OFFICE of the STATE COMPTROLLER
CONNECTICUT ECONOMIC UPDATE

Sean Scanlon
State Comptroller
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In this month's edition

Outlook: The outlook is especially uncertain this month as most economic statistics have not been provided during the federal government shutdown, which, as of Nov. 3rd, is on its 34th day. The shutdown has delayed November federal SNAP benefits, formerly known as food stamps, for approximately 10% of the state's population. However, following court orders on Oct. 31st, federal funding for partial benefit payments is anticipated in early November, delaying food insecurity impacts on residents for a time and negative sales impacts on Connecticut's 2,500 retailers that accept SNAP dollars.

Inflation ticked up to 3.0% in September according to a delayed reading of the Consumer Price Index (CPI), but much of the growth was related to rising gas prices, while Core CPI ticked down to 3.0% from 3.1% in August. Despite inflation running above the Federal Reserve's target of 2%, the Fed voted to reduce the federal funds rate by 0.25 percentage points on October 29th, bringing the target range to 3.75-4.0%. **Chair Jerome Powell left the door open for another cut in December but said that move was far from a foregone conclusion.**

Available data shows a mixed picture, with significant risks. State unemployment claims remain low and affluent consumer spending has been strong this year. However, signs continue to point to a cooling demand for labor, which could send unemployment higher in the coming months. The sluggish housing market is hurting sectors that depend on it, though mortgage rates fell somewhat in October.

Making a list. Checking it twice. Consumer spending this holiday season is projected to be good, though not record-breaking, though a prolonged government shutdown could hurt. Since much of the growth is expected to come from higher prices, rather than higher unit sales, seasonal hiring could be weaker than last year. We look at the economic data driving these trends.

5 Key Shopping Trends for 2025. From consumers trading down in interesting ways to using AI chatbots for personalized gift ideas, we spotlight a few major retail trends likely to impact spending in the all-important fourth quarter.

Retail Industry Snapshot. Connecticut's retail trade industry accounts for nearly 10% of the state's employment, across about 12,700 retail establishments. Retail employment has declined as ecommerce has grown, though increases in the warehousing and transportation industries have offset lost retail jobs since 2016.

Firms' future employment expectations point to cooling labor market. While job growth and unemployment reports are delayed due to the federal shutdown, data from the Business Trends and Outlook Survey show fewer firms are expecting to increase headcount in the months ahead.

Home sales rose 6.1% year-over-year in September, and rent growth slowed to its slowest pace since 2020 (0.8% year-over-year).

Airline passenger traffic is up 3.3% year-to-date through July at Bradley International Airport. Rising passenger numbers can indicate stable or increasing demand for business and personal travel—good signs for the wider economy.

Connecticut's economy grew at a 4.6% annualized rate in Q2. Much of that growth was driven by the financial services and manufacturing industries, following contractions in those sectors in Q1.

KEY DATES THIS MONTH

**Due to the federal government shutdown, economic data releases in November are likely to be delayed or cancelled.

11/10 –November Consensus Revenue forecast for State Budget expected

Mid-November - Possible Connecticut General Assembly Special Session

Did you know?

The State provides funding through the Office of the State Comptroller (OSC) to help paraeducators' pay for their health insurance. The $10 million being disbursed this year will assist more than 7,300 paraeducators in 160 school districts statewide.

About OSC

Sean Scanlon, State Comptroller
Tara Downes, Deputy State Comptroller

The mission of OSC is to provide accounting and financial services, to administer employee and retiree benefits, to develop accounting policy and exercise accounting oversight, and to prepare financial reports for state, federal and municipal governments and the public.

Questions about this report?
Email: Michelle Parlos
OSC Economist
michelle.c.parlos@ct.gov

RETAIL IN THE SPOTLIGHT: WHAT'S DRIVING SPENDING?

The turkey for your Thanksgiving meal is likely to cost more this year. Avian flu and other supply disruptions have reduced the U.S. turkey population to the lowest in nearly 40 years, according to the American Farm Bureau Federation. USDA recently forecasted the 2025 national average wholesale price for frozen whole hens will be $1.32 per pound, up 40% from the 2024 price of 94 cents, according to AFBF.

The 2025 holiday shopping season is underway, and **much of the spending growth compared to last year is expected to result from higher prices**, rather than higher unit sales. That's because many of the goods on offer this year were imports subject to President Trump's new tariffs, and many consumers are feeling nervous and squeezed. That likely means less seasonal hiring at retailers, since employment needs are based on projected sales volumes rather than the dollar value of sales.

The outlook for more than 2,500 grocery stores and others that depend on demand from Connecticut's 360,000 federal food assistance recipients will dampen significantly if November **SNAP** (previously known as food stamps) benefits are not provided due to the federal government shutdown. The federal government provides Connecticut residents roughly $72 million per month to buy food, an average of $190 per household member, which may not be distributed if the shutdown continues. In response, Governor Lamont has announced his administration is providing $3 million to Connecticut Foodshare to support the state's food pantry supplies, with more action possible if the shutdown drags on.

This month we spotlight the ever-changing consumer, the economic forces likely to impact holiday shopping this year, and the **retail industry**. We highlight **five trends driving consumer behavior in 2025** and show which types of Connecticut's retailers have been seeing sales growth this year.

Connecticut's retail trade industry accounts for about 163,000 jobs statewide, over 9% of the state's employment. If you include the roughly 62,000 jobs at wholesalers—the intermediaries that buy in bulk from manufacturers and usually sell to retailers—that rises to 13% of Connecticut's payroll employment. This encompasses workers at your local grocery store, plumbing supply store, car dealership, and online retailers too (though not workers at distribution warehouses, which official statistics count separately).

Sales taxes collected by the retail industry account for approximately 44% of Connecticut's Sales and Use Tax revenue, according to the Department of Revenue Services, funding nearly 10% of the State's General Fund budget.

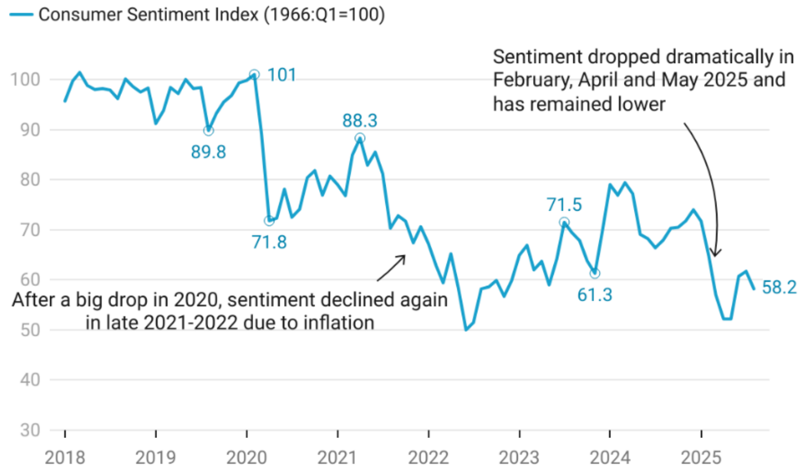
Analysts that forecast holiday sales have a trickier job this year because tariff announcements and policy changes, like the end of the $7,500 electric vehicle tax credits in September, have likely caused shoppers to **pull forward** certain purchases. The question is—how much was pulled forward to beat tariffs or policy deadlines, and will that mean lackluster sales in the all-important fourth quarter? We look at what the economic data tells us about the outlook for this holiday season.

Consumer Confidence & Sentiment

Consumers are [increasingly worried]about losing their current jobs and their ability to find a new one in this low hiring labor market. That trend adds to an already pessimistic consumer outlook, dubbed a “vibesession” that has been showing up in the data since the bout of higher inflation following the pandemic.

