



OFFICE of the STATE COMPTROLLER

CONNECTICUT ECONOMIC UPDATE

Sean Scanlon
State Comptroller
SEPTEMBER 2025

In this month's edition

Outlook: Uncertainty around the U.S. economic outlook has intensified as President Trump has made drastic changes to trade and immigration policy that continue to evolve. Most analysts expect growth to slow in the second half of 2025, with elevated tariffs, tighter immigration, and policy uncertainty weighing on investment and consumer demand. The same is likely for Connecticut.

The national labor market is showing signs of strain. U.S. job growth slowed to 73,000 in July, with huge downward revisions to prior months, and unemployment edged up to 4.2%. Connecticut saw large labor force declines in June and July, though employment remains near record highs.

Retail sales rose 0.5% in July, driven by strong vehicle sales and [high-income consumer](#) spending. However, signs of softening are emerging, particularly in discretionary categories like dining out. Whether AI-driven business investment and affluent household spending can offset rising trade costs and labor market cooling remains uncertain. Real GDP grew at a revised 3.3% annualized rate in Q2 2025, rebounding from a -0.5% contraction in Q1. However, underlying demand—as measured by final sales to private domestic purchasers—slowed to 1.9% in both quarters, down from 2.9% in Q4 2024.

Inflation pressures are building. Core PCE inflation rose to 2.9% in July, a five-month high, as tariff impacts begin to filter through. With inflation above target and labor markets weakening, Fed Chair Jerome Powell signaled a possible rate cut in September, aiming to balance the risks to employment and price stability.

Back to School on school funding. In this month's feature, we dig into State funding for K-12 education, discussing how that support has changed over time and what's next for Connecticut towns in FY 2027.

Why does Federal Reserve Independence matter? As President Trump ratchets up pressure for the Fed to significantly cut interest rates, we talk about what that could mean for Connecticut residents and businesses.

Connecticut home sales rose 3.7% year-over-year in July and mortgage rates fell to the lowest level in 10 months in August. While Connecticut is still a seller's market with 6.8% annual median price growth, more listings are increasing competition, which helps buyers. Annual rent growth for new leases was 1.7% in July, the lowest rate in two years, and State housing permits surged.

The CT unemployment rate remained steady at 3.8% in July, with few jobs added. Gains in higher wage services sectors bode well for state tax revenue growth. U.S. job growth in the Health Care and Social Services sector this year accounts for 49% of jobs added in job-gaining sectors, vs. only 32% in Connecticut.

Construction Industry Outlook: ConstructConnect, an industry data provider and forecaster, projects construction starts will grow by 7.5% in Connecticut in 2025, before falling in 2026.

KEY DATES THIS MONTH

9/5 – August U.S. jobs report
9/11 – August CPI inflation report
9/18 – August CT jobs report
9/25 – U.S. 2025Q2 GDP 3rd estimate
9/26 – CT 2025Q2 GDP & personal income

We want to hear from you

State Comptroller Sean Scanlon is currently working on a big report about Connecticut's property tax system, and he wants to hear how this tax is impacting you, your business or your community. Text or email your story or ideas for fixing it to (860)-266-7557 or Sean.Scanlon@ct.gov.

About OSC

Sean Scanlon, State Comptroller
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BACK TO SCHOOL: HOW DOES STATE FUNDING FOR EDUCATION STACK UP?

Introduction

Connecticut boasts some of the best K-12 public schools in the nation. Per pupil spending in the state is 51.8% higher than the national average for [2023](#). The newly enacted state budget for the next two fiscal years makes significant investments in education, especially for educating children with disabilities. But despite large increases in municipal aid during the Lamont administration, 56.7% of school district funding, on average as of 2023, comes from local governments that are forced to rely primarily on property taxes to fund their schools. Since wealthier communities have more resources to support local schools, per pupil funding can vary dramatically by town.¹ For example, Westbrook spent about \$33,800 per student in 2023-2024, while Meriden spent about \$16,600, according to [State data](#). Larger towns can also take advantage of economies of scale to provide more opportunities for students at lower average cost.

State funding for education is meant to reduce inequality between students by providing funding based on **student need** and **local resources**.

Prior to the pandemic, federal funding accounted for [4.3%](#) of Connecticut public elementary and secondary school revenue, though the percentage was much higher in large, urban districts. During the COVID-19 pandemic, Connecticut school districts received \$1.7 billion in Elementary and Secondary School Emergency Relief (ESSER) Funding. Federal relief dollars boosted federal support to 8.2% of Connecticut education funding in 2023. But that extra support was temporary and is mostly gone.

The State provided 35.0% of the \$13.7 billion in public K-12 education funding in the 2022-2023 fiscal year, according to the U.S. Census Bureau's public education finance statistics. State funding for education across 169



towns is multifaceted and complex. The State provides the bulk of state education funding for current operations through formula grants known as **Education Cost Sharing (ECS)** grants. The state also partially funds school construction projects and fully funds teacher pensions for public school teachers through the Teachers' Retirement System (TRS). Since towns often respond to school budget needs with higher property taxes and because school districts employ over 53,000 full-time equivalent staff, education funding impacts the wider Connecticut economy as well.

This month, we discuss how the State funds education and how increases in State support in recent years have been partially eroded by inflation.

¹ School district size and state and federal funding also impact per pupil costs.



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How does the State of Connecticut fund education?

