

FOR IMMEDIATE RELEASE

July 1, 2024

COMPTROLLER SCANLON PROJECTS \$224.6 MILLION SURPLUS

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his monthly financial and economic update, projected a Fiscal Year 2024 General Fund surplus of \$224.6 million and a Special Transportation Fund surplus of \$277.0 million, both in general agreement with the Office of Policy and Management’s projections.

The rise in the projected General Fund surplus stems from both upward revisions in revenues and reductions in projected expenditures, including fluctuations in various revenue streams, lower-than-expected income tax refunds, and a decrease in federal grants, as some federal reimbursements are now expected next year.

"Connecticut's financial discipline and strategic management have kept us in a strong position to end our sixth consecutive fiscal year with a surplus," **said Comptroller Sean Scanlon.** "Our commitment to fiscal responsibility continues to yield positive results and, as we begin a new fiscal year, I remain optimistic that Connecticut’s economic and fiscal progress will continue."

In his letter to Governor Ned Lamont, Scanlon noted that the U.S. economy remains resilient with inflation slowly decreasing. The job market is strong, adding 272,000 jobs in May, with growth in health care, government, and leisure and hospitality sectors. Connecticut saw an increase of 4,700 jobs in May, and its unemployment rate has been declining, now at 4.3 percent.

The Budget Reserve Fund (or Rainy Day Fund) is projected to receive \$1.1 billion in volatile revenues from final and estimated income taxes and pass-through entity tax payments. Coupled with the projected General Fund surplus of \$224.6 million, the Rainy Day Fund balance is expected to reach nearly \$4.7 billion or 21.1 percent of net General Fund appropriations by the end of Fiscal Year 2024.

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Economic Outlook

The U.S. economy continues to show signs of both resiliency and gradual cooling, which bodes well for the Federal Reserve's difficult task: bringing inflation down to its 2 percent target without tipping the economy into recession. In June the central bank voted to hold its target interest rate at the same 23-year high level, while it waits for conclusive evidence that inflation is under control. They signaled only one rate cut in 2024, however, financial markets expect more.

Inflation is showing welcome signs of moderation. Consumer prices rose 3.3 percent on a 12-month basis in May, down from 3.4 percent in April. The monthly inflation rate was 0.0 percent. Wholesale prices unexpectedly fell 0.2 percent, providing further evidence of easing inflationary pressures. Not reflected in the inflation statistics—consumers and businesses alike are facing higher costs for borrowing with interest rates held high.

Consumers are becoming a little more cautious, with monthly retail sales increasing only 0.1 percent in May and being revised down for April. The Consumer Confidence Index dipped slightly, driven by lower optimism among those aged 35 to 54. Housing affordability and the continued high level of prices for essentials remain pain points, even as workers see their wages (up 4.1 percent year-over-year) outpace inflation. The share of people falling seriously behind on their credit card payments ticked up in the first quarter.

The U.S. labor market remains strong, but market dynamics are normalizing. May saw a surge in job growth of +272,000, with job growth highest in health care, government, and the leisure and hospitality industries. Simultaneously, the unemployment rate ticked up to 4.0 percent, a 2.5-year high. Higher immigration has supported large monthly job gains, though job growth is expected to trend lower over the remainder of the year. Job openings fell for the third straight month, and the rate of people quitting their jobs is about at pre-pandemic levels.

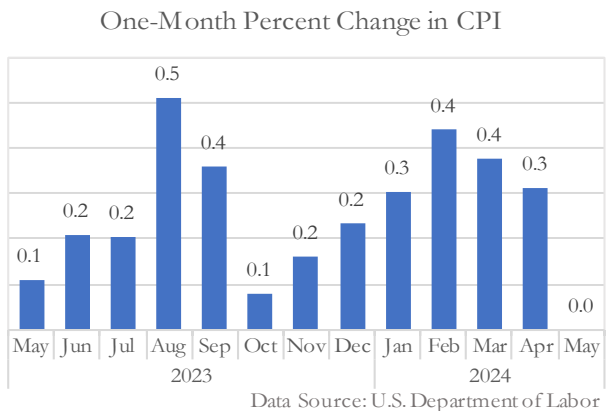
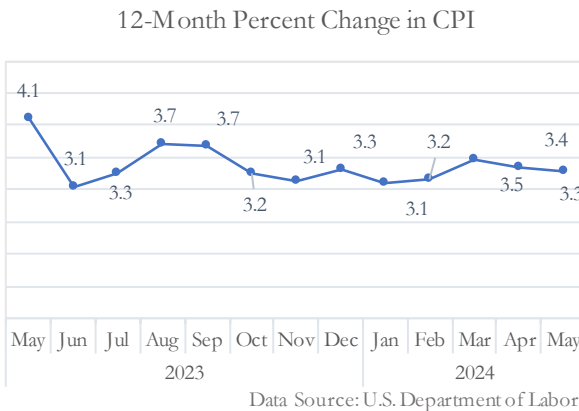
In Connecticut, nonfarm payroll was up a healthy 4,700 jobs in May to a level of 1,711,000. Connecticut's unemployment rate of 4.3 percent, while above the national average, has been trending downward for several months while the national rate has been trending up. The size of the Connecticut labor force has been growing for five straight months.

