CONNECTICUT ECONOMIC UPDATE

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State Comptroller

MARCH 2, 2026

In this month's edition

Outlook: The U.S. economy is likely to continue muddling along in the near term, as the Supreme Court ruling overturning the President's tariffs generates new uncertainty, U.S. employers added a solid 130,000 jobs in January, and real gross domestic product (GDP) growth slowed to 1.4% (preliminary SAAR) in Q4. Consumer spending (especially on healthcare and travel) continues to be the engine of economic growth, and layoffs remain low. **Connecticut's unemployment rate also remained low at 4.2% as of December.** The U.S.-Isreal war in Iran sent oil and LNG prices higher and could have major economic ramifications if the conflict drags on. AI jitters are also contributing to volatility in the stock market.

Following the tariff ruling, President Trump enacted a **new 10% baseline tariff** on most imports under a different authority. It could rise to 15%, meaning the effective tariff rate would change little—at least for the 150 days it's in effect—though rates on specific imports will. Consumers shouldn't expect prices to fall, and it's highly uncertain if or when companies will see refunds for the illegal tariffs they've paid. Small businesses have born the brunt of trade policy changes and could incur legal costs to obtain refunds. New uncertainties may reduce hiring and investment.

The figures available suggest American **consumers have already paid nearly $600 dollars per household in the past year due to the illegal tariffs through higher prices for goods and services** (assuming 50% of costs have been passed through to consumers so far) and will ultimately spend roughly $1,200 in total per household when all is said and done. For 1.45 million Connecticut households, that works out to $858 million so far and $1.72 billion eventually in higher costs.

The **Consumer Price Index rose 2.4%** year-over-year in January, the slowest inflation pace in nearly 5 years. However, the PCE price index (the Fed's preferred measure) rose 2.9% YoY in December, and the central bank is expected to keep interest rates steady this month. Higher gas prices from the Iran war could slow cuts.

Connecticut is an early leader in quantum technologies. In this month's feature we learn about quantum computers, how a partnership between Yale and UConn is accelerating quantum innovation and investment in the state, and why a small headstart for one location can lead to industry concentration (like Silicon Valley or Wall Street). Many Connecticut industries are expected to benefit from quantum technology breakthroughs in the years and decades to come.

New population estimates show the state continued gaining population through July 1, 2025, albeit slower than last year. More international migration and less domestic out-migration has boosted Connecticut's population in recent years, but net international migration was essentially halved for 2025.

The 30-year fixed-rate mortgage average fell below 6% in late February for the first time since September 2022, according to Freddie Mac. Connecticut home sales fell 6.3% year-over-year in January despite declining mortgage rates.

Connecticut unemployment claims remained low through early February. The latest U.S. jobs report showed stable conditions in January; however, U.S. job growth in 2025 (+181,000 jobs) was even weaker than previously reported.

KEY DATES THIS MONTH

3/6 – February U.S. jobs report
3/11 – February CPI inflation report
3/13 – U.S. 2025 Q4 GDP 2nd estimate
3/17-3/18 – U.S. Federal Reserve FOMC rate-setting meeting
* Note: January & February CT jobs reports will be available on 4/7 and 4/21

Did you know?

All Connecticut residents can sign up for ArrayRx, a free state-sponsored prescription discount card that lowers the prices of certain medications at most pharmacies. If you have insurance, compare prices to see which one is lower. See how much you can save on specific prescriptions or sign up at ArrayRx Card.

About OSC

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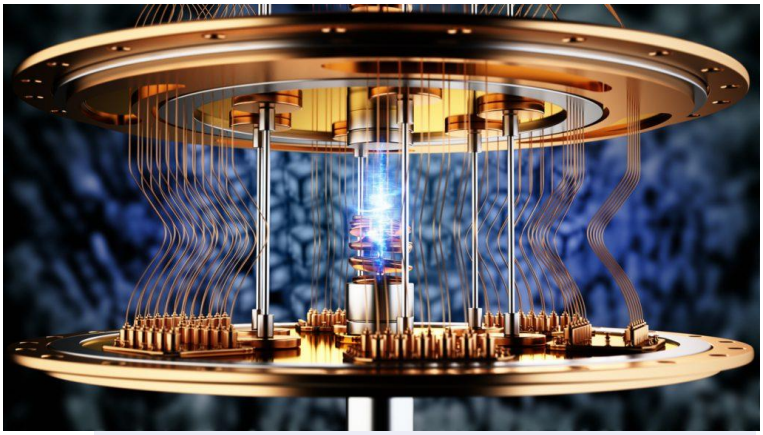
CONNECTICUT AT THE FOREFRONT OF QUANTUM TECHNOLOGIES