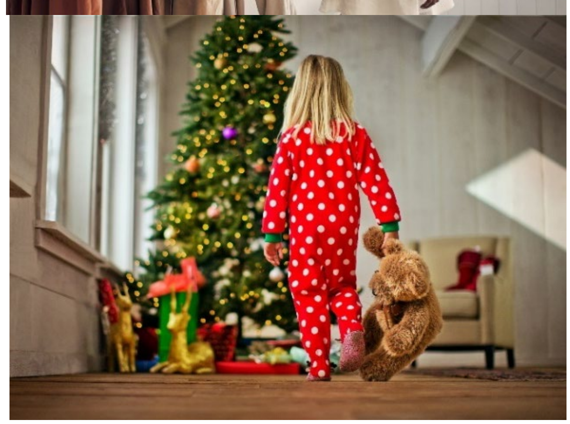
While bad vibes have not yet translated into sustained drops in spending, economists and retailers remain wary. The **Consumer Confidence Index** dropped by 1.0 point in October, according to the Conference Board. Consumer’s future expectations fell by more—2.9 points to 71.5—continuing below the threshold of 80 that has typically signaled a recession on the way in past business cycles. That pattern has not held since 2022.

Consumer Sentiment in the Doldrums



Source: University of Michigan via FRED • Created with Datawrapper

Inflation Remains Elevated & Tariffs are Making it Worse



Rising and higher prices for necessities like housing, insurance, and groceries have squeezed low- and middle-income consumers, especially in New England where consumer prices rose 3.2% year-over-year through September, according to the region’s Consumer Price Index. A delayed reading from the Bureau of Labor Statistics shows **U.S. consumer prices rose 0.3% for the month in September, and 3.0% on an annual basis,** up from 2.9% in August. Rising gas prices were largely responsible for the uptick (rising 4.1% this month alone on a seasonally adjusted basis), while housing inflation cooled slightly.

While inflation for services (like rent, car repair, and medical treatment) continues to account for most of the year-over-year price increases consumers are facing, new tariffs are also a driver of higher prices. Firms throughout the supply chain have sought to soften the blow on price-sensitive consumers by absorbing some of the cost of import taxes themselves or relying on stockpiled inventories, but that is not sustainable long-term for many businesses. For now though, official inflation data through September still shows subdued evidence of tariffs driving up consumer prices overall.

The Mastercard Economics Institute [published] a comparison of June 2024 and 2025 effective tariff rates on imported holiday items. It suggests certain categories that will be especially impacted. **Artificial Christmas trees and ornaments** saw their import duty rise from less than 1% last year to over 26% this year. **Toys, video game consoles, and perfumes** saw rates rise from near zero to 20%, 10.6%, and 9.9%, respectively. **Clothing’s** effective tax rate rose from about 15% to 25%. **Sporting goods’** rose from 5.5% to 23.2%.

These higher duties are assessed on the wholesale cost of the goods, and require importers to pay huge, often confusing bills to the U.S. Customs and Border Protection agency to receive delivery of their shipments. For small or mid-size businesses, paying that higher, upfront cost for their inventory before they get the revenue from the sale to pay for it can lead to serious cash flow problems. That in turn can decrease other investments, reducing future economic activity.

The de minimis exemption, which allowed businesses and consumers to receive shipments valued under $800 duty-free, ended on August 29th of this year, hitting many small retailers particularly hard. Small quantities of imports that were previously tariff-free are now subject to all new and existing trade duties.

Frequently changing and confusing tariffs have also created uncertainty, with businesses struggling to plan and finding that there is no one in the federal government to answer questions about surprising tax bills. Uncertainty is likely depressing investment and hiring.

U.S. automobile and vehicle dealer sales surged 5.7% in March to beat newly announced 25% tariffs and remained up 9.2% year-over-year in April (not adjusted for inflation) before falling in May. According to Kelley Blue Book, in September 2025 **the average transaction price for new vehicles surpassed $50,000 for the first time**. While tariffs on imported vehicles, parts and materials are part of the story, consumers wanting to buy higher-end SUVs and trucks, as well as more-expensive electric vehicles largely drove transaction prices higher. According to Kelley Blue Book, a record 437,487 electric vehicles were sold in 2025 Q3, with electric vehicles accounting for 10.5% of the market. Starting in October, EV tax credits of up to $7,500 were no longer available.

Tariffs aren't the only factor driving up prices, and each category has its own story. Recent outbreaks of avian flu are expected to push egg prices up again soon. Egg prices were down 1.3% year-over-year in September but are up 73% since September 2019.

Retail beef and veal prices are up 14.7% year-over-year in September nationally and have hit record highs this year. Supply has decreased thanks to the smallest U.S. herd size in 75 years, a ban on livestock crossing from Mexico due to a screwworm parasite, and prohibitively high tariffs on beef from key exporters (such as a 76% tariff on Brazilian beef). Demand has remained strong from protein-hungry Americans. The result is steak prices that are up more than 54% since right before the pandemic.

Restaurant and other **"food away from home" prices have increased 4.3% year-over-year** through September according to the New England region's Consumer Price Index, while "food at home" (including groceries) prices rose 2.6% in New England over the same period. The USDA economic research service projects overall food prices to rise 3.0% in 2025 and 2.7% in 2026 (slightly above and then below the long-term average of 2.9%).

Food Pantry Use Up

According to the Federal Reserve Bank of Boston's most recent **Beige Book** concerning conditions in New England through October 15th, "the prevalence of economic precarity increased in many communities, as evidenced by greater food pantry use and increased difficulty paying rent, utilities, and other bills.

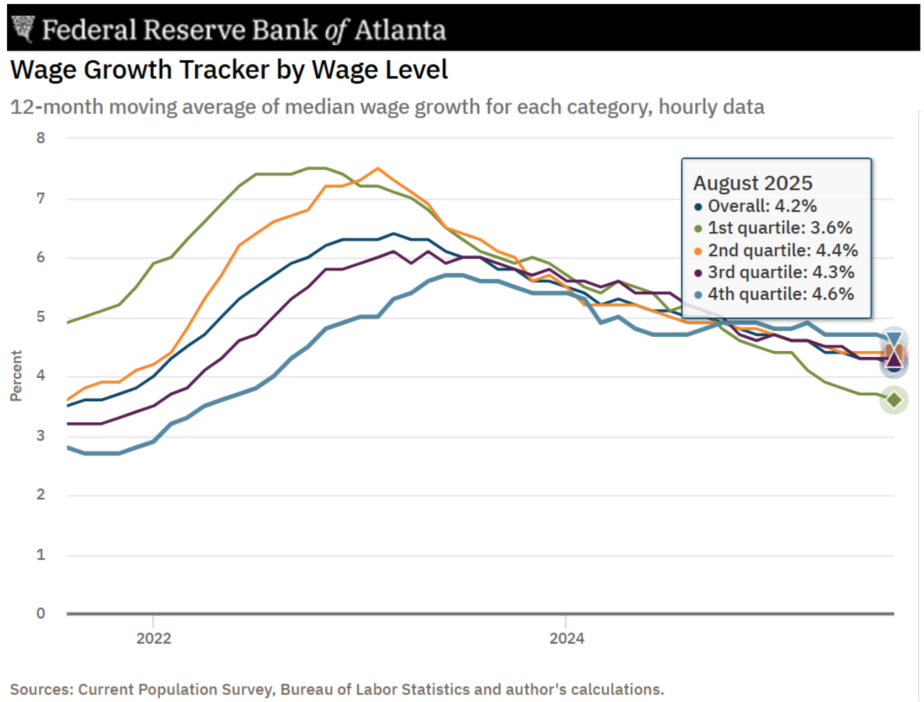
Consumers increasingly **used savings to cover basic needs** and took steps to reduce spending where possible."

Connecticut's 360,000 SNAP recipients did not receive their food assistance on November 1st due to the federal government shutdown. If that continues, it will make the food-insecurity situation (as well as grocers' sales which depend on that aid) a lot worse.

Wages & Disposable Income

While inflation makes consumers grumpy, it does not prevent them from continuing to spend as long as incomes are rising at least as fast as prices. And average incomes have been rising at least as fast as inflation overall since 2023. For the U.S., average inflation-adjusted after-tax income was up 1.4% year-over-year in August.

Personal income grew at a 6.3% seasonally adjusted annual rate (SAAR) in Connecticut in the second quarter, above the U.S. rate of 5.5% income growth. Adjusted for population, per capita personal income in Connecticut grew at a 5.8% SAAR, while consumer prices in New England grew at an average annual rate of 2.8% that quarter. Since then, inflation has sped up, growing 3.2% year-over-year in New England in September.



