

Economic Outlook

The U.S. economy continues to be resilient in the face of high interest rates, with second quarter real gross domestic product (GDP) growing 2.8 percent on a preliminary basis, though signs of cooling continue to appear. Despite facing challenges from higher prices and borrowing costs, consumers and businesses are still spending, albeit at a slower pace. In fact, retail sales, excluding gas and vehicles, saw an 0.8 percent monthly increase in June.

The housing market, however, is facing some difficulties. Home sales have declined more than five percent year-over-year in the face of high mortgage rates and rising prices. The average existing home price hit a new record of \$426,900 in June. While more inventory is becoming available across the country, which could help ease price pressures, Connecticut is not yet seeing this trend. Year-to-date, new listings are down 5.4 percent and median prices are up 11 percent.

On a positive note, inflation seems to be cooling off. In June, overall prices actually decreased slightly, while core prices (which exclude food and energy) only rose 0.1 percent for the month. April to June data has increased confidence that the situation is steadily improving, despite annual inflation still at 3.0 percent according to the Consumer Price Index.

The job market remains strong but is showing signs of slowing down. The national unemployment rate increased from 4.0 in May to 4.1 percent in June, and job growth is decelerating. May job openings were also down 13 percent year-over-year. Notably, layoffs continue to be sporadic rather than sustained, showing that most of the slowdown is on the hiring side. The result is a more balanced labor market, though there are growing concerns that the Fed will keep rates too high for too long, potentially triggering unemployment to shoot up.

Given these developments, many experts believe the Federal Reserve will start lowering interest rates soon, possibly as early as September.

While the U.S. unemployment rate has been trending up, Connecticut's fell for the third straight month to 3.9 percent in June, from 4.3 percent in May, dropping below the national rate for the first time in a year. Nonfarm payrolls added 3,300 jobs in June, with gains in five of the industry super-sectors more than offsetting net losses in four others. Job openings in Connecticut remain elevated compared to pre-pandemic levels, with 1.1 job openings for every unemployed person.

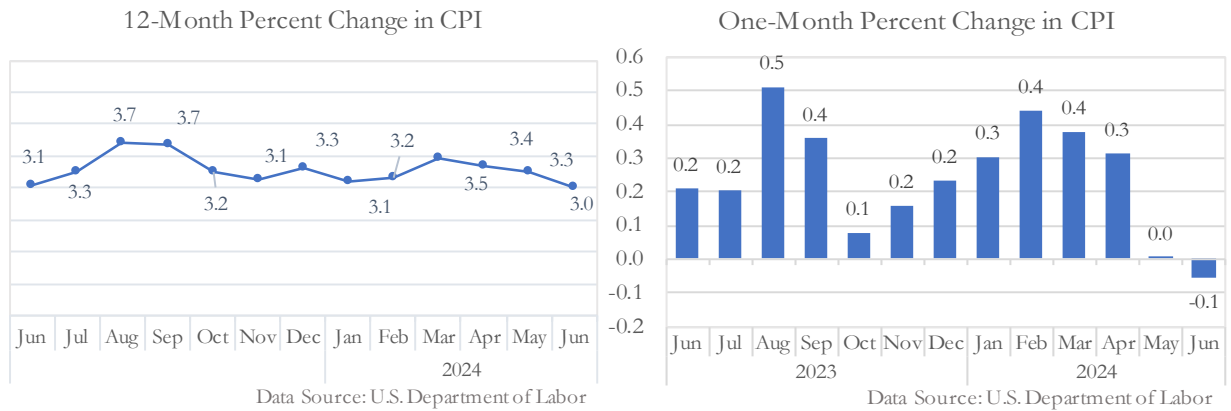
A major technology outage may impact economic figures for July, with the healthcare, banking, and air travel sectors particularly hard hit. In the stock market, a sell off of large technology company stocks that have fueled the market rally this year followed mixed quarterly corporate earnings results.

Inflation

Inflation continued to decline in June, increasing the likelihood that the Federal Reserve will begin reducing interest rates from their decades-high level sometime this year. Inflation according to the headline Consumer Price Index (CPI) fell 0.1 percent on a monthly, seasonally adjusted basis in June, thanks in part to lower prices for gasoline, airline fares, and vehicles.

