income groups except for households earning less than \$15,000 and those earning more than \$125,000. She also indicated that confidence dropped for consumers under the age of 35 and those 55 and over, but slightly improved for those aged 35 to 54.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector							
Sector	February	January	February	MoM		YoY	
	2024	2024	2023	Change	Rate	Change	Rate
Information	3,020,000	3,018,000	3,049,000	2,000	0.1%	-29,000	-1.0%
Trade, Trans & Utilities	28,892,000	28,852,000	28,851,000	40,000	0.1%	41,000	0.1%
Government	23,180,000	23,128,000	22,551,000	52,000	0.2%	629,000	2.8%
Financial Activities	9,233,000	9,232,000	9,146,000	1,000	0.0%	87,000	1.0%
Prof & Business Services	22,931,000	22,922,000	22,779,000	9,000	0.0%	152,000	0.7%
Manufacturing	12,964,000	12,968,000	12,940,000	-4,000	0.0%	24,000	0.2%
Other Services	5,881,000	5,872,000	5,784,000	9,000	0.2%	97,000	1.7%
Construction & Mining	8,802,000	8,779,000	8,580,000	23,000	0.3%	222,000	2.6%
Leisure & Hospitality	16,882,000	16,824,000	16,412,000	58,000	0.3%	470,000	2.9%
Educ & Health Services	26,023,000	25,938,000	24,968,000	85,000	0.3%	1,055,000	4.2%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector							
Sector	February	January	February	MoM		YoY	
	2024	2024	2023	Change	Rate	Change	Rate
Other Services	65,400	63,800	62,600	1,600	2.5%	2,800	4.5%
Leisure & Hospitality	153,900	153,700	153,400	200	0.1%	500	0.3%
Financial Activities	118,700	118,100	118,400	600	0.5%	300	0.3%
Government	233,100	233,300	230,400	-200	-0.1%	2,700	1.2%
Trade, Trans & Utilities	297,600	297,600	297,100	0	0.0%	500	0.2%
Educ & Health Services	360,400	360,500	350,000	-100	0.0%	10,400	3.0%
Manufacturing	158,400	158,400	158,800	0	0.0%	-400	-0.3%
Prof & Business Services	222,300	224,000	222,200	-1,700	-0.8%	100	0.0%
Information	30,000	30,000	31,400	0	0.0%	-1,400	-4.5%
Construction & Mining	62,700	62,200	63,300	500	0.8%	-600	-0.9%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary

	February-24	February-23	% Change	YTD 2024	YTD 2023	% Change
New Listings	20	27	-25.9%	41	46	-10.9%
Sold Listings	12	14	-14.3%	24	32	-25.0%
Median List Price	\$257,450	\$194,900	32.1%	\$241,558	\$204,900	17.9%
Median Selling Price	\$260,000	\$192,500	35.1%	\$252,500	\$210,000	20.2%
Median Days on the Market	55	52	5.7%	50	33	51.5%
Average Listing Price	\$256,716	\$211,730	21.3%	\$280,839	\$247,797	13.3%
Average Selling Price	\$259,383	\$212,071	22.3%	\$283,437	\$250,092	13.3%
Average Days on the Market	61	62	-1.6%	61	53	15.1%
List/Sell Price Ratio	104.2%	99.9%	4.3%	104.0%	100.1%	3.4%

Data Source: Berkshire Hathaway HomeServices