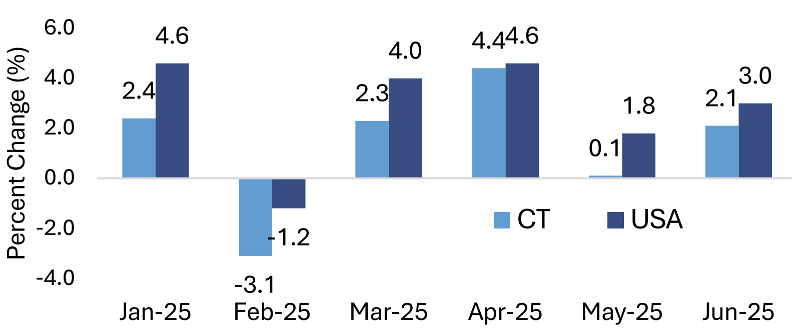
Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations.

But averages don't tell the whole story, especially when those at the top of the income distribution are doing very well. Mark Zandi, chief economist of Moody's Analytics, has written recently that **a large (nearly 50%) and growing share of U.S. consumer spending is being done by the top 10% highest-earning Americans** (those earning about $250,000 per year or more). Their share was closer to 35% in the mid-1990s. That group's spending is bolstered by multiple years of strong stock market gains and home value growth, supporting continued demand for luxury goods and travel.

Meanwhile low- and middle-income consumers struggle more from higher prices, joblessness, and economic uncertainty. The **Black unemployment rate**, which can be seen as an economic bell weather because marginalized groups tend to be the last group hired and first to suffer setbacks during economic downturns, **surged from 6.0% in May to 7.5% in August**, while overall unemployment rose only from 4.2% to 4.3% over that time. CEOs from McDonalds and other consumer-facing brands have commented recently about how bifurcated spending has become for higher versus low- and middle-income groups.

In addition to investment gains, the Federal Reserve Bank of Atlanta's Wage Tracker shows that in the past year, median nominal wage growth has been higher (4.6%) for those with the highest wages (top 25%), while wage growth has been lower (3.6%) for those earning the least (bottom 25%). **To the extent that low- and middle-income households are seeing less wage growth than inflation, they are right to feel worse off.**

Year-over-Year Percentage Changes in Total Retail Sales excluding Nonstore Retailers



Source: U.S. Census Bureau, Monthly Retail Sales by State
Note: Data is not adjusted for seasonality, trading day differences, holidays or prices.

Retail Sales

U.S. retail sales in the first eight months of 2025 were up 3.5% compared to 2024, adjusted for seasonal variation and for holiday and trading day differences, but not for price changes. That suggests sales were growing faster than inflation.

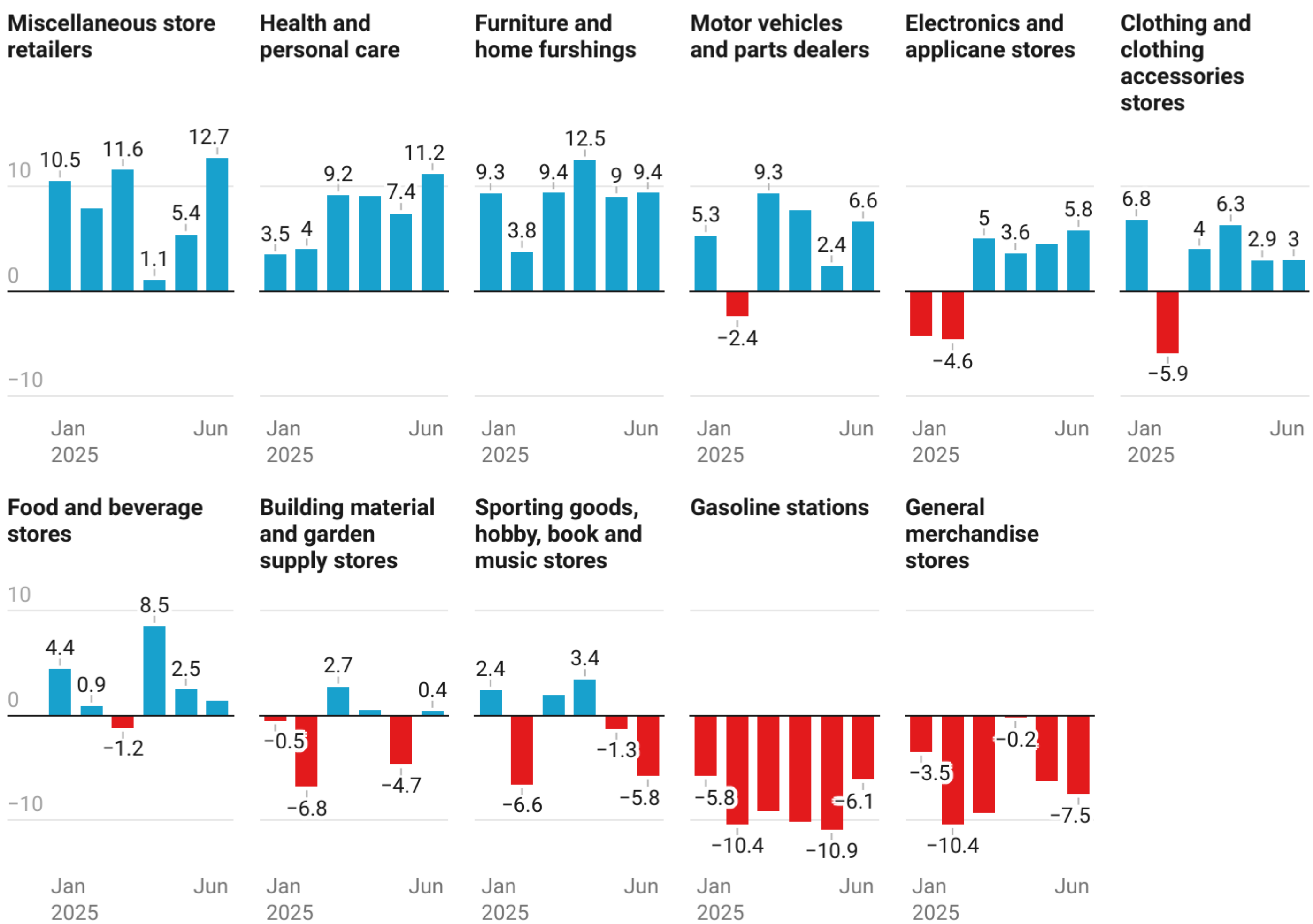
New U.S. Census Bureau state retail sales growth data, available through June, shows that Connecticut retail sales (excluding "nonstore" retailers like Amazon) were up in the first six months of 2025 as well, but less than nationally. Given higher inflation in New England (e.g., 3.2% in September) the data suggest some Connecticut retailers have seen a decline in inflation-adjusted sales compared to 2024. Online shopping continues to grow faster than overall sales, with U.S. nonstore retailer sales up 6.9% year-to-date through August, according to the U.S. Census Bureau. According to Deloitte's 2025 Holiday Retail Survey, **more gifts are expected to be purchased online (56%) than in-store (44%) this year.**

The graph below shows how different types of Connecticut retailers are faring in terms of monthly sales compared to the same month last year. General Merchandise Stores like department stores have struggled while Health/Personal Care stores and those selling home furnishings have seen solid growth in the first half of 2025. Given the rapid policy changes this year, **it's not clear how much demand has been pulled forward** from future months to get ahead of tariff price increases, and how much of the higher spending will continue to be sustained.

Recent preliminary state sales tax collections suggest **an uptick in Connecticut spending in September and early October**, compared to last year. In September, the Governor's budget office revised expected sales tax revenue higher for the current fiscal year by $86.4 million, as the original budget was based on an assumption of no growth in that tax this year.

Together, the economic data suggests overall holiday spending will be healthy, if not record-breaking, though not for everyone.

Connecticut Retail Sales: Monthly Year-over-Year Percentage Changes (%)



This state retail sales data is not adjusted for seasonality, trading day or holiday differences, or inflation.