The U.S. housing market is showing the strain of high interest rates and low inventories, with May existing home sales down 0.7 percent over the month and 2.8 percent over the year. While new construction has been gaining as a share of homes sold, private developers broke ground on new homes at the slowest rate in nearly four years in May. Low inventories are driving up prices despite high mortgage rates. Connecticut's median home sales price increased by 8 percent year-over-year to \$425,500 in May. Mortgage rates trended down slightly over the month.

The rental market in Connecticut is bucking national trends, with continued price growth year over year. The statewide median rent increased by 5.3% compared to May 2023 to \$2,000 according to Zillow. Hartford saw one of the fastest year-over-year rent growth rates among large metros nationally.

Inflation

The Bureau of Labor Statistics reported the Consumer Price Index (CPI) was unchanged in May on a seasonally adjusted basis, after rising 0.3 percent in April. It is the lowest monthly change since July 2022 and means that overall prices did not rise since April. Excluding volatile food and energy prices, prices grew 0.2 percent month over month. The annual rate of overall inflation for the 12 months ending in May dropped to 3.3 percent, down from 3.4 percent in April and from 4.1 percent a year ago. Annualized inflation for the New England region was higher at 3.8 percent, thanks to higher local inflation in shelter costs.



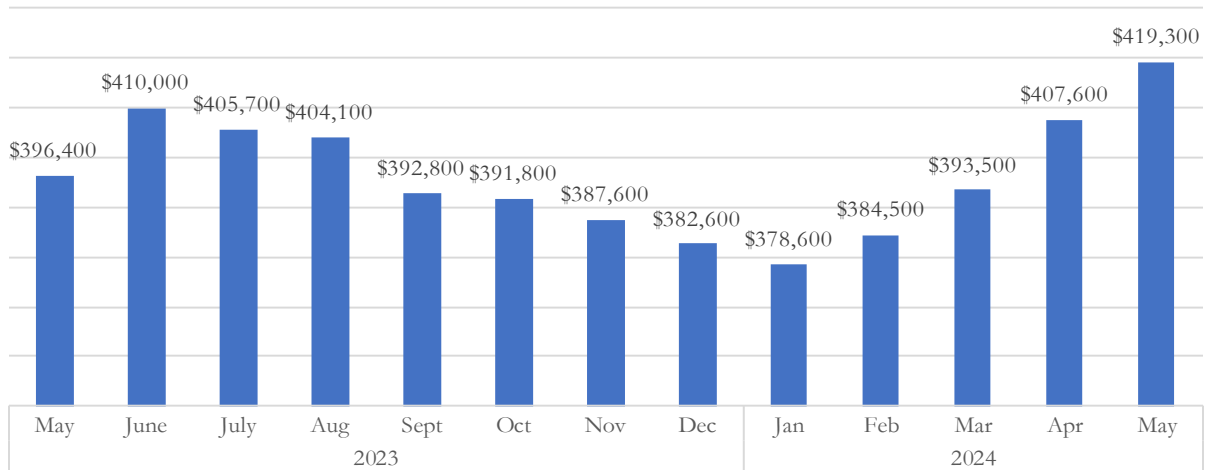
The Federal Reserve held interest rates steady in June, as most analysts expected, and signaled that one cut to the interest rate they control is likely by the end of the year *if* inflation continues its current, declining trajectory. There are signs higher interest rates are having the intended effect of slowing down the economy, which is considered necessary to cool price growth. Continued low unemployment is providing the opportunity to be patient.