Shelter costs, which account for over a third of the index, saw slower growth as well—just 0.2 percent on a monthly basis—the slowest monthly increase since August 2021.

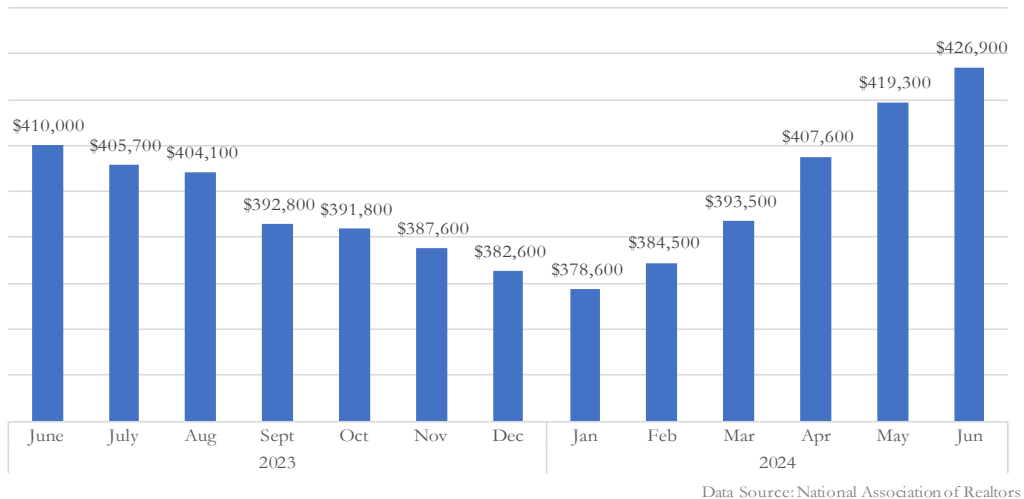
Over the 12 months ending in June, total CPI inflation grew 3.0 percent, the slowest rate in a year. Excluding volatile food and energy prices, prices grew 0.1 percent month over month and 3.3 percent year over year—the smallest 12-month increase in the core index since April 2021. Annualized inflation for the New England region continued to be higher at 3.8 percent, unchanged from May, thanks largely to continued higher local inflation in shelter costs.



The Federal Reserve held interest rates steady in July but continued to signal that at least one rate cut is likely by the end of the year, assuming the data continues to show a softening labor market and inflation moving closer towards the Fed’s two percent target.

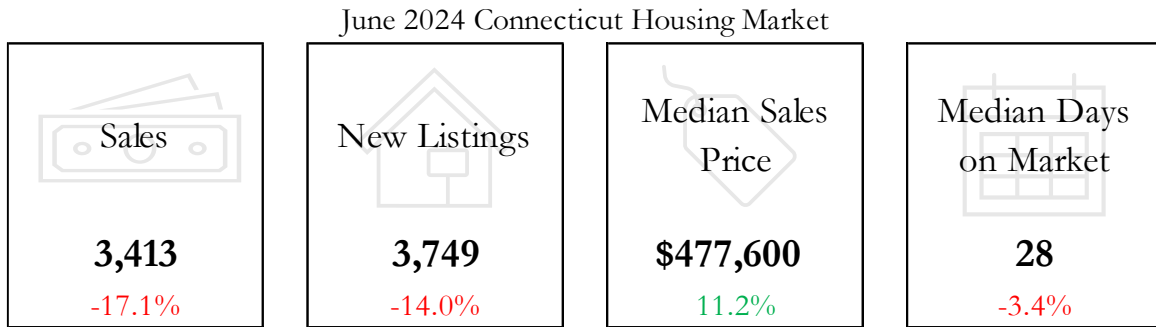
National and Connecticut Housing Market

U.S. Median Existing Homes Sales Price



Lack of affordability is weighing on housing demand. High rates have made purchasing a home unaffordable to many and listing a home unattractive to others lucky enough to have locked in low rates on their current home. The National Association of Realtors (NAR) reported U.S.