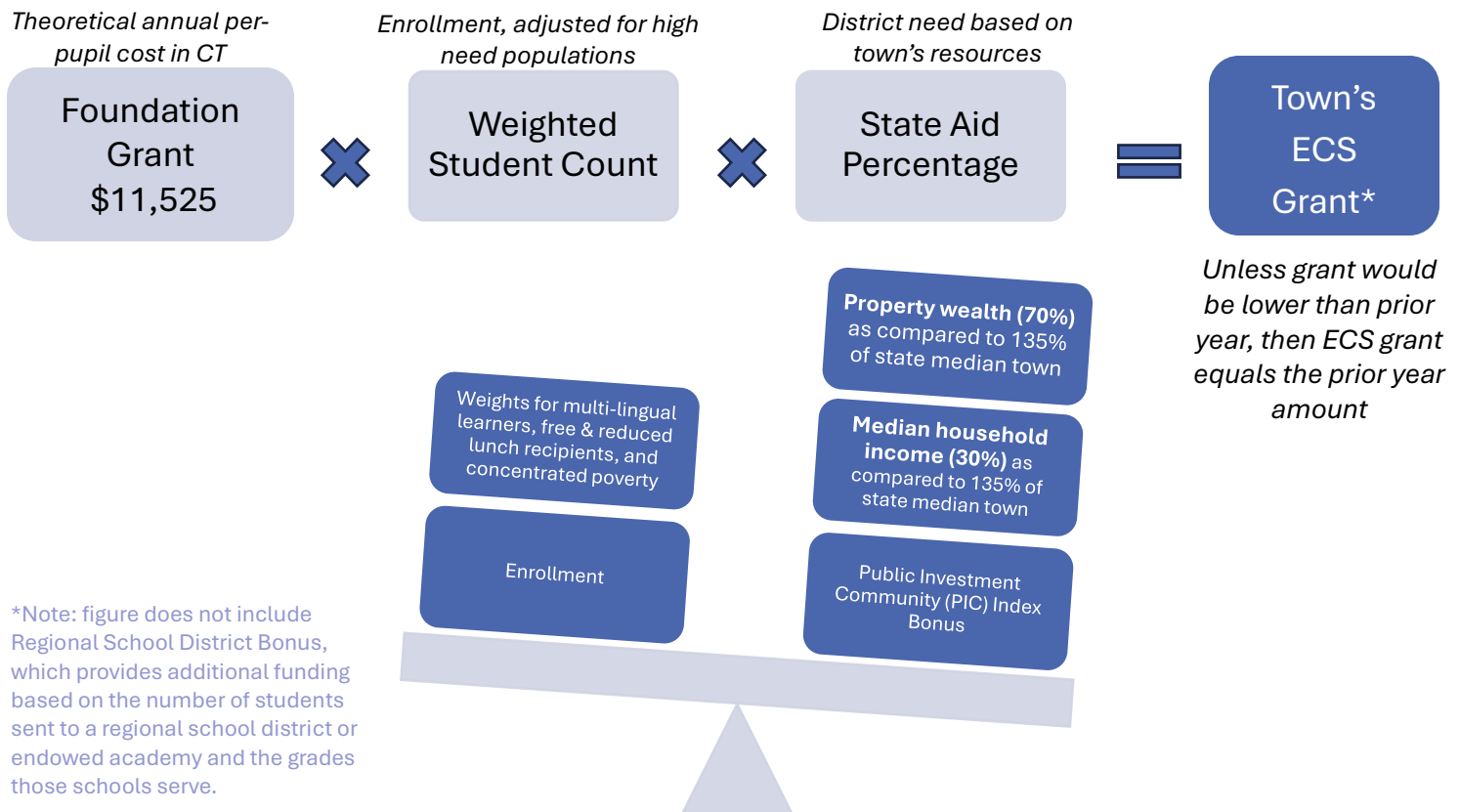
Education Cost Sharing. The largest single component of State funding for public school operations is \$2.46 billion (in Fiscal Year 2026) in **Education Cost Sharing (ECS) grants**, with amounts for each town determined according to a formula. The bipartisan budget enacted in late 2017 made changes to ECS and created a schedule to gradually phase in the updated formula starting in FY 2019. This fiscal year (FY 2026) marks the first time when towns that have been “underfunded” according to the new formula are “fully funded.” Schools that would receive less funding under the new formula (for example, due to declining enrollment) have not received decreases in several years. Reductions are set to restart in FY 2028 under current law. The State’s 36 lowest-performing towns whose school districts are designated as

Alliance Districts, or whose districts were previously low-performing, are exempt from the formula-based decreases to ECS funding.

The ECS formula multiplies three main parts:

1. **The foundation grant amount**, which has been set in state law at \$11,525 since FY 2014
2. **Weighted student count**, which is enrollment with weighted counts of high need students. (The formula provides additional funding for multi-lingual learners, low-income students, and concentrated poverty).
3. **The state aid percentage**, which is a measure of a town’s theoretical ability to fund its own education costs based on town wealth.² It determines how much of the formula’s cost to educate the district’s students will be paid by the state. Poorer towns have higher percentages, resulting in more state funding for a given level of student need.

Fiscal Year 2026 and 2027 Education Cost Sharing Formula by Town



² The State Aid Percentage varies between 78.2% in Hartford and the statutory minimum of 1% in 36 towns in FY 2026. Property wealth is measured by equalized net grand list per capita. The formula includes

bonus percentage points (ranging from 3 to 6 points) to the 19 towns with the highest [Public Investment Community Index](#) scores.



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An example. Norwalk had 11,808 resident students in late 2024, with 5,961 qualifying for free or reduced lunch (not more than 60% of its students) and 2,698 English language learners. Their resulting weighted student count for FY 2026 was equal to:

$$11,808 + (5,961 \times 0.3) \{\text{low-income weight}\} + (2,698 \times 0.25) \{\text{multi-lingual weight}\} + (0 \times 0.15) \{\text{concentrated poverty weight}\} = 14,271$$

With an average equalized net grand list (across 2020 to 2022) per capita of \$280,284, Norwalk has property wealth significantly above the median town amount of \$190,009—that counts for 70% in the resources formula that determines its state aid percentage. On the other hand, Norwalk’s median household income in 2022 of \$97,879, is lower than the median town’s \$102,174—accounting for the other 30% of the resources formula. Norwalk is not a Public Investment Community so receives no bonus for that. For those who like formulas, Norwalk’s State aid percentage would be calculated as:

$$1 - [(\$280,284 / (1.35 \times \$190,009)) \times 0.7 \{\text{property wealth weight}\} + (\$97,879 / (1.35 \times \$102,174)) \times 0.3 \{\text{income weight}\}] + 0\% \text{ PIC Bonus} = 2.2\%$$