Source: U.S. Census Bureau • Created with Datawrapper

Five Trends Driving Consumer Spending in 2025

Value-first Focus

Facing tight budgets, consumers are increasingly focused on getting good value for their dollars and may require higher discounting than in years past. Most shoppers (85%) expect higher prices this holiday season due to tariffs, according to the National Retail Federation. More (63% vs. 59% in 2024) also plan to wait for Thanksgiving weekend to do most of their shopping this year, as that weekend typically features some of the steepest **discounts and sales**. Discount retailers like TJMaxx and wholesalers like Costco are benefitting from consumers looking to stretch their dollars. Nearly 9 out of 10 consumers plan to search for deals this year, while 49% plan to DIY gifts, according to Deloitte. But "trading down" takes many forms.

Private label **store brands** like Walmart's "Great Value" brand, Target's "Good and Gather," and Costco's Kirkland Signature, which are often cheaper than direct competitor brands, are becoming more popular. According to a McKinsey survey, 83% of people view store brands as the same or better quality than national brands, and 89% said they were the same or a better value.

In the alcoholic beverage category, sellers have noticed that people are switching to smaller sizes of their preferred liquor rather than trading down for a lower quality.

Skimp Here, Splurge There

"Treatonomics" is a consumer trend gaining momentum as people respond to ongoing inflation and economic uncertainty. It helps to explain somewhat paradoxical behavior: **many consumers continue to spend on small luxuries and emotionally rewarding experiences, even as they cut back on essentials or delay major purchases.** Gen Z and Millennial consumers say they are more likely to splurge this year. Retailers are taking advantage of this trend by rolling out new specialty beverages, lower-price point fashion accessories like Coach bag charms, and Instagram-able experiences. Brands that can tell a compelling story or tap into that desire by making their higher-end products feel "worth it" will be able to capitalize on this trend.

This phenomenon, known as the "lipstick effect" in the past, dates back at least as far as the Great Depression when people bought affordable luxuries (like lipstick) to give them joy or comfort in difficult economic times.

Shifting Demographics

According to McKinsey, Gen Z—the generation born between 1996 and 2010—is projected to be both the largest and wealthiest global generation in history. In Connecticut, this group (roughly aged 15 to 29) accounts for about 19% of the population, about the same as Millennials. This digital-savvy group is accounting for a larger share of retail spend every year and has different expectations than the Baby Boomer generation they could eclipse in spending later this decade.

Gen Zers are more health-conscious than previous generations, helping to drive demand for mocktails and non-alcoholic craft beer beverages so they can still wake up for their gym session after a night out. They are also more diverse and optimistic about social issues but less optimistic about prices coming down. A survey from Deloitte found that Gen Z shoppers are planning to cut back the most on holiday spending compared to last year, as that group continues to be very concerned about the economy. They value convenience and use grocery and food delivery services at higher rates.

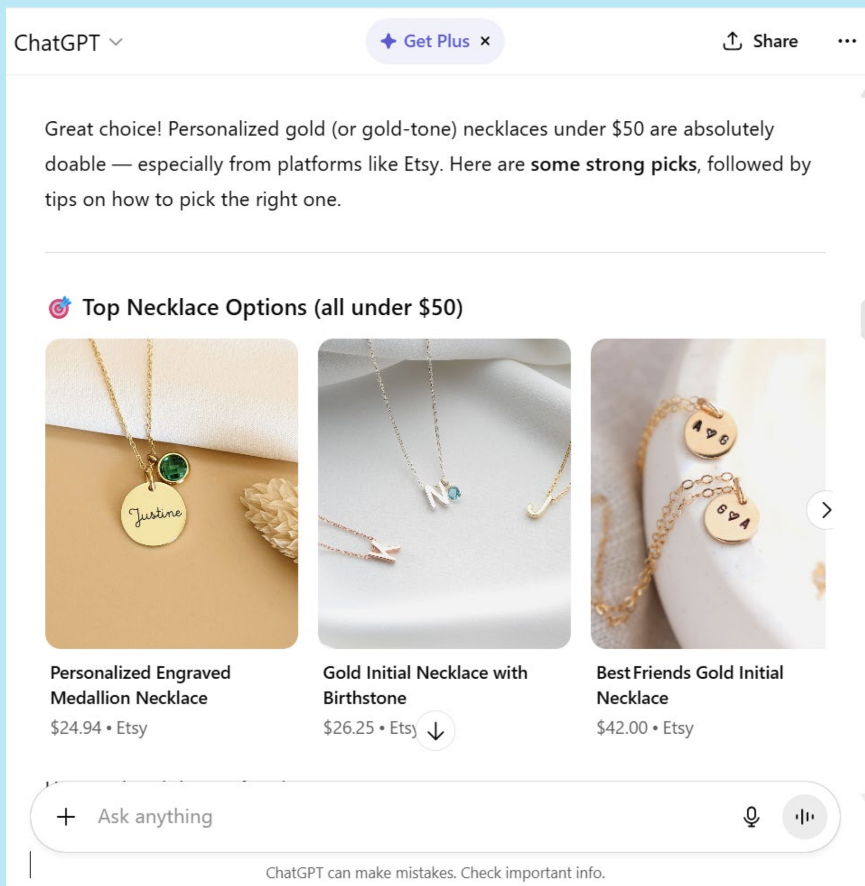
More than other generations, Gen Zers are absorbing marketing via social media and the recommendations of their trusted influencers there. They are more likely to purchase products advertised on social media and to engage with brands online before making a purchase.

ChatGPT, What Should I Buy?

Artificial intelligence is revolutionizing many areas of our lives—one of which is how we shop. Consumers, especially younger generations, are increasingly turning to AI chatbots like ChatGPT to research products, find the best price, and get personalized gift ideas.

According to Adobe, generative AI traffic to U.S. retail sites surged 4,700% year-over-year in July 2025. A third of shoppers plan to use GenAI this holiday season, according to Deloitte.

In September, OpenAI and Etsy announced "Instant Checkout," which will allow ChatGPT users to purchase select goods from Etsy sellers without ever leaving the chatbot interface. Walmart announced a similar deal in October. Frictionless shopping is especially important to younger consumers, though it's not clear if chatbot purchasing will increase spending versus just changing where that spending is done.



Omnichannel Retail

Consumers increasingly expect brands to provide seamless digital and physical experiences. Omnichannel retail is when a retailer integrates all sales and communication channels—both online and offline—so that customers have an easy, consistent shopping experience no matter how or where they interact with the brand. For example, if you add a product to your cart in a mobile app, you can check it out later on your laptop. Similarly, customers expect the ability to buy online for in-store pick up and returns. On the retailer's side, this requires real-time data integration and technology investments.

CONNECTICUT RETAIL SECTOR SNAPSHOT

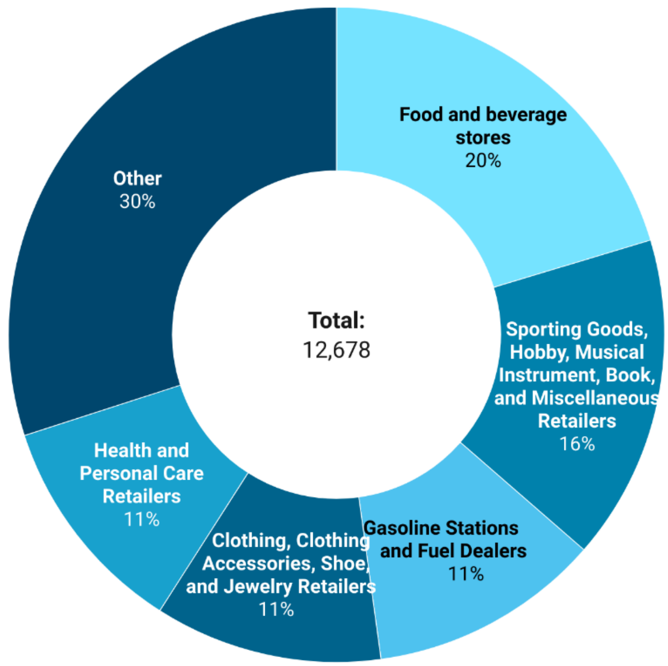
Connecticut's retail trade sector employs about 163,000 workers—a number that has been on a long decline (aside from pandemic disruptions) since about 2016 (then at 185,000 jobs) as ecommerce has grown. An increase in truck transportation, warehouse and delivery jobs has more than offset that decline, though the data does not distinguish how much is attributable to online shopping.

Food and beverage stores like Stop & Shop or Total Food and Wine account for the most Connecticut retail establishments and the most private payroll employment (about 41,000 jobs in 2024 Q4). Car dealerships provide the highest average wages (about $75,600 in 2024 Q4).