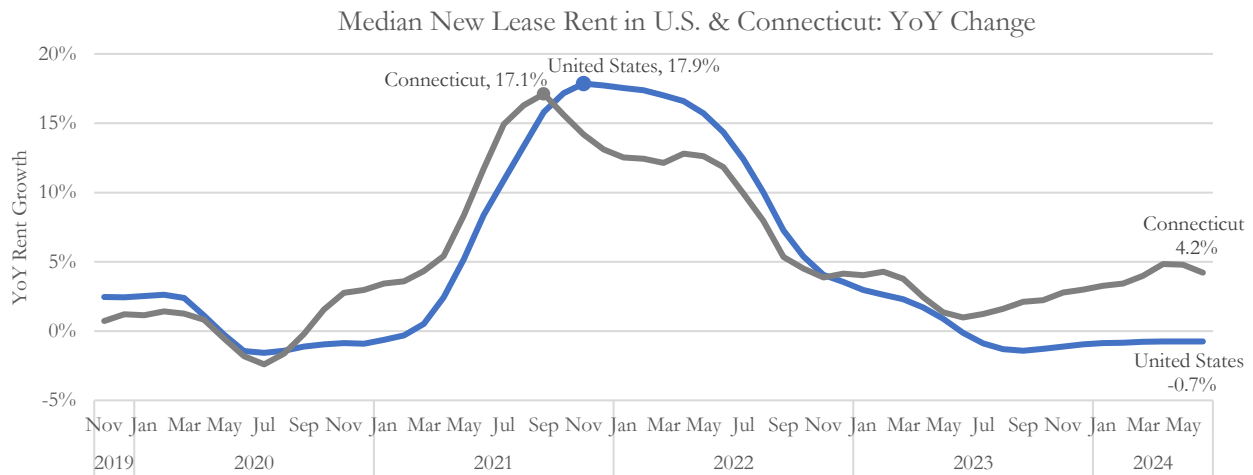
existing-home sales decreased 5.4 percent in June and were down 5.4 percent year-over-year. The median existing-home sales price was \$426,900 in June, another all-time high and 4.1 percent higher than a year ago. The inventory of unsold homes at the end of June ticked up 3.1 percent from May and was 23.4 percent higher than a year ago, suggesting that price pressures nationally could start easing. Freddie Mac reported that the national average 30-year fixed rate mortgage for the week ending July 18 was 6.77 percent, again down slightly on the month.



Data Source: Redfin

Home sales in Connecticut were 17.1 percent lower in June than a year ago and the median sales price was 11.2 percent higher year-over year, according to real estate brokerage firm, Redfin. Sales were down 8.1 percent for 2024 year-to-date compared to 2023. While most states have seen inventories rise compared to last year, Connecticut’s June inventory of unsold homes declined 6.9 percent from June 2023. With few new listings to pick from, the market remains competitive. Redfin reported a median sales price for all home types in Connecticut of \$477,600 in June.

National and Connecticut Rental Market



Source: Apartment List

Nationally, rent growth has stalled according to Apartment List. An increase in multifamily construction during the pandemic is reducing price pressures, especially in the South and West. Connecticut is still seeing rent prices climb 4.2 percent year-over-year, though that rate ticked down from 4.8 percent in May. Rent growth spiked nationally in 2021 and 2022 as vacancy rates fell and renters competed for limited inventory. Despite the national median rent dropping 0.7

percent year-over-year in June according to Apartment List, it remains 23 percent more expensive than it was in January 2021.

Approximately 53 percent of Connecticut renters are cost burdened, meaning they spend 30 percent or more of their income on rent, according to the latest U.S. Census Bureau data from 2022, which is about the same as the rate nationally. The median rent for all bedroom and all property types in Connecticut is \$2,000, according to Zillow Rental Data, 7 percent lower than the national median.

Consumer Confidence

The Conference Board reported the U.S. Consumer Confidence Index increased slightly in July, rising to 100.3 from a revised 97.8 in June (1985=100). Consumers' views of present labor market and business conditions deteriorated somewhat, while expectations about the future improved. Even with the slight improvement in the forward-looking Expectations Index, it has remained below the recession-signaling threshold of 80 for six consecutive months.

Despite low unemployment and positive economic growth, consumers have been feeling pessimistic about the future for several years in what has been called a "vibesession". Noticeably higher prices and a difficult housing market have likely contributed to consumers' negative outlooks.