While the Federal Reserve is moving cautiously to make sure inflation is really under control before declaring victory, financial markets are seeing signs of the cooling economy and anticipating more than one rate cut by the end of the year.

National Housing & Rental Market

The National Association of Realtors (NAR) reported existing-home sales decreased 0.7 percent in May and were down 2.8 percent year-over-year. The median existing-home sales price was \$419,300 in May, rising 5.8 percent from a year ago, marking the eleventh consecutive month of year-over-year price increases and the highest home price on record. The inventory of unsold existing homes increased 6.7 percent from the previous month to 1.28 million at the end of May, or the equivalent of 3.7 months' supply at the current monthly sales price.

Median Existing Homes Sales Price



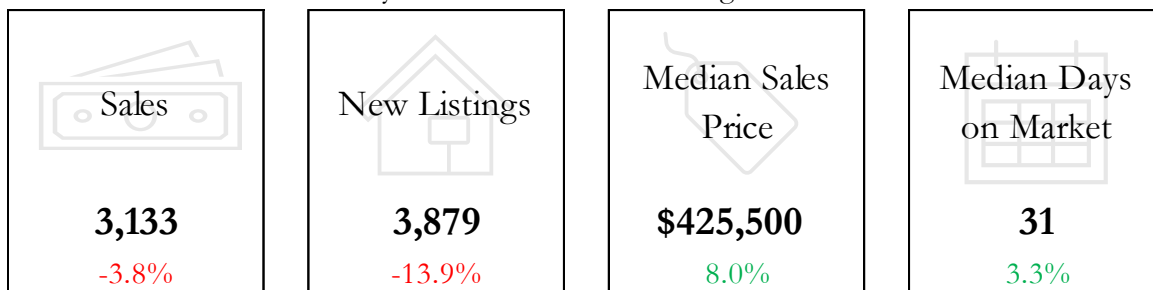
Data Source: National Association of Realtors

National median rent increased slightly from last month by 0.5 percent in May to \$1,404 according to Apartment List. This is the fourth straight month of modest increases, signaling ongoing sluggishness in the market. Year-over-year, national rent growth remains in negative territory at -0.8 percent, and has now been in negative territory since last summer. This means that on average, apartments across the country are slightly cheaper today than one year ago, though they are still 22 percent more expensive than at the start of 2021. Many new multifamily units have come online in 2024, with more expected, which puts downward pressure on rents. New units have been especially abundant in the South. The national vacancy index is now at 6.7 percent. Looking ahead to longer-term dynamics, residential building permits and housing starts were both down in May, as continued high interest rates make building projects more expensive.

Connecticut Housing & Rental Market

Due to low inventory of homes for purchase, Connecticut continues to see home prices rise despite high mortgage rates. Redfin, a national real estate brokerage, reported year-over-year sales of homes in Connecticut decreased 3.8 percent while new listings were down 13.9 percent in May. Fewer homes to buy increases competition, which pushes up prices. The median sales price increased by 8.0 percent in May to \$425,500. While existing homeowners have an asset that is now worth more, first-time homebuyers continue to face a challenging market with the twin issues of high prices and high mortgage rates.

May 2024 Connecticut Housing Market



Data Source: Redfin

Freddie Mac reported that the national average 30-year fixed rate mortgage for the week ending June 20 was 6.87 percent, down slightly on the month. See Appendix 3 for detailed Connecticut Housing Market data.

Like many places in the Northeast, Connecticut has not seen median rents decrease year-over-year like the national average. Hartford was third among Apartment List's large metros with the fastest year-over-year rent growth in May. The Connecticut vacancy rate remains lower than the national average at 5.3%. The median rent for all bedroom and all property types in Connecticut is \$2,000, according to Zillow Rental Data, up \$100 (5.3 percent) year-over-year. Despite being 7.0 percent 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.

Stock Market and State Revenue

As of June 26, the NASDAQ, S&P 500, and Dow Jones Industrial Averages were up 4.6 percent, 3.2 percent, and 0.7 percent, respectively, for the month. Year-over-year, the NASDAQ, S&P 500, and Dow Jones Industrial Averages were up 33.5 percent, 26.5 percent, and 16.1 percent, respectively.

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 up a combined 3.1% compared to FY 2023.