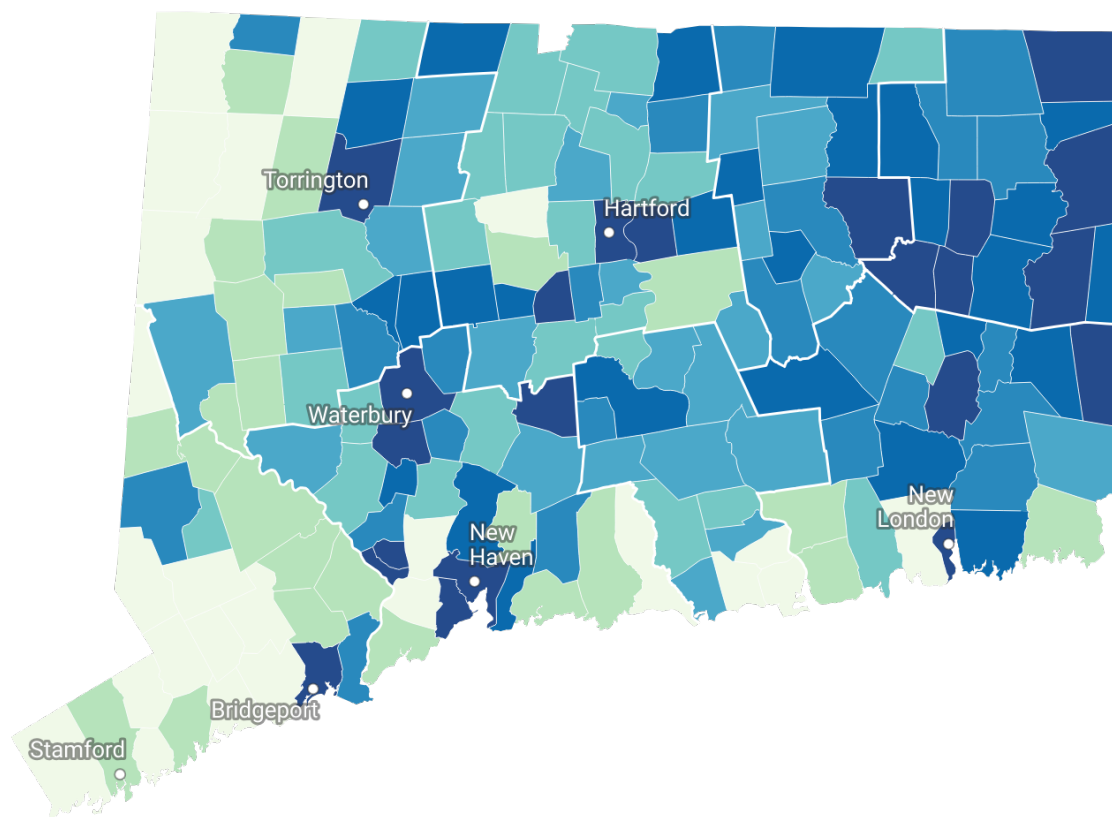
However, State law requires that Alliance Districts receive a minimum state aid percentage of **10%** and all other towns receive a minimum of 1%. As an Alliance District, Norwalk’s percentage is 10% instead of 2.2%. Putting it all together yields:

$$11,525 \{\text{foundation}\} \times 14,271 \{\text{weighted student count}\} \times 0.10 \{\text{State aid percentage}\} = \$16.4 \text{ million ECS grant}$$

For Norwalk in FY 2026, their average ECS entitlement per resident student is \$1,393, just 12.1% of the foundation. As the example shows, towns typically receive less than the foundation amount (\$11,525) per student. The map below shows FY 2026 town ECS entitlements divided by unweighted student counts.

FY 2026 Average Education Cost Sharing Entitlement per Resident Student

< \$500 \$500–\$2,000 \$2,000–\$3,300 \$3,300–\$4,200 \$4,200–\$5,700 \$5,700–\$7,500 ≥ \$7,500



ECS entitlement is the grant amount for the State’s largest education grant program for local towns. The ECS formula takes student need into account, while this map shows current year grant funding divided by an un-weighted count of resident students.

Source: Office of Fiscal Analysis, OSC calculations • Created with Datawrapper



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Note that school choice options like magnet schools, charter schools, and technical high schools are supported with separate, significant State funding. Choice schools (except technical high schools) have their own grant structures that use components of the ECS formula but do not directly impact ECS.

Special Education Funding. In the 2024-2025 school year, Connecticut schools had nearly 87,000 students with a disability, or 17.8% of the overall elementary and secondary school population according to state data as reported in [Edsight](#). That share is up from 15.9% in 2020-2021.

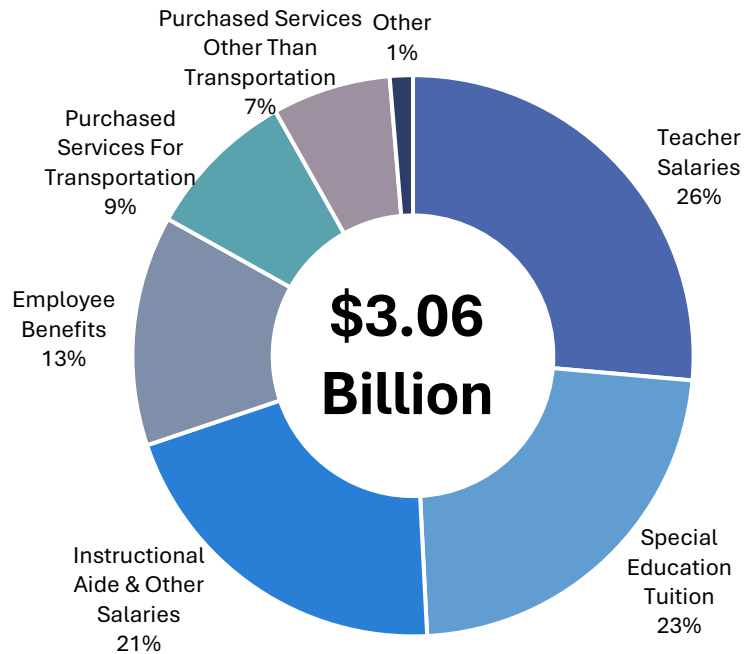
It can cost significantly more per child to educate Special Education students, who may require additional services, staff and sometimes outplacement. State funding partially reimburses districts for extraordinarily high special education costs through the Excess Cost Grant Program. That kicks in when a special education student's costs exceed 4.5 times what the district typically spent per student in the prior year.³ Towns, with some federal assistance, have had to bear the additional costs up to 450%, and also whatever the State program does not cover when the Excess Cost Grant program appropriation does not meet the full need for district reimbursements.

That was the case in Fiscal Year 2025, when the legislature added \$40 million in funding for the year in progress to address significant school funding

shortfalls for special education. The FY 2026 and 2027 budget continued that additional \$40 million for Excess Cost

version of the ECS formula, with funding to towns depending on the number of special education students,

Special Education Expenditures FY 2024



Grants, putting the budget at \$221.1 million in both FY 2026 and FY 2027.

The new budget also established \$30 million in new, annual formula-based special education grants for towns called Special Education and Expansion Development (SEED) grants. The formula is a modified

the ECS foundation amount (\$11,525), a weight (currently 50%), and each town's state aid percentage. While that would yield total grants of \$190.7 million for FY 2026, the budgeted funding (currently \$30 million per year) is proportionately distributed based on the amount appropriated.⁴

School Construction

Another major bucket of State funding for K-12 education comes in the form of bonding for capital projects like school construction. The share of eligible construction costs the State will cover depends on [town property wealth](#), with lower-resourced towns and renovation projects (along with certain others) receiving a higher [percentage](#) of State funding.