The University of Michigan reported their Index of Consumer Sentiment remained virtually unchanged in the last three months. They anticipate increased volatility in economic attitudes as the presidential election approaches.

Stock Market and State Revenue

As of July 30, the Dow Jones Industrial Average, S&P 500, and NASDAQ Composite indices were up 0.7 percent, 4.6 percent, and 3.2 percent, respectively, for the month. Year-to-date, the Dow Jones Industrial Average, S&P 500, and NASDAQ Composite indices were up 8.1 percent, 14.2 percent, and 14.0 percent, respectively. While big tech stocks have risen significantly this year on high expectations for generative artificial intelligence (AI), many of those stocks saw their share prices fall in July, off their recent highs.

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 8% compared to FY 2023.

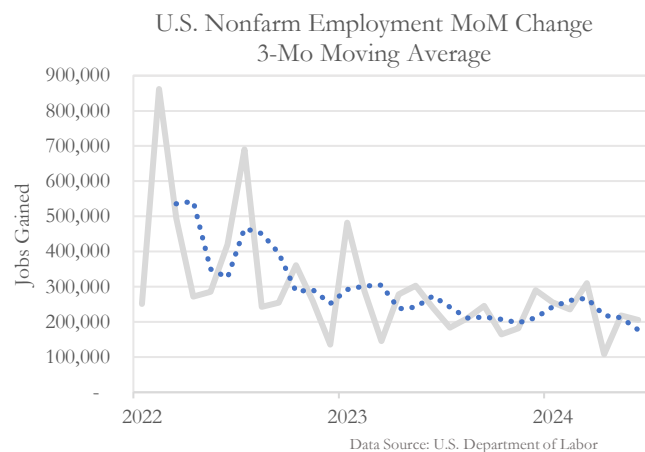
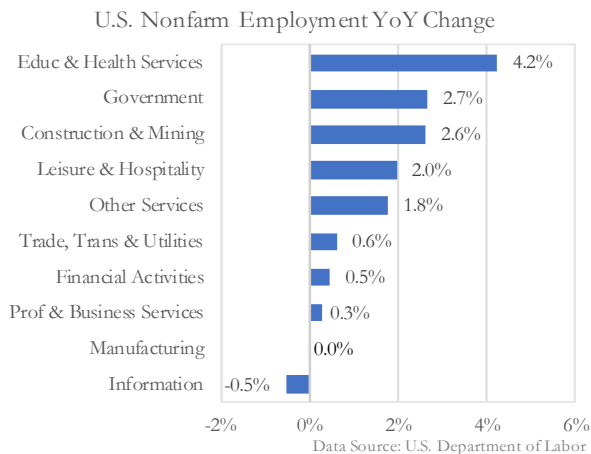
Labor Market Statistical Summary

United States	Jun-24	May-24	Jun-23
Unemployment Rate	4.1%	4.0%	3.6%
Total Unemployed	6,811,000	6,649,000	5,997,000
Total Nonfarm Employment	158,638,000	158,432,000	156,027,000
Job Growth	+206,000	+218,000	+240,000
Job Openings to Unemployed Ratio	-	1.2	1.5
Quit Rate	-	2.2	2.4
Average Monthly Initial Unemployment Claims	236,800	223,000	256,500
Labor Force Participation Rate	62.6%	62.5%	62.6%
Average Hourly Wage	\$35.00	\$34.90	\$33.70

Connecticut	Jun-24	May-24	Jun-23
Unemployment Rate	3.9%	4.3%	3.4%
Total Unemployed	74,600	81,800	64,500
Total Nonfarm Employment	1,713,700	1,710,400	1,701,700
Job Growth	+3,300	+4,100	+8,700
Job Openings to Unemployed Ratio	-	1.1	1.4
Quit Rate	-	2.0	2.1
Average Monthly Initial Unemployment Claims	3,972	2,635	5,597
Labor Force Participation Rate	64.6%	64.7%	64.2%
Average Hourly Wage	\$37.76	\$37.68	\$35.24