Consumer Confidence

The Conference Board reported the U.S. Consumer Confidence Index experienced a slight dip in June, falling to 100.4 from 101.3 in May (1985=100). While the Present Situation Index saw a small increase, the Expectations Index declined and has remained below the recession-signaling threshold of 80 for five consecutive months. This reflects consumers' mixed sentiments: they feel somewhat positive about current conditions, especially the labor market, but are concerned about future income and business conditions.

According to Dana Peterson, Chief Economist at the Conference Board, the decline in confidence between May and June was centered on consumers aged 35-54. By contrast, those under 35 and those 55 and older saw confidence improve this month. Additionally, consumers were less concerned about a forthcoming recession than last month.

Notable trends include a slight decrease in inflation expectations, continued concerns about high prices (especially for food), and optimism about the stock market. Vacation planning has increased, though it remains below pre-pandemic levels. While confidence varies among age and income groups, overall, it has stayed within a narrow range for the past two years. The report suggests that significant weakening in the labor market could lead to decreased confidence as the year progresses.

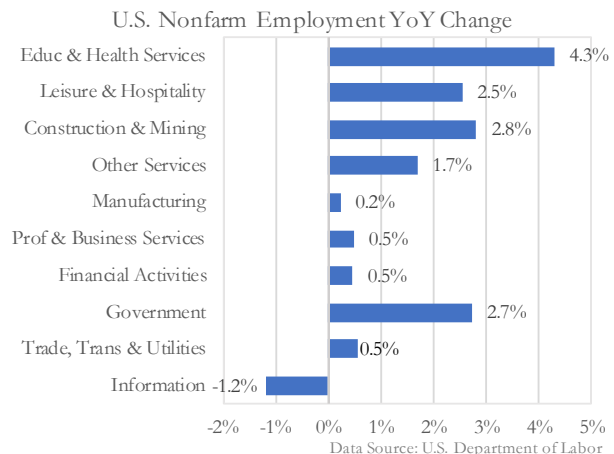
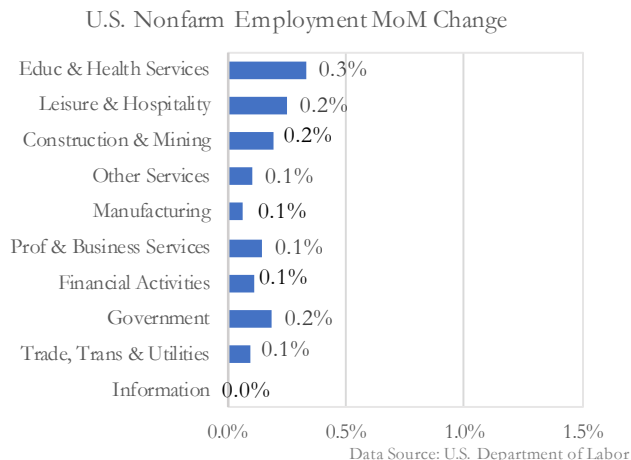
Labor Market Statistical Summary

United States	May-24	Apr-24	May-23
Unemployment Rate	4.0%	3.9%	3.7%
Total Unemployed	6,649,000	6,492,000	6,117,000
Total Nonfarm Employment	158,543,000	158,271,000	155,787,000
Job Growth	+272,000	+165,000	+303,000
Job Openings to Unemployed Ratio	-	1.2	1.6
Quit Rate	-	2.2	2.4
Average Monthly Initial Unemployment Claims	223,000	210,000	237,750
Labor Force Participation Rate	62.5%	62.7%	62.6%
Average Hourly Wage	\$34.91	\$34.77	\$33.54

Connecticut	May-24	Apr-24	May-23
Unemployment Rate	4.3%	4.4%	3.3%
Total Unemployed	81,800	83,400	71,100
Total Nonfarm Employment	1,711,000	1,706,300	1,693,000
Job Growth	+4,700	+1,100	+8,800
Job Openings to Unemployed Ratio	-	1.1	1.2
Quit Rate	-	2.0	2.5
Average Monthly Initial Unemployment Claims	2,635	3,639	4,342
Labor Force Participation Rate	64.7%	64.6%	64.2%
Average Hourly Wage	\$37.70	\$37.70	\$35.36