³ Technically, it is 4.5x the district's prior year net current expenditures per pupil.

⁴ The budget also appropriates other new funding for Special Education, see [State Budget Book](#), pg. 228.



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Teachers' Retirement. Another major public education expense for the State is teacher pensions. The Teachers' Retirement System (TRS) is Connecticut's defined benefit plan for approximately 53,400 active and 40,000 retired public-school teachers and beneficiaries. Funding comes from (1) active teachers, who contribute 7% of their salary, (2) State contributions, based on the actuarially determined employer contribution (ADEC) and any surplus funding designated, and (3) investment returns on the pension fund. This means that, unlike for school operating budgets, local property taxes are not funding teachers' retirement costs.

Budgeted pension contributions for this fiscal year are \$1.8 billion (7.5% of the State's General Fund budget), and the State also pays debt service on Pension Obligation Bonds used to finance the system in 2008.

While State funding for all teacher pensions treats all towns the same, pension contributions are based on employee salaries. In many cases, **wealthier towns can afford to pay higher teacher salaries, resulting in higher per-teacher pension contributions from the State** than in poorer districts. This structure undermines the goal of progressivity (using state funding to level the playing field for all students). It may also lead to towns paying higher teacher salaries than they otherwise would if local tax dollars were funding teacher pensions, increasing total costs.

States are mixed in terms of how teacher retirement costs are split between local and state funding. Connecticut is one of 15 states that

fund 100% of teacher pensions according to a 2024 [analysis](#).

Now that we've covered the main ways the State funds public K-12 education, we discuss how inflation has impacted State ECS support.

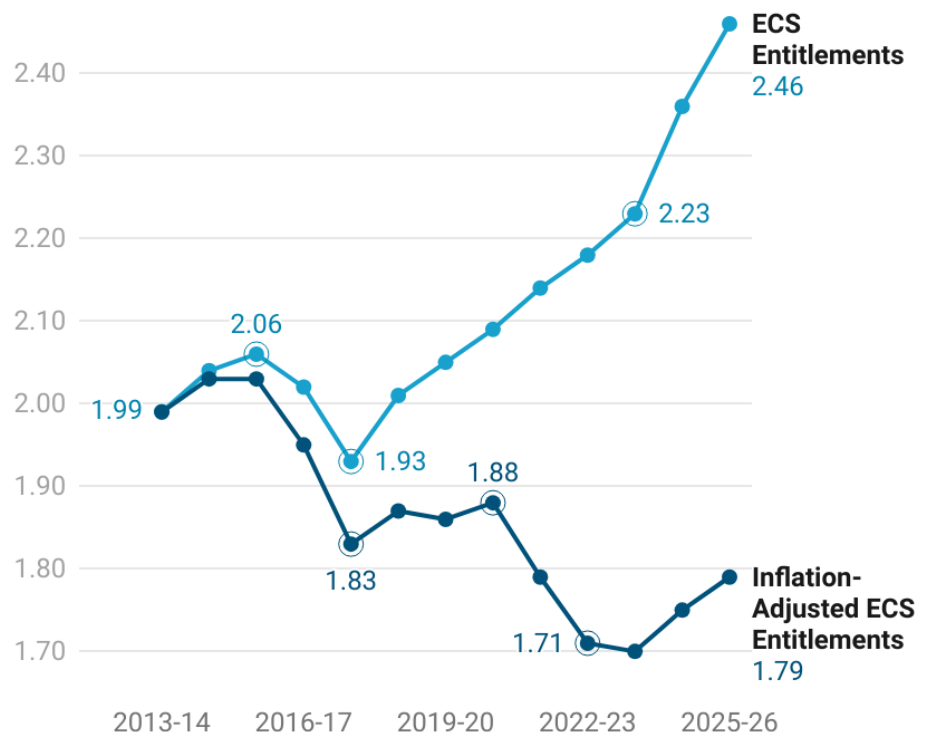
How has State Education Funding Changed Over Time?

While State ECS funding for towns has risen 23.4% since 2014, inflation-adjusted data tells a different story.

The sum of ECS entitlements (before prior year adjustments) for all Connecticut towns from the State Department of Education was \$1.99 billion in FY 2014. That dropped to \$1.93 billion in FY 18, thanks in part to a slow recovery from the 2007-2009 Great Recession that strained State finances for a decade and a growing share of the State budget being used to address the underfunded State Employees and Teachers' Retirement Systems around that time.

Education Cost Sharing (ECS) Entitlement Growth FY 2014 to FY 2026

The sum of town-level entitlements excluding prior year adjustments in billions of dollars



The inflation adjustment reflects 2013Q4 constant dollars based on the State and Local Government Implicit Price Deflator from the Bureau of Economic Analysis. Assumes a 2.4% inflation rate for 2025.

Source: State Department of Education, OSC calculations • Created with Datawrapper



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Since then and under the Lamont administration, ECS entitlements have increased overall each year, with particularly large increases in the last two years.

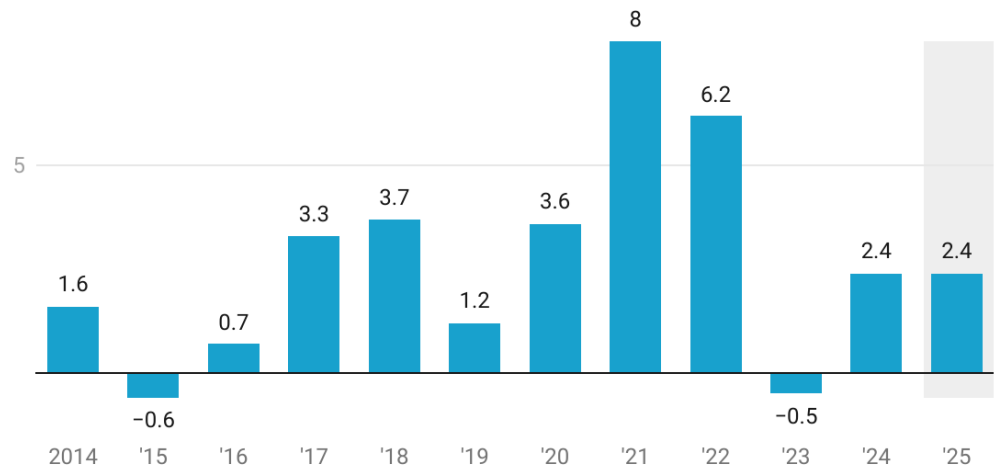
Despite this historic investment, inflation has meant some communities feel this support less than others.