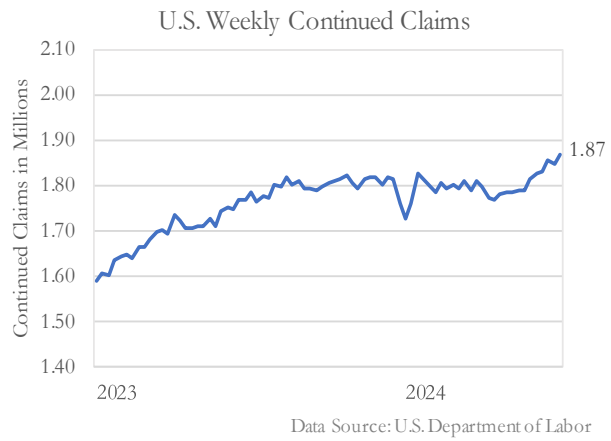
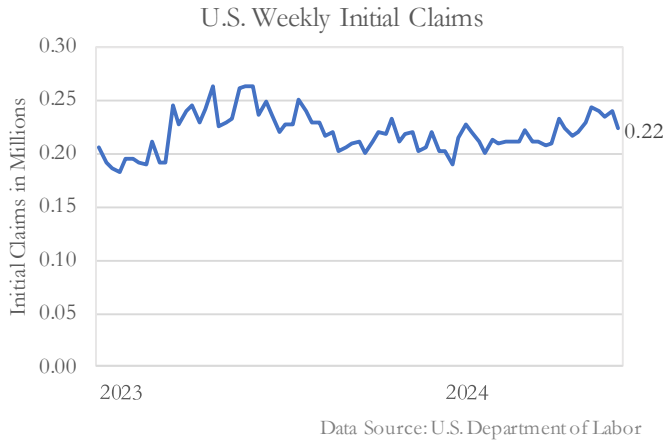
National Job Growth

The Bureau of Labor Statistics reported the U.S. added 206,000 jobs in June, below the 220,417 average over the prior 12 months. Due to significant revisions in April and May employment figures (-110,000 jobs), the three months ending in June had the lowest average gain in over three years. The Education and Health Services sector saw the largest monthly gain again (+82,000 jobs) compared with May, and that sector continues to see the highest year-over-year job growth at 4.2 percent. The U.S. added 2.61 million jobs over the 12 months ending June. The following graphs display the year-over-year net change in nonfarm employment by sector and monthly U.S. job growth. Appendix 1 shows detailed data by sector.



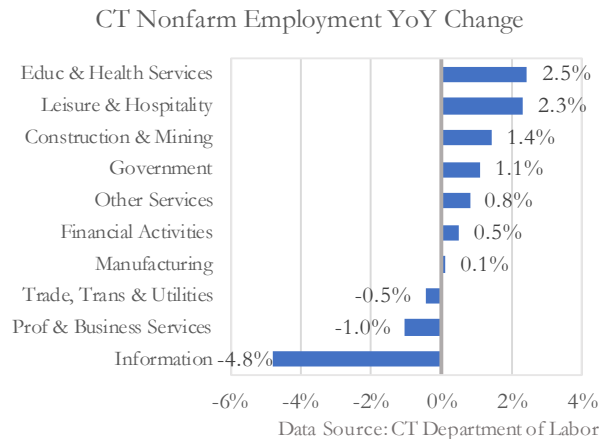
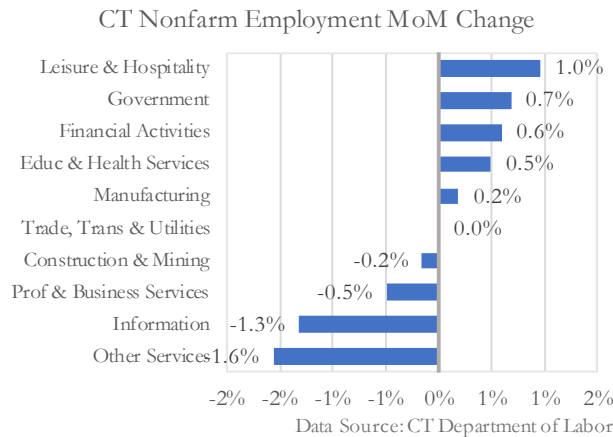
National Unemployment

The U.S. unemployment rate rose for the third straight month to 4.1 percent in June, up from 4.0 percent in May. The total number of unemployed people rose 2.4 percent in June to about 6.8 million people. Continued claims for unemployment have been trending up, another sign of labor market softening. For the week ending July 6, seasonally adjusted initial claims totaled 223,000 and seasonally adjusted continued claims totaled 1,867,000.