Alongside continued innovations in artificial intelligence, the next generation of high-tech growth may hinge on our understanding of the smallest particles in the universe. **Quantum computers**—as well as **quantum sensors and communication** technology—harness the strange physical laws of quantum mechanics to make the previously impossible, possible. Some of it is here now, while other theoretical applications like commercial-scale quantum computers are not expected for another five to fifteen years.

This month we dive into what quantum computers are, how Connecticut is a leader in the growing quantum tech industry, and what the highly uncertain future may hold.

What Quantum Computers Can Do Better and How

First let's start with what quantum computers are not. They are not just a larger or faster version of today's classical supercomputers. Instead, they are something totally distinct. Because of how they operate, they are useful for solving specific types of complex problems, like:

- Simulating nature at the atomic level (e.g., for new drug or material discovery)
- Factoring prime numbers (e.g., for breaking encryption)
- Optimization (e.g., for determining logistics routes, portfolio allocation).

Quantum computers have been called the "telescope of the 21st century," because they are expected to allow us to understand nature—what is happening at the level of atoms, electrons and photons—like never before. When you get down to particles that small, classical physics no longer applies. Instead, such small particles are governed by the strange laws of quantum mechanics.

Quantum computers take advantage of some of these science fiction-like properties. **They run on qubits** (meaning "quantum bits") instead of the bits used in classical computers. You can think of classical bits as little "on" and "off" switches that take the value of either 0 or 1. For quantum computing, qubits are different thanks to superposition and entanglement.

Superposition is the principle that subatomic particles, like electrons or photons, can exist as a combination of multiple states at the same time. It's not that the particle is rapidly switching

Quantum Tech in Context

First Quantum Revolution: New understanding of quantum mechanics resulted in the invention of transistors, lasers, MRIs, GPS, LEDs and modern computing in the 20th century.

The current wave of innovation has been deemed the **Second Quantum Revolution**. It includes:

1. **Quantum sensors** enable measurements at previously unattainable scales and accuracy. Some are already commercially available.

   Super-powered measurement tools

2. **Quantum computers** can solve certain computations faster than classical computers. Currently still in the prototype stage of development with commercial scale expected in 5 to 15 years.

   New type of problem-solving machine

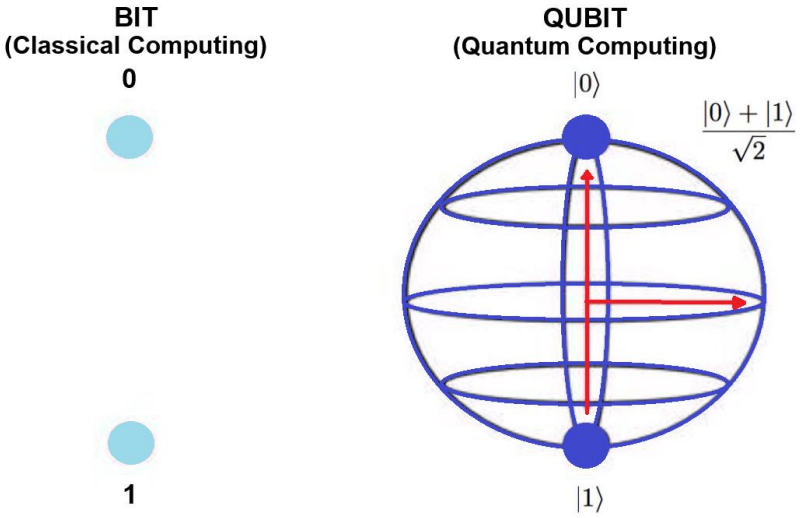
3. **Quantum communication** can securely transmit digital information across space. One type, quantum key distribution, has been trialed in several countries but challenges remain for commercial viability.