State and local governments experienced the highest inflation ever recorded (since data collection began in 1948) in FY 2021 at 8%, with FY 2022 not much lower at 6.2%. Schools were competing for bus drivers and paraprofessionals in a red-hot labor market that saw the median bus driver wage grow 10.5% from early 2020 to early 2022.

Falling Enrollment. Connecticut education funding cannot be

State and Local Government Annual Inflation Rate (%)

Government Consumption Expenditures and Gross Investment, Implicit Price Deflator



Data reflects annual inflation measured from Q4 to Q4, 2025 is projected

Source: Bureau of Economic Analysis via FRED, OSC calculations & projection • Created with Datawrapper

discussed without noting that public school enrollment has been on a long-term decline, with the COVID-19 pandemic having a noticeable impact

on enrollment in 2021 that has not been reversed. This trend is not limited to Connecticut. As well as a national increase in home schooling, women in the U.S. are having fewer children.

Key Public Education Trends

	Enrollment K-12	Real ECS per Pupil (\$2013)	Average of All Towns, ECS Share (%) of Education Expenditures
2013-14	532,552	3,737	20.8
2014-15	528,005	3,802	20.9
2015-16	523,144	3,898	20.6
2016-17	520,136	3,815	18.9
2017-18	516,288	3,555	16.9
2018-19	511,639	3,613	18.8
2019-20	509,000	3,659	18.1
2020-21	497,779	3,680	18
2021-22	495,849	3,495	18.1
2022-23	494,499	3,360	
2023-24	493,122	3,471	
2024-25	487,640	3,624	

Enrollment reflects total state public school enrollment in kindergarten through grade 12 (including students at charter schools and technical high schools that are not funded through ECS). ECS refers to the sum of Education Cost Sharing grant entitlements across 169 towns. Real ECS per pupil is inflation-adjusted entitlements divided by enrollment. Fiscal Year 2023-2025 not available for third series.

Source: Edsight, CSDE, BEA, OPM Municipal Fiscal Indicators, OSC calculations • Created with Datawrapper

In 2008, an American woman was expected to have 2.1 children over her childbearing years. That number has dropped to 1.6 children as of 2023. Fewer births means fewer school children unless immigration offsets the decline.

Given that enrollment has also been falling, inflation-adjusted ECS entitlements per pupil have been more stable as shown in the trends graph.



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In FY 2014, total ECS entitlements divided by statewide kindergarten to Grade 12 public school enrollment, was \$3,737. That figure peaked in FY 2016 at nearly \$3,900 in ECS funding per student (2013 dollars) and has fluctuated at slightly lower levels since then. FY 2024 and FY 2025 saw real per-pupil state ECS entitlements grow by 3.3% and 4.4%, respectively. That's an improvement over the 2.8% growth in both FY 2024 and FY 2025 for the inflation-adjusted ECS total (not adjusted by enrollment).

While falling enrollment seems like it would reduce town education costs, that is not always the case. As previously mentioned, the share of students with disabilities has been rising, increasing costs for districts. Additionally, the loss of a few children may not produce significant savings if a teacher position or other staffing cannot be eliminated.

The third graph shows how ECS funding from the State supports a smaller share of town education expenditures in FY 2022 (18.1%) than it did in FY 2014 (20.8%), when taking the average of Connecticut's towns' ECS to education expenditure ratios. Increased ECS funding in the past few years may have increased the ECS share of town education

expenditures in the years not shown (due to data availability), however there was also significant federal relief funding that may have diluted the state ECS share of expenditures. While ECS is the largest single source of State education grants for operating costs, it is not the only one. The third graph is therefore an incomplete picture of State support for K-12 education.

What's next?

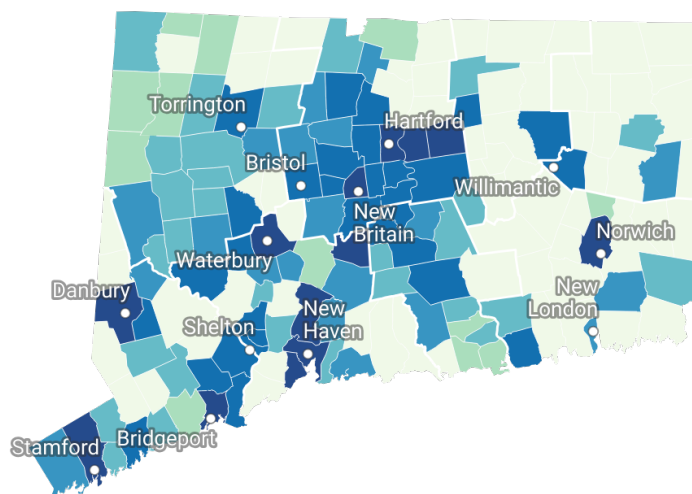
The preliminary FY 2027 State budget includes no increases from FY 2026 funding levels for ECS, Excess Cost grants or the new \$30 million SEED grants for special education, though some other grants are increased.

The graphs below show the towns that have received growing ECS entitlements in recent years. Darker colored towns especially will feel budget pressures next year if state education grants are level-funded. As all towns wrestle with inflation and enrollment changes, policymakers must ensure each child receives a quality education that prepares Connecticut's workforce of tomorrow.

Average Annual Growth in ECS Entitlement FY 2023 to FY 2026

In Dollars

< 1 1-10K 10K-100K 100K-300K 300K-2M ≥ 2M

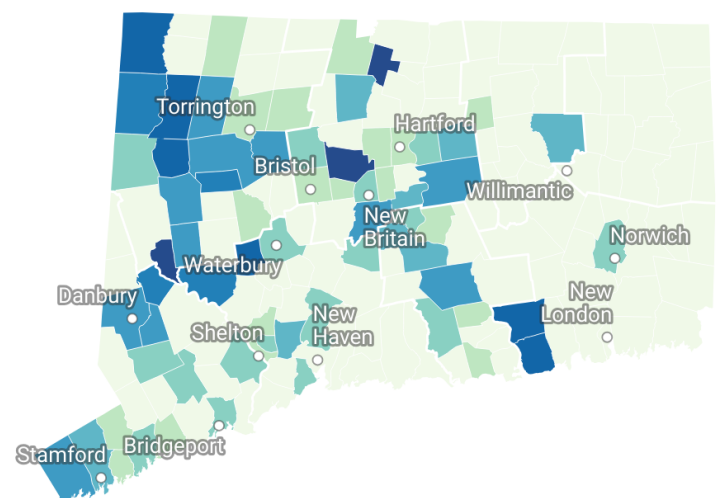


ECS Entitlements do not include prior year adjustments
Source: CSDE, OSC Calculations • Created with Datawrapper

Getting to full funding in FY 2026 has boosted many towns' grant amounts

Percentage Growth in ECS Entitlement FY 2025 to FY 2026

< 1% 1%-5% 5%-10% 10%-15% 15%-20% 20%-25%
25%-30% ≥ 30%



Source: CSDE, OSC Calculations • Created with Datawrapper



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ALL EYES ON THE FEDERAL RESERVE

Central bankers convened in Jackson Hole, Wyoming for their annual conference in August, as they do every year. This year's event seemed to be surrounded by more controversy and tension than in the past, as President Trump continues to pressure the Federal Reserve to lower interest rates. He is attempting to fire Fed Governor Lisa Cook and has repeatedly threatened to fire Chair Jerome Powell, actions far outside presidential norms that call into question the central bank's continued independence, especially under the next Chair Trump appoints. **But why does that matter for Connecticut residents and businesses?**

How does the Fed impact daily life?