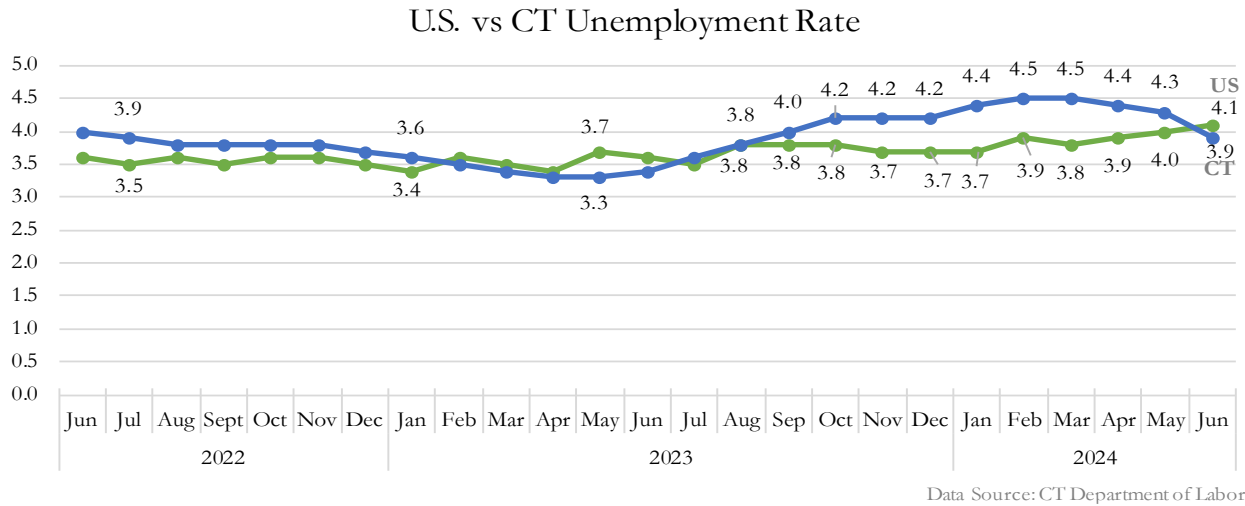
Connecticut Job Growth

According to the CT Department of Labor (DOL), Connecticut nonfarm payrolls have risen for six consecutive months, averaging 3,000 additional jobs per month. The estimated gain was 3,300 jobs in June, bringing total payroll jobs to 1,713,700. Private sector jobs are at a record high of 1,476,600 and 105.7% recovered from the pandemic shutdown. June gains were widespread, with the largest industry gains in accommodation and food service (+1,500), government (+1,600), and private education and health services (+1,800). Construction jobs are above 65,000 for only the third time since 2008, with DOL expecting continued growth there due to the national infrastructure bill and state housing initiatives. 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.

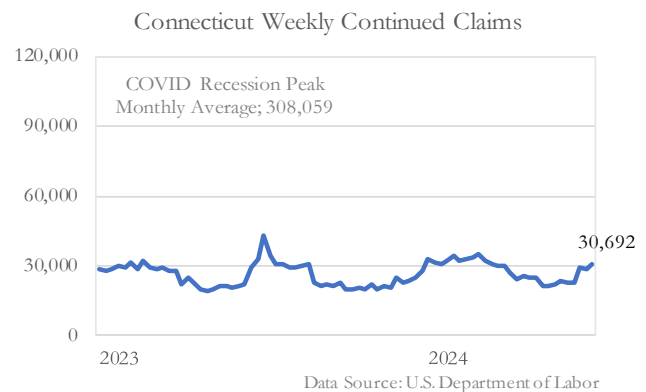
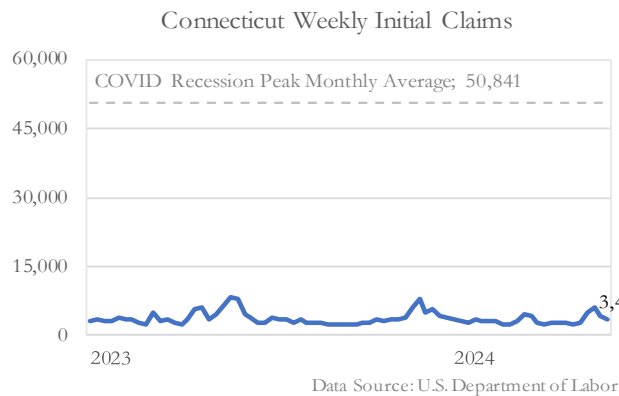