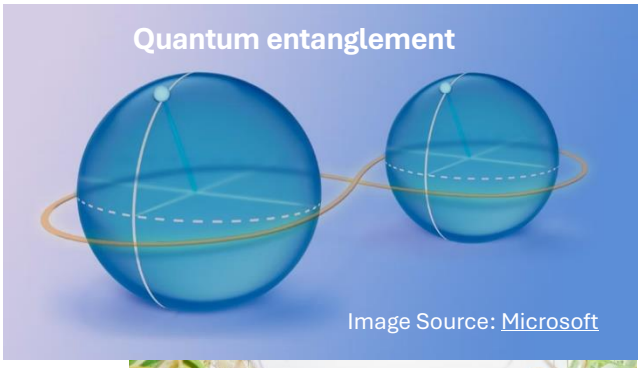
   Unhackable digital infrastructure

between possibilities—it genuinely occupies multiple states simultaneously. Only when the particle is measured does it "collapse" into one location or state. It's a little bit like a spinning coin that hasn't landed yet. You only find out if it was "heads" or "tails" once you stop it.

Because of superposition, qubits can take the values of 0, 1, and infinite combinations in between. This allows quantum computers to explore lots of possibilities all at once, rather than one at a time like a regular computer.

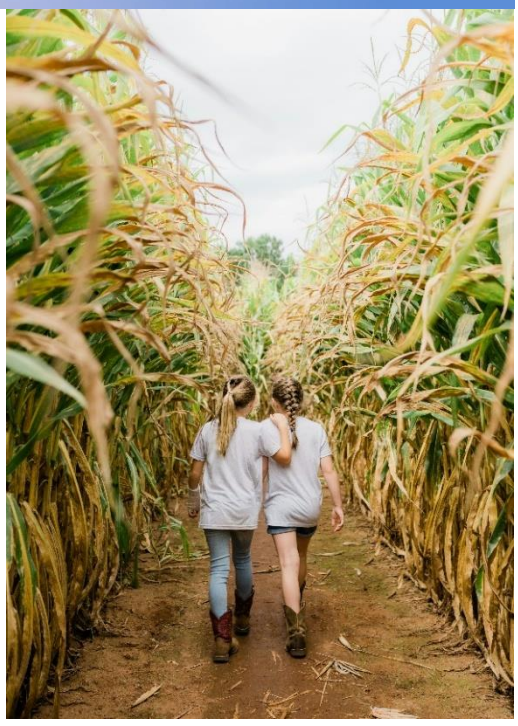
Entanglement is another phenomenon in quantum mechanics in which two or more particles become linked in such a way that the state of one instantly relates to the state of the other. Measuring the spin state of one particle influences the spin state of another particle—even if it's light years away! Albert Einstein referred to this as "spooky action at a distance."





For quantum computers, entanglement connects qubits to create a single, highly correlated system with more computing power, while superposition allows those qubits to reflect many states at once. Using new, quantum-specific algorithms, quantum computers can theoretically **outperform classical computers** in tasks such as database search, number factoring, molecular simulation and complex optimization.

It's a bit like trying to find your way out of a corn maze. Usually, you just keep trying different pathways, one-at-a-time, to find your way out. That is what classical computers do (albeit very quickly). A quantum computer is more like an eagle overhead that can evaluate all the paths at once. It can zero in on the best route more efficiently.



Such a capability can be extremely **powerful for evaluating complex problems** with many steps or nodes (e.g., things that would take classical supercomputers millions of years to compute), however, using qubits comes at a practical cost and doesn't spit out a single answer. Instead, it provides a probability distribution of where the answer lies.

Drawbacks and Limitations

So far, quantum computers are incredibly **fragile** and **prone to errors**. Qubits usually need to be kept at extremely low temperatures—just above absolute zero and colder than outer space. Any environmental noise (e.g., from vibrations, heat, or radiation) can cause errors and information loss. Keeping the qubits stable and addressing errors are key challenges scientists and engineers are actively working on, using a wide array of approaches and materials.

These complicated systems are also very expensive. A good quantum computer today could easily cost over $80 million.

Current quantum computers are still small and maintain the coherence needed for computation for a short time. Most of the golden chandelier apparatus associated with quantum computers is actually creating the ideal environment, while the chips themselves can often fit in the palm of your hand. Google's cutting edge Willow chip (called a quantum processing unit or "QPU"), unveiled in December 2024, has 105 qubits and maintains its quantum state for nearly 100 microseconds. The number of qubits isn't everything because not all qubits are equally useful. IBM's Condor chip has 1,121 superconducting qubits—an engineering milestone—but those qubits produce more errors.