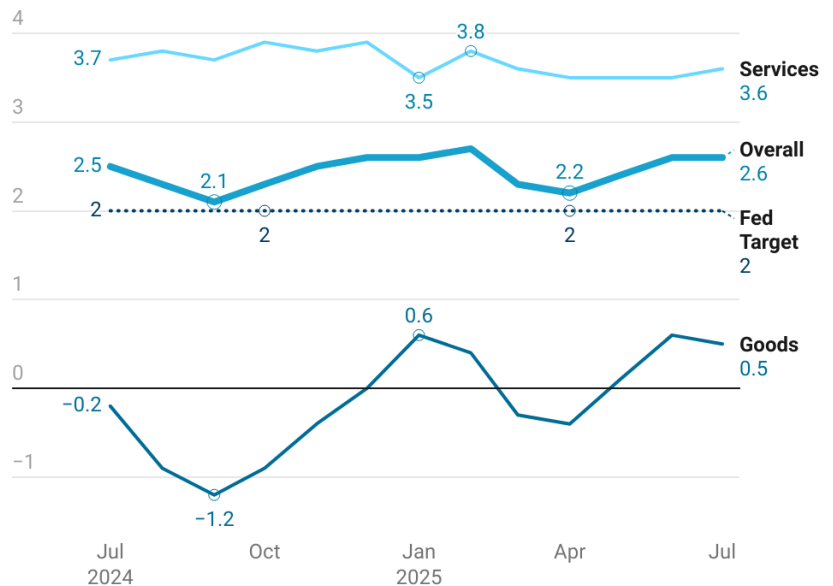
- The Federal Reserve can **indirectly impact your borrowing costs** for a new home, business loan or credit card debt by reducing the very short-term interest rates banks pay and signaling to the market how much inflation investors should expect in the future.
- They can also **indirectly affect the availability of jobs**, because lowering interest rates typically stimulates businesses to expand and hire more workers, thanks to cheaper credit for such investments.
- Additionally, Fed action influences inflation (i.e., how fast prices are rising), **which impacts how much you pay** for most things you buy.

Where we are now

After inflation spiked in 2021 and 2022, the bank increased its key short-term interest rate from near 0% in March 2022 to over 5.25% in July 2023, increasing borrowing costs and dampening economic activity to bring price growth under control. The economy managed to avoid a recession in the process, no small feat, and the Fed cut rates to a 4.25-4.5% target range in September through December 2024. Now inflation remains elevated above the Fed's 2% annual inflation rate target and the President's significantly higher taxes on imports are expected to push prices up significantly in the year ahead. Economists differ on whether tariffs will trigger problematic inflation.

Federal Reserve is watching for tariff impacts, as inflation remains above 2% target

PCE Price Index Annual Inflation Rates



Personal Consumption Expenditures Chain-Type Price Indices, Seasonally Adjusted, Percent Change from Year Ago

Source: Bureau of Labor Statistics via FRED • Created with Datawrapper

Sometimes the Fed must make unpopular choices like raising interest rates at the expense of job losses. Congress designed the Fed to be insulated from political pressures that might stop the central bank from acting in the economy's long-term best interests. Market forces set long-term interest rates that most people pay. **Financial markets' belief that the Fed will make tough choices** to keep inflation low, results in lower interest rates for Americans now. If Fed independence is lost, that could send long-term borrowing costs soaring for both citizens and financing the national debt.

The Fed has two mandates from Congress to balance: full employment and stable prices. These goals are especially in tension right now. The labor market is showing signs of strain, like lower monthly job gains, which could argue for cutting rates to support employment. The Personal Consumption Expenditures (PCE) price index grew 2.6% year-over-year again in July. If August jobs data is weak, **that sets up the Fed to make the first interest rate cut since December 2024 at its September meeting**, though it's not guaranteed. Core PCE inflation ticked up from 2.8% to 2.9% thanks to higher services inflation last month.



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Connecticut Housing Market Trends July 2025

+14.3%

Active Listings YoY
Realtor.com

+6.8%

\$492,100

Median Sales Price YoY
Redfin

+3.7%

Home Sales YoY
Redfin

+2 days

39

Median Days on Market YoY
Realtor.com

6.68%

Freddie Mac 30-Year Fixed Rate
Mortgage Average for the week
ending 8/22

+37.6%

3,606

Connecticut Housing Permits
YTD through July, YoY
U.S. Census Bureau

+1.7%

\$1,718

Statewide Median
New Lease Rent, YoY
Apartment List

30-Year Fixed Rate Mortgage Weekly Average



CONNECTICUT HOUSING MARKET

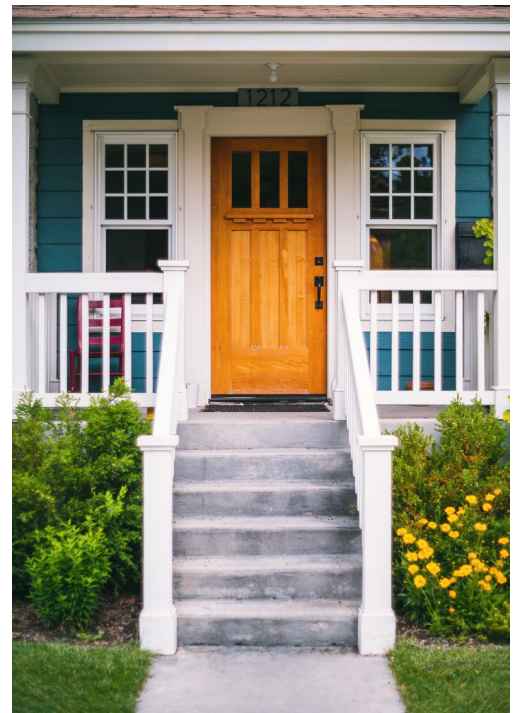
Source: Freddie Mac via FRED

Mortgage Rates Decline Slightly, Sales Increase

Connecticut July home sales rose 3.7% year-over-year and 5.4% over June levels according to Redfin. The weekly average 30-year fixed mortgage rate averaged a slightly lower 6.72% in July and **dipped below 6.6% in August for the first time since October 2024**, according to Freddie Mac. That followed news on August 1st that U.S. job growth has been weaker than previously estimated, sending borrowing costs lower. The National Association of Realtors reported that U.S. sales grew just 0.8% year-over-year in July, but 2% over June.