Connecticut Unemployment

The Connecticut unemployment rate dropped significantly in June to 3.9 percent, from 4.3 percent in May, trending down for the third straight month. The total number of unemployed people in June decreased by 7,200 to 74,600. In May there were 1.1 job openings for every unemployed person.



For the week ending July 6, not seasonally adjusted Connecticut initial claims totaled 3,403 and not seasonally adjusted continued claims totaled 30,692.



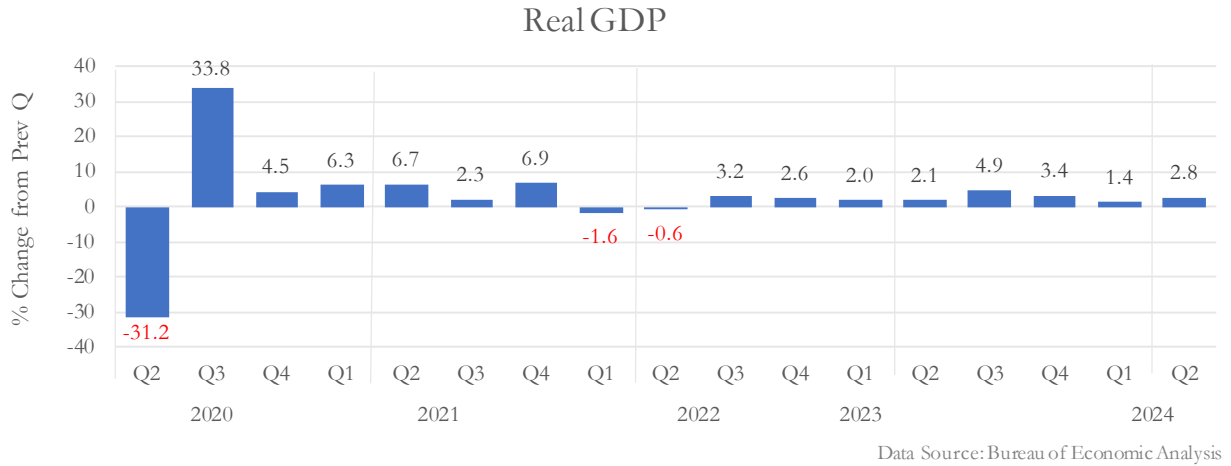
National and State Gross Domestic Product (GDP)

The Bureau of Economic Analysis released the “first” estimate of U.S. real Gross Domestic Product for the second quarter of 2024. Real GDP increased at a 2.8 percent annual rate, after increasing at a 1.4 percent rate in the first quarter. The acceleration in the second quarter primarily reflected growth in private inventory investment and an acceleration in consumer spending. These movements were partially offset by a downturn in residential fixed investment, which grew significantly in the first quarter. Imports also grew more than exports.

Despite high interest rates, businesses are investing more. Nonresidential fixed investment accelerated to 5.2 percent annualized growth for the second quarter, as equipment investment

jumped 11.6 percent and intellectual property product outlays grew 4.5 percent, while investment in structures fell 3.3 percent on a seasonally adjusted annualized basis.

Connecticut’s economy grew at a 0.7 percent inflation-adjusted annual rate in the first quarter of 2024. As of early July, the International Monetary Fund (IMF) was projecting U.S. real GDP growth of 2.6 percent in 2024 and 1.9 percent in 2025.