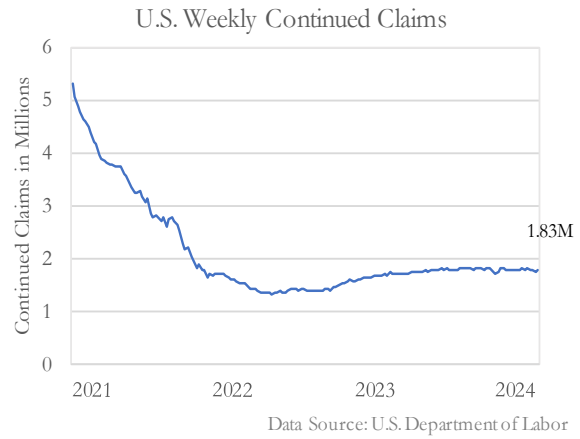
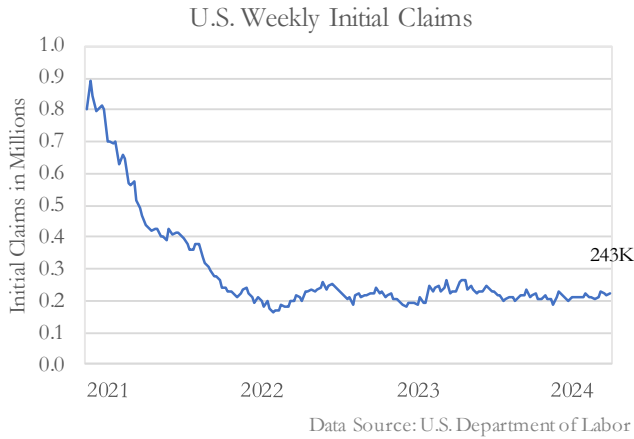
National Job Growth

The Bureau of Labor Statistics reported the U.S. added 272,000 jobs in May, higher than expected and above the average monthly gain of 232,250 jobs over the prior 12 months. Nearly all major sectors saw job gains, with the largest gains over the month in Education and Health Services (+86,000). Year-over-year the U.S. added 2.76 million jobs. The two sectors with the largest growth were Education and Health Services (+1.08 million) and Government (+617,000). 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.



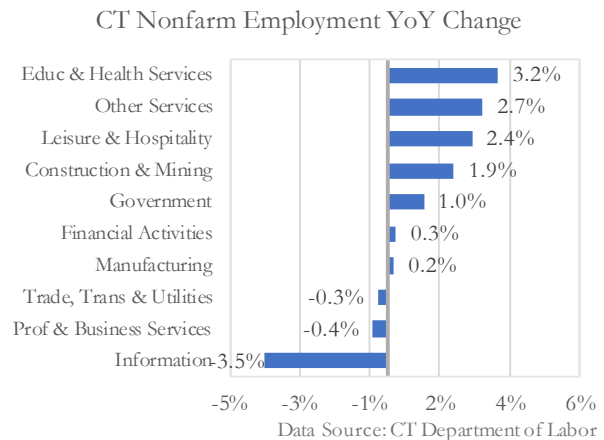
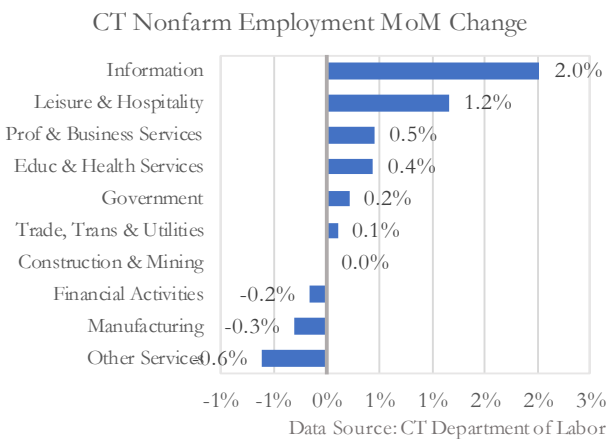
National Unemployment

The Bureau of Labor Statistics reported the U.S. unemployment rate was 4.0 percent in May, up from 3.9 percent in April. The total number of unemployed people in May ticked up by 157,000 people to 6,649,000. For the week ending June 8, seasonally adjusted initial claims totaled 243,000 and seasonally adjusted continued claims totaled 1,828,000, marking 7 weeks of increases in the latter.