While Connecticut's housing market remains hotter than most other regions, the number of active listings is up 14.3% compared to last July according to Realtor.com, helping buyers. Homes are still selling above asking price on average, but the ratio of selling to asking price is down (103.1% in July 2025 vs 104.2% last July), according to Redfin. Homes are spending an extra two days on the market.

Connecticut authorized permits for 969 new units of housing in July, the largest single-month amount since 2019. **Multi-family permits are up 68.6% YTD through July.**





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LABOR MARKET UPDATE

Normal revisions of U.S. jobs data released on August 1 revealed that national job growth was much weaker than originally reported in May and June of 2025. The nation gained only 19,000 jobs in May and 14,000 jobs in June—far below the prior 12-month average of 150,000 jobs per month. The U.S. added 73,000 jobs in July, based on preliminary numbers, for a 12-month job gain of 1.53 million or 1.0%.

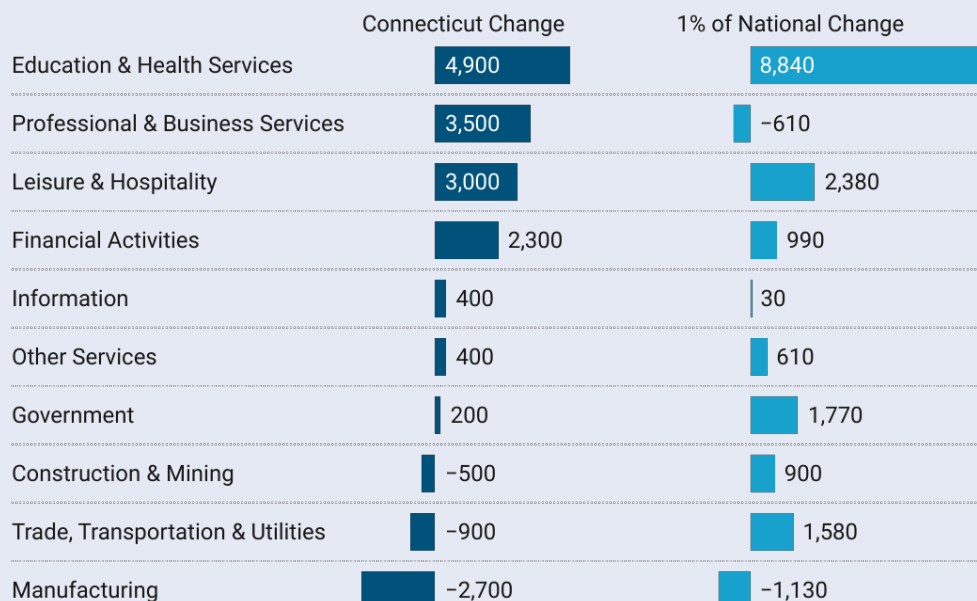
Connecticut added 700 jobs in July, with notable position gains in higher wage sectors like Information (+500), Professional and Business Services (+2,000), and Financial Activities (+600), being offset by over-the month losses in Leisure and Hospitality (-1,100), and Trade, Transportation and Utilities (-1,600). The unemployment rate remained the same at 3.8% for the third month in a row.

There were roughly 77,000 open jobs in June, and 74,200 people unemployed in July—about one opening per unemployed person. That ratio has dropped significantly since July 2023, when there were 92,000 openings and only 58,600 people looking for work (1.6 job openings per unemployed person). The numbers indicate a more balanced labor market.

Which industries are adding jobs?

Connecticut added 10,600 jobs (0.6%) in the 12 months ending in July, while the United States added 1.5 million (1.0%). The chart compares the industry make-up of Connecticut and U.S. net job gains over that time.

Connecticut vs. National 12-month employment growth by industry



Reflects the change in seasonally adjusted payroll employment, July 2024 to July 2025. U.S. amount is scaled to 1% for comparability. CT accounts for 1.1% of U.S. payroll employment in July 2025.

Source: Bureau of Labor Statistics • Created with Datawrapper

- About half of U.S. job growth in the past year has been concentrated in the Health Care & Social Assistance subsector (within Education and Health Services). As the population ages, demand for health care continues to increase.
- Health care and Social Assistance saw the largest job gains in Connecticut too (32% of jobs added), but Connecticut's job growth has been more diversified across industries.
- For both Connecticut and the nation, manufacturing jobs have declined this year.



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CONNECTICUT ECONOMIC UPDATE

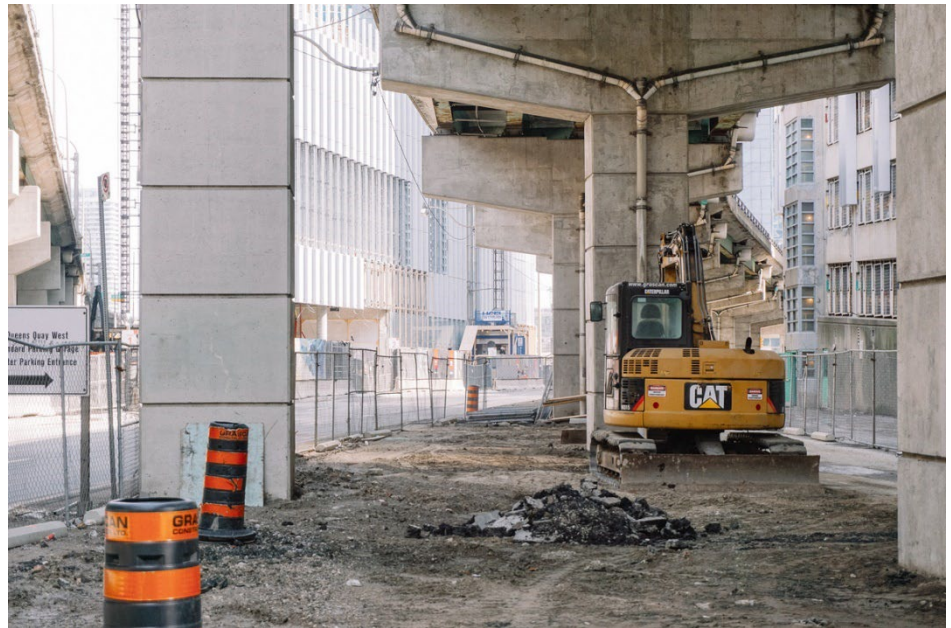
Sean Scanlon
State Comptroller
SEPTEMBER 2025

CONSTRUCTION INDUSTRY STARTS PROJECTED TO GROW IN 2025 BEFORE FALLING IN 2026

According to ConstructConnect, a national provider of construction industry data, Connecticut had construction starts worth \$7.36 million in 2024. In August, they [forecast](#) that figure to grow by 7.4% in 2025, before falling -9.4% in 2026. *Construction starts* reflect the estimated total cost of all construction projects that begin in a specific period recorded in the first period construction begins. It is a measure of investment and activity in the construction industry.