Consumer Spending, Saving & Debt

Monthly U.S. retail and food services sales were unchanged in June (with May figures revised higher), as lower gas prices and a drop in motor vehicle dealer sales offset stronger-than expected growth across most other categories. Retail sales, excluding gas and vehicles, saw an 0.8 percent monthly increase in June. Auto and other motor vehicle dealer sales were 2.3 percent lower month-over-month due to a cyberattack that impacted a key vendor. Nonstore retailers, including e-commerce sites, have seen 8.9 percent growth for the year.

Personal Consumption Expenditures (PCE) increased at a 2.3 percent annual rate in the April to June period, up from a 1.5 percent annual rate in the first quarter, showing that consumers are still spending. A 0.2 percent monthly increase in real PCE in June reflected an increase of 0.2 percent in spending on both goods and services.

Banking data indicates more low and moderate-income households are experiencing some financial distress, as pandemic-stimulus related savings have generally been depleted. Credit card debt and delinquencies both increased in the first quarter. In their earnings report this month, Visa reported that high earners were still spending but lower earners had started to cut back.

The personal-saving rate was 3.4% in June, compared with 3.9% in May.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector							
Sector	June	May	June	MoM		YoY	
	2024	2024	2023	Change	Rate	Change	Rate
Information	3,027,000	3,021,000	3,043,000	6,000	0.2%	-16,000	-0.5%
Manufacturing	12,950,000	12,958,000	12,945,000	-8,000	-0.1%	5,000	0.0%
Prof & Business Services	22,950,000	22,967,000	22,883,000	-17,000	-0.1%	67,000	0.3%
Financial Activities	9,244,000	9,235,000	9,201,000	9,000	0.1%	43,000	0.5%
Trade, Trans & Utilities	29,039,000	29,025,000	28,860,000	14,000	0.0%	179,000	0.6%
Other Services	5,924,000	5,908,000	5,821,000	16,000	0.3%	103,000	1.8%
Leisure & Hospitality	16,913,000	16,906,000	16,588,000	7,000	0.0%	325,000	2.0%
Construction & Mining	8,879,000	8,852,000	8,652,000	27,000	0.3%	227,000	2.6%
Government	23,364,000	23,294,000	22,757,000	70,000	0.3%	607,000	2.7%
Educ & Health Services	26,348,000	26,266,000	25,277,000	82,000	0.3%	1,071,000	4.2%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector							
Sector	June	May	June	MoM		YoY	
	2024	2024	2023	Change	Rate	Change	Rate
Information	29,800	30,200	31,300	-400	-1.3%	-1,500	-4.8%
Trade, Trans & Utilities	298,000	298,000	299,400	0	0.0%	-1,400	-0.5%
Government	237,100	235,500	234,500	1,600	0.7%	2,600	1.1%
Financial Activities	119,300	118,600	118,700	700	0.6%	600	0.5%
Prof & Business Services	219,500	220,600	221,800	-1,100	-0.5%	-2,300	-1.0%
Manufacturing	158,900	158,600	158,700	300	0.2%	200	0.1%
Other Services	62,700	63,700	62,200	-1,000	-1.6%	500	0.8%
Construction & Mining	63,500	63,600	62,600	-100	-0.2%	900	1.4%
Leisure & Hospitality	157,800	156,300	154,200	1,500	1.0%	3,600	2.3%
Educ & Health Services	367,100	365,300	358,300	1,800	0.5%	8,800	2.5%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary						
	June-24	June-23	% Change	YTD 2024	YTD 2023	% Change
New Listings	3,749	4,357	-14.0%	20,516	21,689	-5.4%
Sold Listings	3,413	4,116	-17.1%	16,183	17,614	-8.1%
Median Sale Price	\$477,600	\$429,500	11.2%	\$410,933	\$370,200	11.0%
Average Sale-to-List-Price Ratio	104.3%	104.4%	0.0%	102.8%	101.9%	0.9%
Median Days on Market	28	29	-3.4%	37	40	-9.5%
Hartford Metro Sale Price	\$385,000	\$333,750	15.4%	\$344,083	306,875	12.1%
Bridgeport Metro Sale Price	\$749,000	\$660,000	13.5%	\$601,875	\$548,333	9.8%
Months Supply of Inventory	1.8	1.6	12.3%	2.1	2.1	0.1%

Data Source: Redfin, OSC Calculations