As shown on pages 13 and 14, retailers have seen their quarterly contribution to the State's economy in inflation-adjusted terms shrink between 2024 Q3 and 2025 Q2, suggesting the heady days of post-pandemic expansion in 2022 and 2023 have ended. Consumer spending growth in more recent quarters has been eaten up by rising spending on services like housing, insurance, travel and healthcare. *See the appendix for a graphical look at how Connecticut consumer spending growth has favored different categories in recent years.*

Connecticut Retail Establishments

4th Quarter 2024, Quarterly Census of Employment and Wages



Reflects Private Ownership Worksites

Source: Connecticut Department of Labor • Created with Datawrapper

Connecticut Retail Establishments, Employment and Wages

Based on 4th Quarter 2024 Statistics from the Quarterly Census of Employment and Wages (QCEW)

Retail Trade	Worksites	Average Q4 Employment	Employment Change 2022 to 2024	Average Wage (Annualized)
Food and beverage stores	2,579	40,994	-186	36,376
General Merchandise Retailers	744	30,726	291	32,824
Motor vehicle and parts dealers	1,202	21,379	330	75,584
Building material and garden supply stores	845	15,229	-708	53,412
Sporting Goods, Hobby, Musical Instrument, Book, and Miscellaneous Retailers	2,036	14,651	-820	38,584
Clothing, Clothing Accessories, Shoe, and Jewelry Retailers	1,423	13,118	-209	34,352
Health and Personal Care Retailers	1,390	12,646	-113	51,336
Gasoline Stations and Fuel Dealers	1,449	9,955	-281	66,544
Furniture, Home Furnishings, Electronics, and Appliance Retailers	1,010	9,444	-857	64,924

Transportation	Worksites	Average Q4 Employment	Employment Change 2022 to 2024	Average Wage (Annualized)
Warehousing and storage	190	25,396	788	55,236
Couriers and messengers	288	14,115	18	48,296

Reflects Private Ownership Establishments

Source: Connecticut Department of Labor, OSC calculations • Created with Datawrapper

RISKS AND EVENTS WE'RE WATCHING

The federal government entered a shutdown on October 1st as a temporary funding agreement expired. For each week a shutdown continues, economists usually expect annualized inflation-adjusted quarterly economic growth to be 0.1 to 0.2 percentage points lower. As a hypothetical example, that suggests real GDP growth that otherwise would have been 3.0% for the 4th quarter being lowered to 2.0-2.5%, for a 5-week shutdown.

In addition to the potential loss of SNAP benefits for 10% of Connecticut residents (mostly families with children and the elderly), federal employees and federal contractors in the state do not get paid during a shutdown. The longer it goes, the bigger the reduction in spending by those families, which hurts local businesses not seeing that spending. Federal employees usually receive back-pay, but contractors do not.

Other businesses face costs from delays of federal approvals. Active-duty troops, like those at New London's Coast Guard Academy, have received at least some pay during the shutdown in October.

The Trump Administration canceled 12 energy projects in Connecticut totaling $52.9 million in October.

The State and UConn Health Center are considering the purchase of **Waterbury Hospital** from bankrupt Prospect Medical Holdings. It would be one piece of the Health Center's larger possible expansion plans.

A federal appeals court has ruled that the Trump administration's country-specific tariffs announced on April 2nd are illegal but left them in place while the administration appeals to the Supreme Court. **The court will hear arguments on November 5th.**

SMALL BUSINESS OPTIMISM INDEX

The Small Business Optimism Index fell 2.0 points in September to 98.8, after rising in the three prior months. According to NFIB chief economist Bill Dunkelberg, "While most owners evaluate their own business as currently healthy, they are having to manage rising inflationary pressures, slower sales expectations, and ongoing labor market challenges."

A rise of 10 points from August, 64% of small business owners in the national index reported that supply chain disruptions were impacting their business to some degree. A net 24% of owners reported raising average selling prices (up 3 points for the month) and a net 31% (up 5 points) plan to increase prices over the next three months (both series seasonally adjusted).

Uncertainty remains high, though a net 23% of owners expect better business conditions in 6 months (meaning that significantly more expect improvement than worsening conditions). The share with positions they are not able to fill right now has fallen a bit to 32%, from 35% and higher in the first quarter, seasonally adjusted. That metric has fallen over recent years, peaking at 51% in May 2022.

Flight Traffic is up Year-to-Date

Approximately 3.9 million travelers have flown in or out of Bradley International Airport in 2025 through July. That number is up 3.3% over the same period last year. International arrivals are up by more than 12,000 passengers, though international traffic accounts for just 2% of the total.

Air travel continues to be in demand in Connecticut, suggesting businesses and consumers are able and willing to continue spending on travel, a good sign for continued economic growth.

Source: Bradley International Airport Traffic Stats, OSC calculations

Connecticut Housing Market Trends September 2025

+7.4%
5,321
Active Listings YoY
Realtor.com

+7.4%
$462,000
Median Sales Price YoY
Redfin

+6.1%
Home Sales YoY
Redfin

6.19%
Freddie Mac 30-Year Fixed Rate Mortgage Average for the week ending 10/23

+2 days
41
Median Days on Market YoY
Realtor.com

102.0%
Average Sale-to-List Price Ratio
Redfin

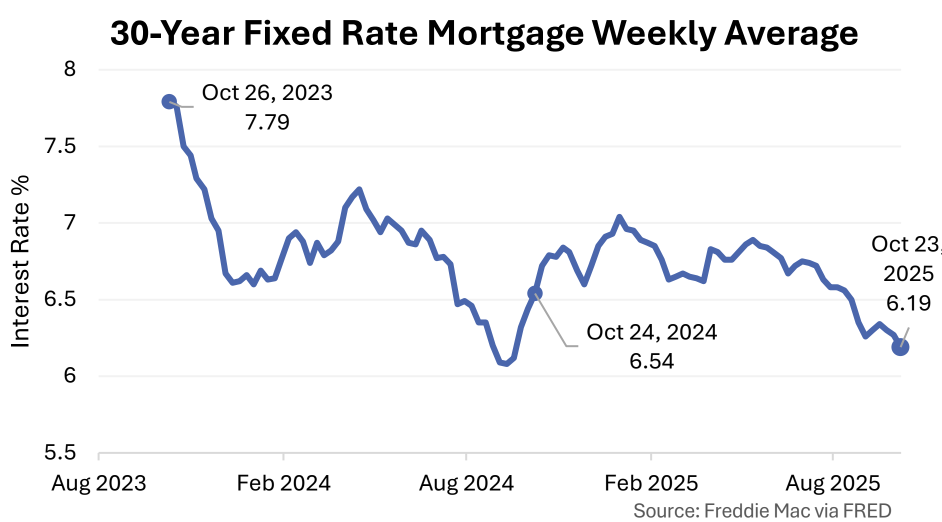
+0.8%
$1,716
Statewide Median New Lease Rent, YoY
Apartment List

CONNECTICUT HOUSING MARKET

Connecticut home sales grew 6.1% year-over-year in September according to Redfin, though monthly sales declined from August in line with seasonal trends. Buyers were encouraged by falling mortgage rates and 7.4% more active listings to choose from than last September, per Realtor.com.

The average 30-year fixed rate mortgage fell further in October to 6.19% for the week ending October 23rd, according to Freddie Mac. That's down from 6.89% in May of this year, which translates to a savings of $171 on monthly principal and interest payments for the September median priced home with a 20% downpayment. Despite slightly lower interest rates this month, affordability remains a challenge, with the median selling price in September at $462,000, up 6.1% year-over-year. *See the appendix for more housing statistics.*

The Federal Reserve reduced its key short-term interest rate by 25 basis points in each of the past two months. Expectations for that helped push **yields on 10-year Treasury securities that heavily influence residential mortgage rates down to 3.99%** on October 28, 2025 (vs. 4.5% in May), though doubt over another cut in December sent the yield back up to 4.11% as of October 31st.