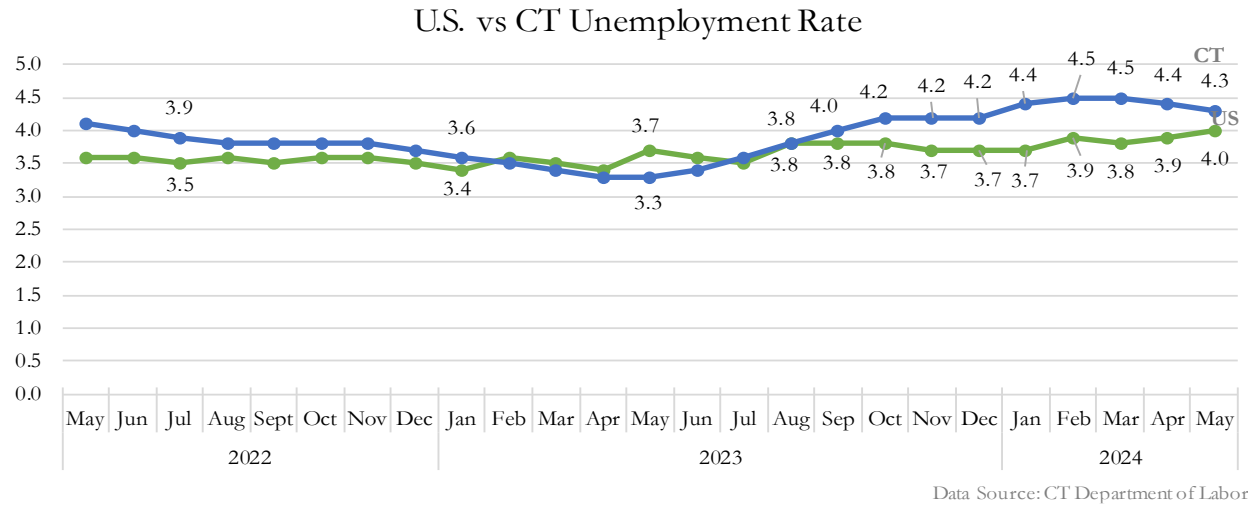
Connecticut Job Growth

Connecticut nonfarm payroll was up 4,700 jobs (0.3 percent) in May and is 18,000 jobs (1.1 percent) higher than it was a year ago. According to the Department of Labor, private sector employment is 15,600 jobs (1.1 percent) higher than this time last year while government employment is up by 2,400 jobs (1.0 percent). Seven out of the ten major industry sectors added jobs in May while three declined. The most job gains year over year have been in Educational and Health Services (+11,200). Information gained 600 jobs in May but is still down 1,100 (-3.5 percent) year over year. 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.

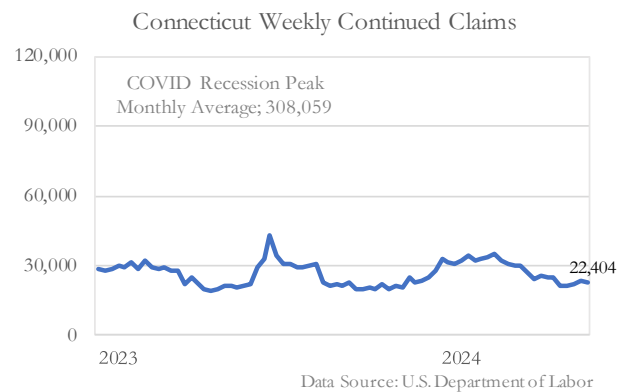
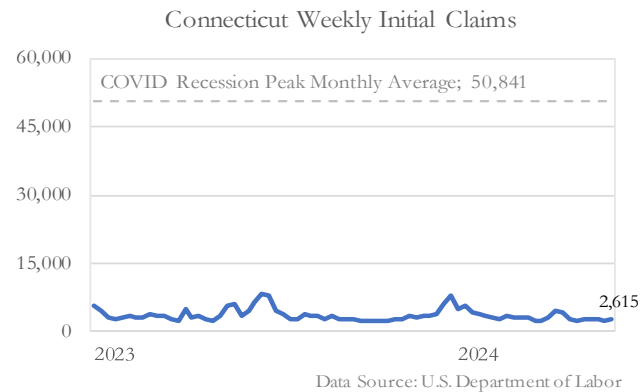


Connecticut Unemployment

The Connecticut unemployment rate was 4.3 percent for May 2024, above the national level of 4.0 percent but trending down for the third straight month. The total number of unemployed people in May decreased by 1,600 to 81,800. In April there were 1.1 job openings for every unemployed person.