Nationally they project construction starts to decline -7.7% in 2025, with civil engineering growing 1% and residential and non-residential building sectors both decreasing.

The construction industry in the U.S. is facing a variety of headwinds including



high interest rates, new tariffs on imported building materials like steel and components like appliances, and slower immigration.

Fewer immigrants could be especially impactful for the construction industry in Connecticut, where 30.8% of construction workers are foreign born,

according to the American Community Survey for 2023.

Construction employment in Connecticut is down year-over-year by 500 employees (-0.8%) in July but up 500 employees (0.8%) since January, on a preliminary and seasonally adjusted basis.

RISKS AND EVENTS WE'RE WATCHING

The Trump Administration ordered the developers of Connecticut's only offshore wind project, **Revolution Wind**, to halt construction in late August. According to a statement from Congressman [Joe Courtney](#), the project is already 80% complete, and this action threatens about 200 jobs. The project was set to provide 305 megawatts to Connecticut's energy grid upon completion planned for early 2026. Residents could see higher electricity prices if the project is not completed.

The U.S. Department of Agriculture (USDA) notified state officials on

August 15 that **Connecticut will receive \$53 million to address farmers' weather-related losses** in 2023 and 2024, which is 63.5% of the funding the State requested. The Connecticut Department of Agriculture (DoAg) will develop and administer its own crop-loss program to distribute the funds to impacted producers, once USDA approves the design.

A variety of countries and shipping companies have paused small parcel shipping into the United States as the Trump administration **ended the "de minimis" exemption** for packages

valued below \$800 on August 29th. Such packages, except personal gifts under \$100, will now be subject to tariffs. This change could impact small businesses ordering specialized items or prototypes from abroad.

The evidence so far suggests that companies have absorbed most tariff price increases, squeezing profit margins, though corporate profits grew 2% in Q2 according to the Commerce Department. As pre-tariff stockpiles run out and policy settles, **companies may pass on more costs to consumers, pushing up inflation.**



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APPENDIX

Connecticut Housing Market	Jul-25	Jul-24	% Change or Change
Home Sales (Redfin)	3,943	3,804	3.7%
Median Sales Price (Redfin)	492,100	460,600	6.8%
Active Listing Count (Realtor.com)	5,120	4,480	14.3%
New Listing Count (Realtor.com)	3,694	3,576	3.3%
Freddie Mac U.S. 30-Year Fixed Rate Mortgage Average (%) (Week ending 7/24/25 and 7/25/24)	6.58	6.46	0.12
Median Days on Market (from listing to close, Realtor.com)	39	37	2.0
Average Sale-to-List Price Ratio (Redfin)	103.1%	104.2%	-1.0%
Median Rent for New Leases (Apartment List)	1,718	1,689	1.7%
Single-family Housing Permits YTD-July (U.S. Census Bureau)	1,227	1,209	1.5%
2+ Unit Structures Housing Permits YTD-July (U.S. Census Bureau)	2,379	1,411	68.6%

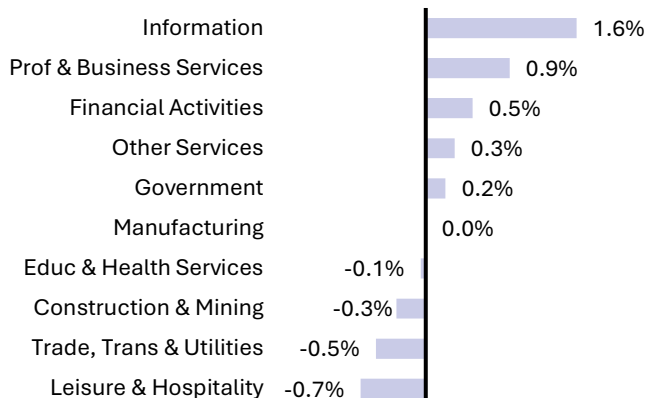
Some Data Retrieved from FRED, Federal Reserve Bank of St. Louis

Connecticut Labor Market	Jul-25	Jun-25	Jul-24
Unemployment Rate	3.8%	3.8%	3.1%
Total Unemployed	74,200	73,800	60,900
Total Nonfarm Employment	1,719,200	1,718,500	1,708,600
Job Growth	700	6,100	-2,400
Job Openings to Unemployed Ratio	-	1.0	1.3
Quit Rate	-	2.2	1.6
Average Monthly Initial Unemployment Claims	3,213	4,454	3,364
Labor Force Participation Rate	64.7%	64.8%	64.8%
Average Hourly Wage	\$38.88	\$39.05	\$37.68

Data Source: Bureau of Labor Statistics & CT Department of Labor

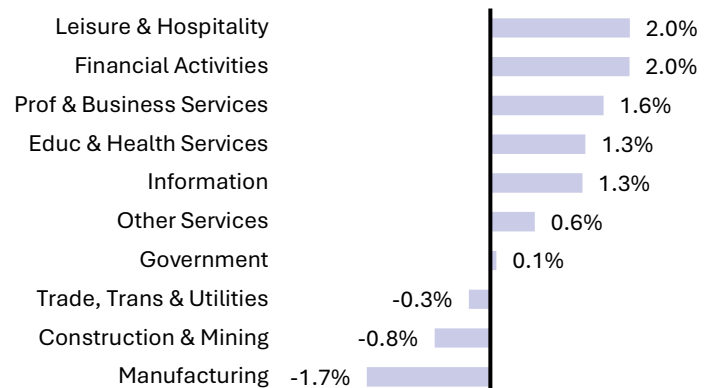
Connecticut Industry Sector Nonfarm Payroll Employment – July 2025

Month-over-Month Percent Change



Source: CT Department of Labor

Year-over-Year Percent Change



Source: CT Department of Labor