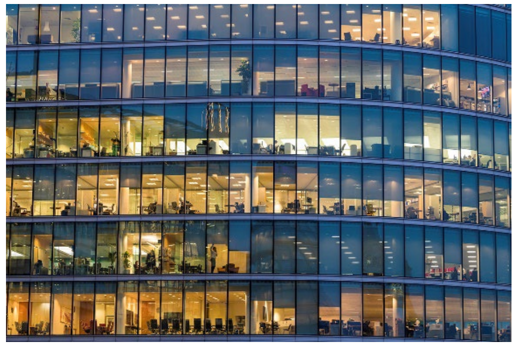
Mortgage Rate Outlook

Despite the potential for additional rate cuts by the Federal Reserve, Zillow recently wrote that they "expect the 30-year fixed rate to remain confined within the 6%-7% range observed in recent years," for 2025, though "modest relief could emerge as 2026 unfolds."

Rent Growth Continues to Slow

According to data from Apartment List, year-over-year rent growth slowed to about 0.8% in September. That's the lowest rate of increase since September 2020. It suggests that housing costs for rents have stabilized after spiking during the pandemic and rising noticeably again last year. The rental market in Connecticut is still hotter than the national average, where rents have actually been falling since mid-2023 thanks to a surge of apartments being built and delivered in recent years.

CONNECTICUT LABOR MARKET

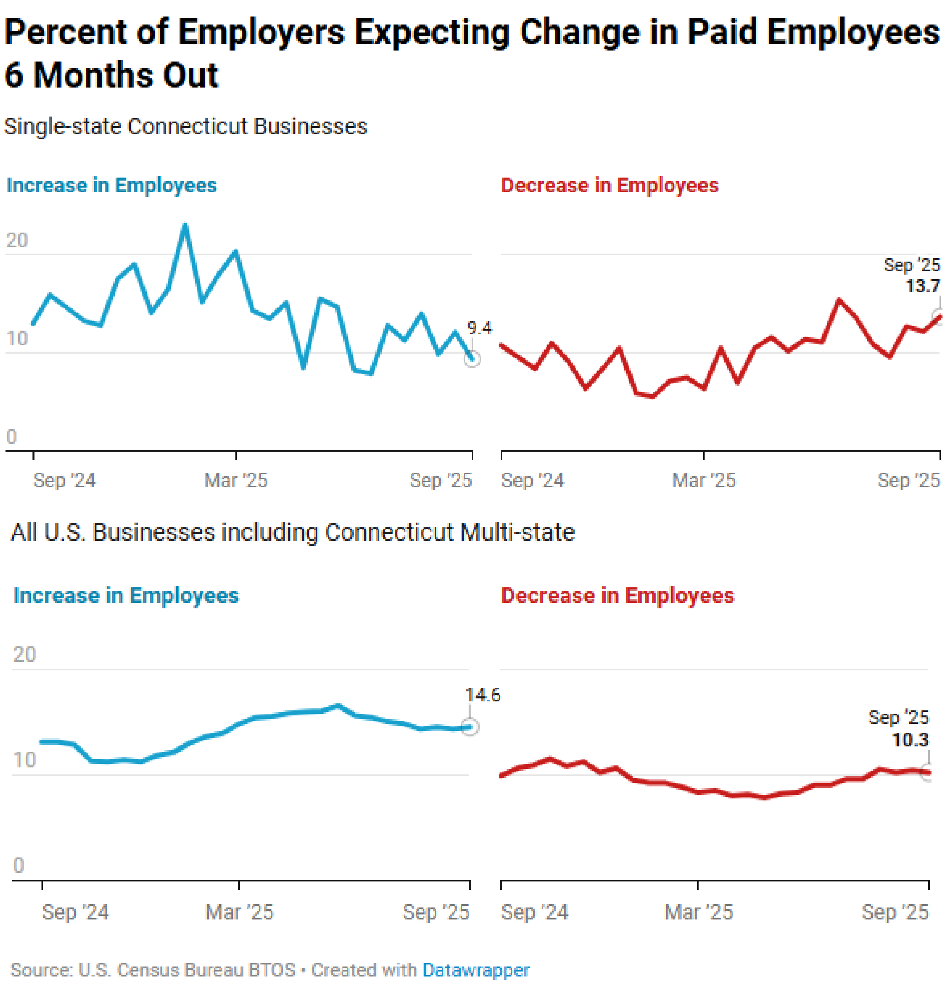


Due to the federal government shutdown, the Bureau of Labor Statistics did not yet release the September jobs statistics for either the United States or Connecticut. However, other indicators continue to point to cooling labor demand.

The [Business Trends and Outlook Survey (BTOS)](#) from the U.S. Census Bureau is based on approximately 200,000 responses from U.S. employer businesses every two weeks, with data for businesses that operate in only one state available by state. Multi-state businesses are reported in the U.S. total.

The graphs below show how businesses' responses have changed in recent months to the question, **"Six months from now, how do you think this business's number of paid employees will have changed?"**

The share of businesses expecting to increase headcount has generally been declining over the past several months. Conversely, **there has been an uptick in businesses expecting to have fewer employees in six months**. For employers that only have business locations within Connecticut, 9.4% expected to have more employees in six months, while 13.7% expected to have fewer, as of the two-week period ending September 21, 2025 (76.9% predicted no change). Some of that could be seasonal employment changes.



In September, national data reported by firm size shows expected future employment increases were more common among the largest firms (34.7%, for firms with 250 or more employees), while expected employment decreases were most prevalent for firms with 50 to 99 employees (15.0%).

Nationally, more firms projected employee increases (14.6%) than decreases (10.3%), while the reverse was true for Connecticut-only businesses.

Firms that operate in multiple sectors (based on 2017 NAICS) are also more likely to project employee increases (24.9%) than the highest single-sector category –Healthcare and Social Assistance—at 16.9%.

This suggests that employment growth in the coming months will likely come more from larger or cross-industry businesses that can better weather the high-interest rate, high uncertainty environment.

WHICH CONNECTICUT INDUSTRIES WERE GROWING IN Q2?

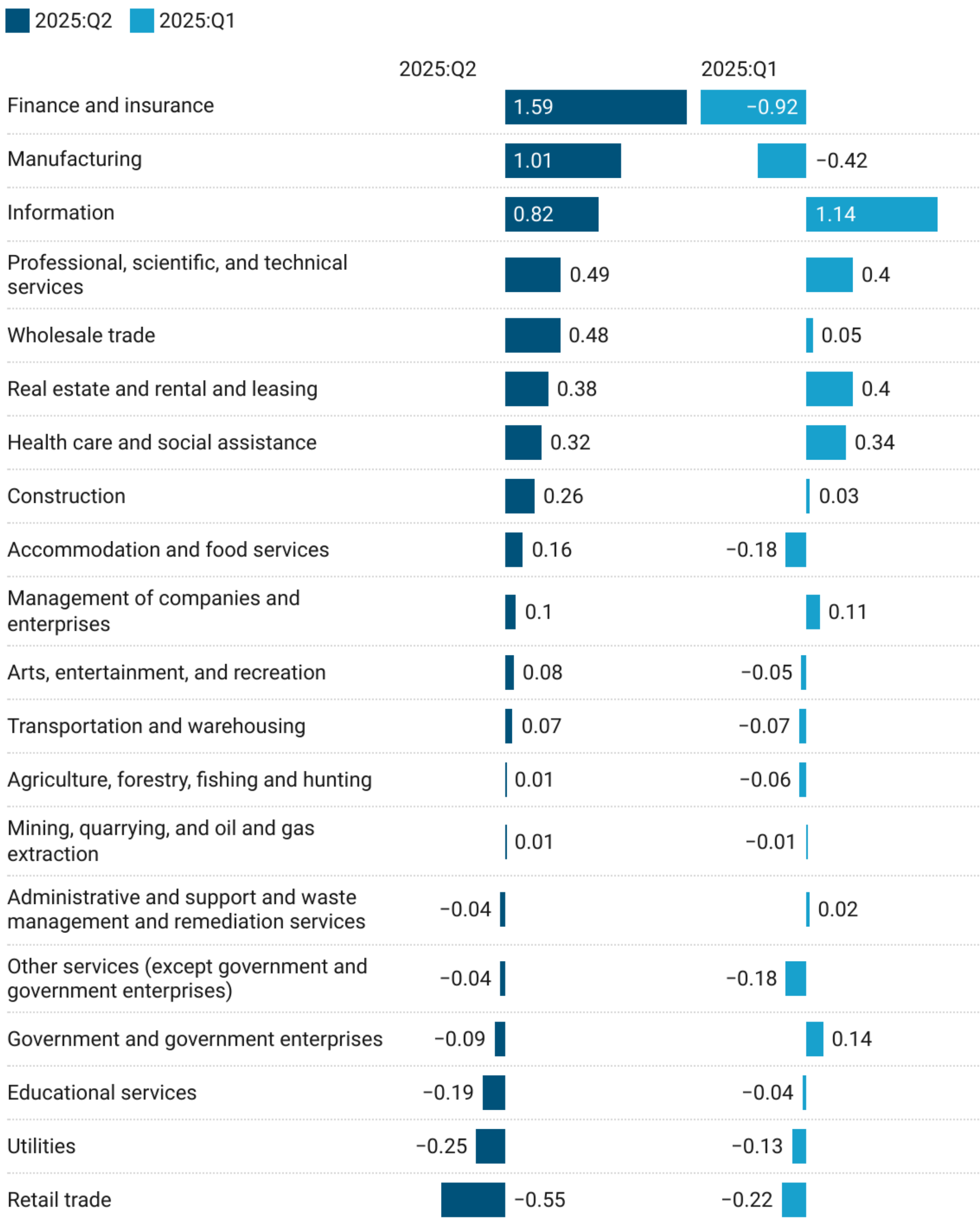
Connecticut's economy expanded at a 4.6% annualized rate in the second quarter of 2025. That followed slower growth of 0.3% in Q1. Inflation-adjusted gross domestic product (GDP) growth is usually reported at a seasonally adjusted annual rate (SAAR) to facilitate comparisons across different periods. That just means the growth rate of the economy if the same pace was maintained across four quarters and with typical seasonal fluctuations (like more retail spending around the holidays) removed.