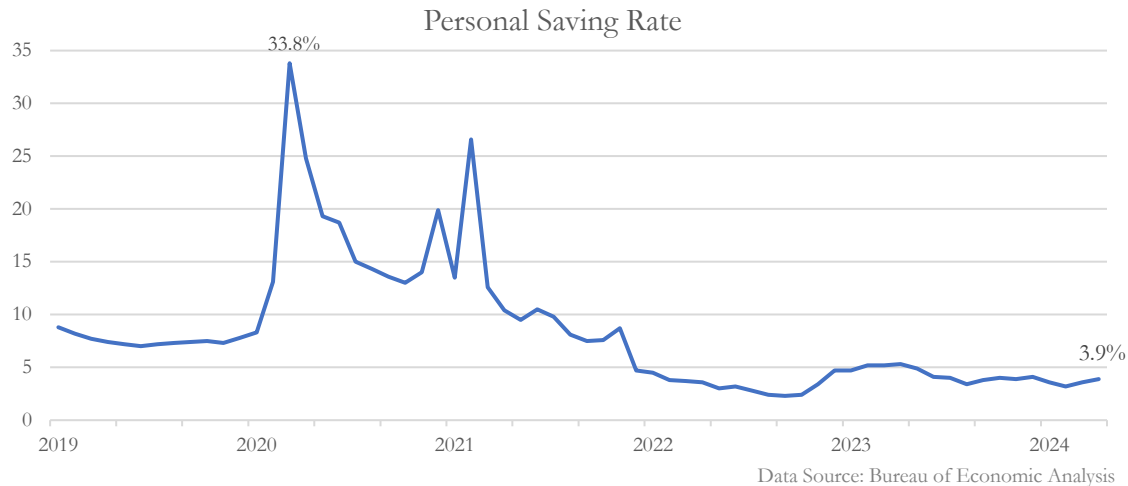
For the week ending June 8, seasonally adjusted Connecticut initial claims totaled 2,615 and seasonally adjusted continued claims totaled 22,404.



Consumer Spending, Saving & Debt

The Bureau of Economic Analysis reported Personal Income increased \$11.4 billion (0.5 percent at a monthly rate) in May. The personal saving rate jumped to 3.9 percent from 3.6 percent in April, as Disposable Personal Income increased more than expenditures.

Personal Consumption Expenditures (PCE) increased \$47.8 billion (0.2 percent) in May, with spending on both services and goods contributing positively. Within services, the largest contributors to the increase were health care (led by hospitals), housing and utilities (led by housing), and transportation services (led by air transportation). Within goods, the increase primarily reflected an increase in other nondurable goods (led by prescription drugs) that was partly offset by a decrease in gasoline and other energy goods.

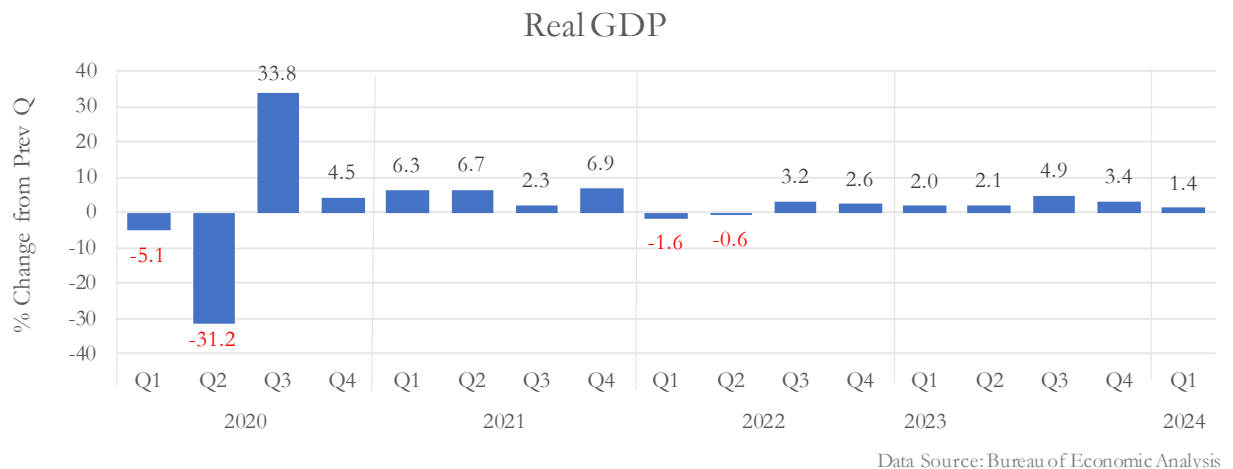


National Gross Domestic Product (GDP)