While these preliminary figures may be revised, the data indicate that **Connecticut's economy has been growing faster than the nation's so far this year.** U.S. real GDP shrank at a 0.6% annualized rate in Q1 and grew at a 3.8% annualized rate in Q2.

The graph shows how Connecticut establishments in different industries contributed to Connecticut's quarterly growth rates so far in 2025. Of the 4.6% SAAR in Q2, a few industries are responsible for most of that growth. **The finance and insurance industry** accounted for the largest share, at 1.59 percentage points of the 4.6 total. **Manufacturing** also contributed about 1.0 percentage point. Value-added from both of those industries shrank in Q1, helping reduce quarterly growth to just 0.3% during the January to March period earlier this year.

Finance & Insurance and Manufacturing industries drove fluctuation in Connecticut quarterly real GDP growth

Percentage point contributions by industry to Connecticut's inflation-adjusted GDP growth of 0.3% in 2025 Q1 and 4.6% in Q2 (at seasonally adjusted annualized rates)



Source: Bureau of Economic Analysis • Created with Datawrapper

The **Information** sector, which includes publishing, broadcasting and telecommunications businesses, has significantly boosted Connecticut's inflation-adjusted output so far in 2025, and is largely responsible for Connecticut's outperformance in the first quarter.

GDP = Value Added GDP reflects gross output (like sales or receipts) minus the value of goods and services consumed in the production process—essentially the "value added" by those establishments. It includes the compensation of employees, taxes on production (less government subsidies), and gross operating surplus of those businesses.

Industry Growth since 2022

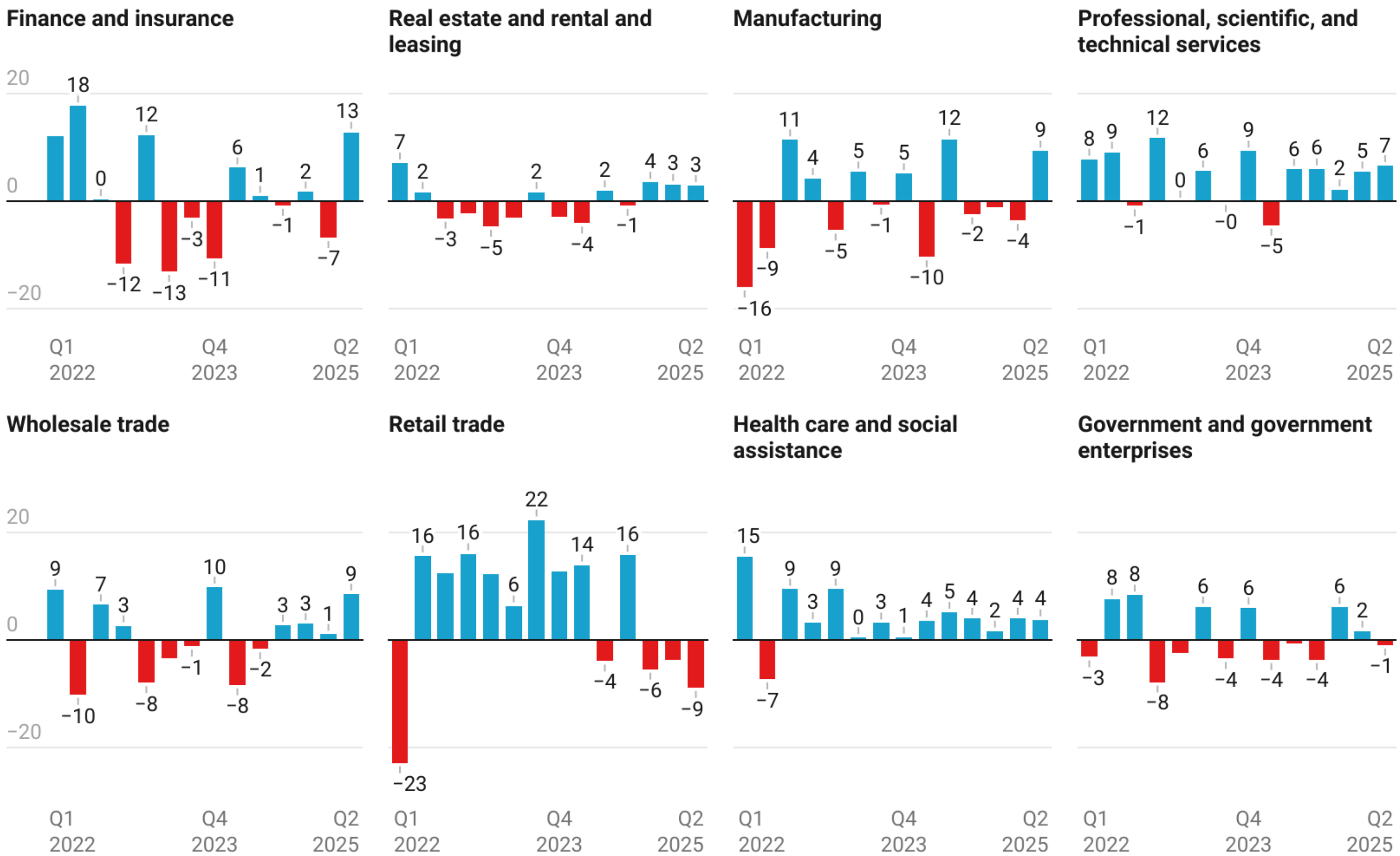
Zooming out a bit to look at growth in inflation-adjusted GDP since 2022, the graphs below show how some of Connecticut's largest sectors have grown (or not) on a quarterly basis. Connecticut's overall growth depends heavily on these industries.

For example, the Finance & Insurance industry accounts for 13% of the state's GDP and grew at a 13% SAAR in Q2 of 2025. However, that industry has struggled to grow faster than inflation in 7 of the past 14 quarters. Manufacturing output has similarly oscillated. Real Estate and Rental and Leasing, as well as Wholesale Trade, were largely a drag on the state's economy until the past year. Since then, they have grown more consistently. Retail (i.e., stores, including e-commerce) averaged a high 9.1% real annualized growth rate through Q3 last year, but since then has struggled. More cautious consumers, tariffs, and a weakening labor market could be the cause.

Finally, Healthcare and Social Assistance, as well as Professional, Scientific, and Technical services firms (like lawyers, consultants, and software developers), have been much more consistent sources of real economic growth over the 2022 to mid-2025 period.