The Bureau of Economic Analysis released the “third” estimate of U.S. real Gross Domestic Product, which increased at an annual rate of 1.4 percent in the first quarter of 2024. Growth is up 0.1 percent from the first quarter “second” estimate based on more complete base data being available. The update primarily reflected a downward revision to imports and upward revisions to nonresidential fixed investment and government spending. U.S. real GDP is the inflation adjusted market value of the goods and services produced by labor and property in the United States. In the fourth quarter of 2023, real GDP increased 3.4 percent.

The first quarter increase in real GDP primarily reflected increases in consumer spending on services, residential fixed investment, nonresidential fixed investment, and state and local government spending 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 fourth quarter, the deceleration in real GDP in the first quarter primarily reflected decelerations in consumer spending, exports, and government spending. These movements were partly offset by an acceleration in residential fixed investment (i.e., housing). Imports accelerated as well.



Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector							
Sector	May	April	May	MoM		YoY	
	2024	2024	2023	Change	Rate	Change	Rate
Information	3,014,000	3,014,000	3,050,000	0	0.0%	-36,000	-1.2%
Trade, Trans & Utilities	29,032,000	29,005,000	28,875,000	27,000	0.1%	157,000	0.5%
Government	23,319,000	23,276,000	22,702,000	43,000	0.2%	617,000	2.7%
Financial Activities	9,234,000	9,224,000	9,192,000	10,000	0.1%	42,000	0.5%
Prof & Business Services	22,985,000	22,952,000	22,876,000	33,000	0.1%	109,000	0.5%
Manufacturing	12,965,000	12,957,000	12,936,000	8,000	0.1%	29,000	0.2%
Other Services	5,907,000	5,901,000	5,809,000	6,000	0.1%	98,000	1.7%
Construction & Mining	8,861,000	8,844,000	8,619,000	17,000	0.2%	242,000	2.8%
Leisure & Hospitality	16,947,000	16,905,000	16,528,000	42,000	0.2%	419,000	2.5%
Educ & Health Services	26,279,000	26,193,000	25,200,000	86,000	0.3%	1,079,000	4.3%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector							
Sector	May	April	May	MoM		YoY	
	2024	2024	2023	Change	Rate	Change	Rate
Information	30,300	29,700	31,400	600	2.0%	-1,100	-3.5%
Trade, Trans & Utilities	297,900	297,600	298,700	300	0.1%	-800	-0.3%
Government	234,900	234,400	232,500	500	0.2%	2,400	1.0%
Financial Activities	118,800	119,000	118,500	-200	-0.2%	300	0.3%
Prof & Business Services	220,700	219,700	221,600	1,000	0.5%	-900	-0.4%
Manufacturing	158,700	159,200	158,400	-500	-0.3%	300	0.2%
Other Services	64,100	64,500	62,400	-400	-0.6%	1,700	2.7%
Construction & Mining	63,900	63,900	62,700	0	0.0%	1,200	1.9%
Leisure & Hospitality	156,900	155,100	153,200	1,800	1.2%	3,700	2.4%
Educ & Health Services	364,800	363,200	353,600	1,600	0.4%	11,200	3.2%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary						
	May-24	May-23	% Change	YTD 2024	YTD 2023	% Change
New Listings	3,879	4,504	-13.9%	15,519	17,317	-10.4%
Sold Listings	3,133	3,257	-3.8%	12,708	13,495	-5.8%
Median Sale Price	\$425,500	\$394,100	8.0%	\$397,940	\$358,340	11.1%
Average Sale-to-List-Price Ratio	103.8%	103.5%	0.3%	102.5%	101.4%	1.1%
Median Days on Market	31	30	3.3%	38	43	-10.3%
Hartford Metro Sale Price	\$355,000	\$330,000	7.6%	\$336,300	301,350	11.6%
Bridgeport Metro Sale Price	\$623,500	\$590,000	5.7%	\$573,150	\$526,000	9.0%
Months Supply of Inventory	1.9	2.0	-6.6%	2.1	2.2	-7.9%

Data Source: Redfin, OSC Calculations