Connecticut Quarterly Real GDP Growth by Industry (%)

Annualized Percent Change from Prior Quarter



Not all industries are shown. Based on growth of real gross domestic product (GDP) in 2017 chained dollars. 2025 Q2 data are preliminary.

Source: Bureau of Economic Analysis • Created with Datawrapper

APPENDIX

*Not updated due to federal government shutdown

Connecticut Housing Market	Sep-25	Sep-24	% Change or Change
Home Sales (Redfin)	3,294	3,104	6.1%
Median Sales Price (Redfin)	462,000	430,000	7.4%
Active Listing Count (Realtor.com)	5,321	4,956	7.4%
New Listing Count (Realtor.com)	3,640	3,644	-0.1%
Freddie Mac U.S. 30-Year Fixed Rate Mortgage Average (%) (Week ending 10/23/25 and 10/24/24)	6.19	6.54	-0.35
Median Days on Market (from listing to close, Realtor.com)	41	39	2.0
Average Sale-to-List Price Ratio (Redfin)	102.0%	102.5%	-0.5%
Median Rent for New Leases (Apartment List)	1,716	1,702	0.8%
Single-family Housing Permits YTD-**Aug** (U.S. Census Bureau)*	1,416	1,442	-1.8%
2+ Unit Structures Housing Permits YTD-**Aug** (U.S. Census Bureau)*	3,201	2,173	47.3%

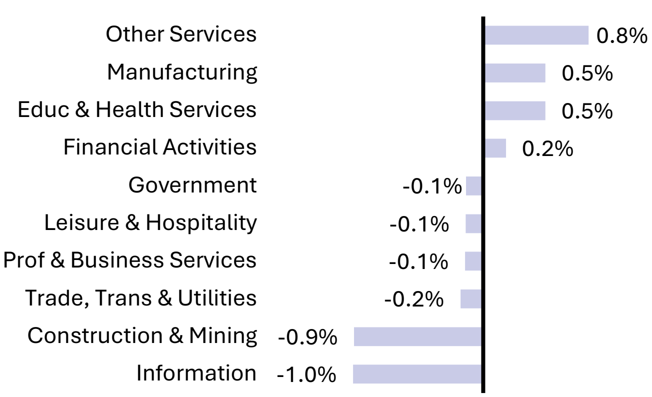
Some Data Retrieved from FRED, Federal Reserve Bank of St. Louis

Connecticut Labor Market	Aug-25	Jul-25	Aug-24
Unemployment Rate*	3.8%	3.8%	3.2%
Total Unemployed*	73,300	74,200	61,500
Total Nonfarm Employment*	1,720,200	1,719,300	1,707,500
Job Growth*	900	700	-1,100
Job Openings to Unemployed Ratio*	-	1.0	1.3
Quit Rate*	-	1.3	1.7
Average Monthly Initial Unemployment Claims (September values)	3,617	3,944	2,361
Labor Force Participation Rate*	64.6%	64.7%	64.9%
Average Hourly Wage*	$38.97	$38.85	$37.76

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

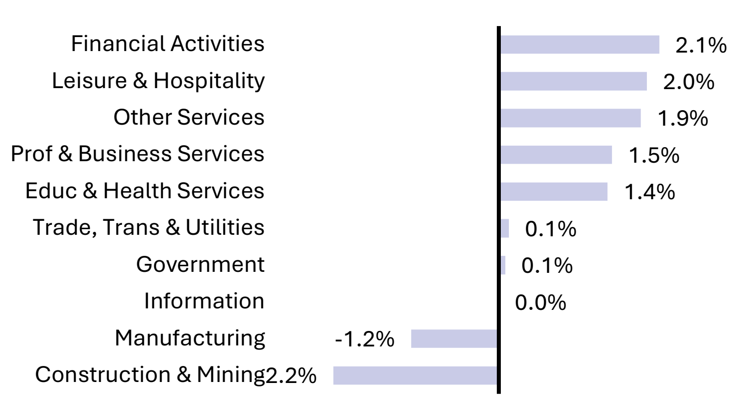
Connecticut Industry Sector Nonfarm Payroll Employment – August 2025*

Month-over-Month Percent Change



Source: CT Department of Labor

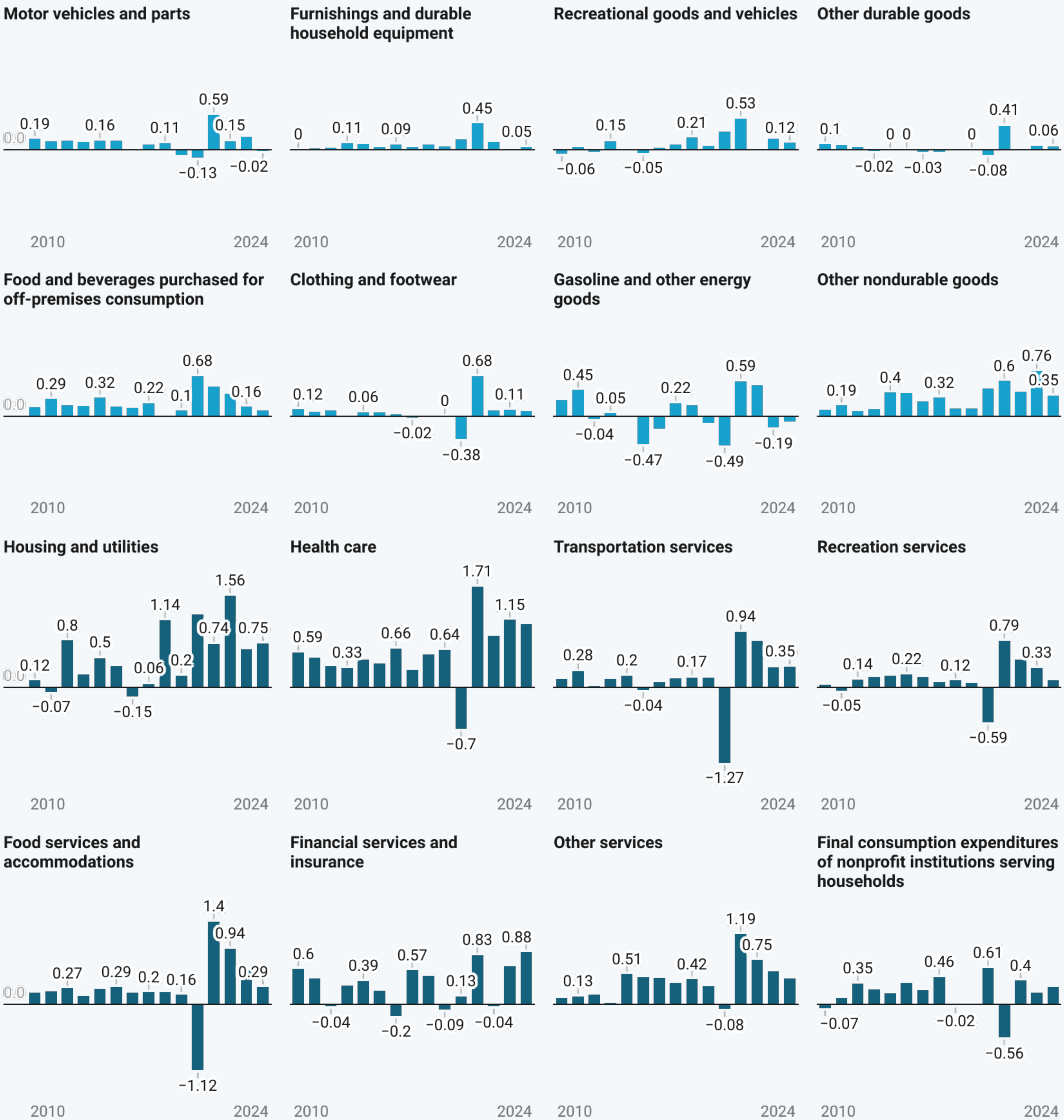
Year-over-Year Percent Change



Source: CT Department of Labor

Which categories have driven Connecticut consumer spending higher?

Category contributions to percent change in Connecticut Personal Consumption Expenditures (PCE), in percentage points by year, 2010-2024



The underlying data are not adjusted for inflation. All category contributions in a single year add up to the total annual percent change in Connecticut PCE for that year.

Source: Bureau of Economic Analysis • Created with Datawrapper