While the Willow chip showed the capacity to solve a benchmark test in under five minutes that would take one of today's fastest supercomputers 10 septillion years (i.e., 10^{25}), those qubits are a fraction of what will likely be needed for large-scale commercial applications like solving logistics problems or drug discovery. Scaling today's prototype quantum systems to that level will require further technological advancements (e.g., better error-correction) as well as huge financial investments in hardware, facilities, and software.

There are many competing technologies being pursued, so it's still an open question which hardware approach will produce the long-sought "fault-tolerant quantum computer" first. Experts expect that commercial applications will likely utilize hybrid machines that combine classical and quantum computing capabilities, along with orchestration software that assigns tasks to the appropriate part (bits or qubits) based on the type and complexity of the computation.

Connecticut's "Silicon Valley" Opportunity

Connecticut is well positioned to capitalize on the economic promise of quantum technologies. That's partly because scientists at Yale University have been leaders in this area for decades, making foundational contributions to scientific knowledge. Steven Girvin, Robert Schoelkopf, and Michel Devoret (the latter of whom won the 2025 Nobel Prize in physics for his work in quantum physics) are three Yale professors whose research underpins technology being deployed by Google, IBM, and Amazon. UConn adds additional expertise, including in engineering and material sciences.

Cutting-edge research and startups. With a critical mass of research related to quantum, Yale and UConn labs also serve as a pipeline of talent for both quantum startups and major tech company labs. There are approximately 200 faculty members working on quantum or quantum adjacent research between the two schools, with many graduate students and even undergraduate students gaining valuable experience. The growth of the quantum industry will require a workforce with expertise in mathematics, physics, engineering, computer science and other technical fields to staff those companies, and Connecticut has a higher education system that can deliver. Yale and UConn's growing commitments to quantum research, including new facilities, will enhance what's already being done, and the Connecticut State Colleges and Universities (CSCU) system is rolling out new quantum-related courses for students.

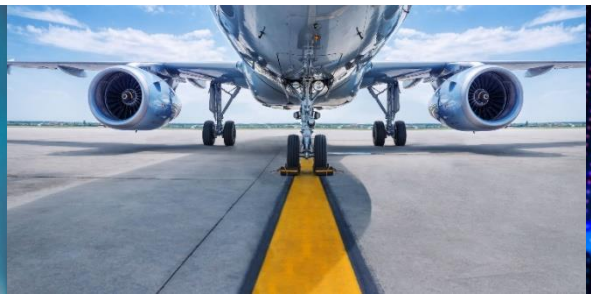
Public-private partnerships. In addition to the expertise and talent, Connecticut's advantage is also that Yale, UConn, the State, and potentially the federal government are all making large investments in Connecticut's quantum ecosystem, with the express purpose of facilitating the growth of the industry here. In November 2025, Governor Ned Lamont pledged $121 million in state dollars, and announced that coordinated State, university, and industry commitments **now exceed $1 billion**.

Like Silicon Valley grew out of Stanford and UC Berkley in the twentieth century, leaders see the opportunity for

Major deal set to expand staffing in Connecticut

Quantum Circuits Inc., a Connecticut-based quantum computing startup focused on superconducting qubits, was acquired for $550 million in January 2026, by **D-Wave**, a leading quantum company founded in Canada that has specialized in quantum annealing. Quantum Circuits Inc. was founded by Yale Professor, Robert Schoelkopf.

The deal is expected to significantly expand Quantum Circuits' 65-person staff in **New Haven**, Connecticut, and strengthens Connecticut's visibility and position in the growing quantum tech industry.


Connecticut, anchored by Yale, UConn and industry partners, to become one of the top clusters for quantum in the U.S.

QuantumCT is the public-private partnership organization leading the charge. Yale and UConn formed the nonprofit as they applied for federal funding from the National Science Foundation (NSF) to develop a "Regional Innovation Engine" focused on quantum technologies. After receiving an initial award of $1 million in 2023, Connecticut's bid has advanced to become one of 15 finalists (from 71 applications) being considered for a $15 million award, and up to $160 million over 10 years. NSF is expected to announce the winner(s) of that infusion of federal dollars soon, in spring 2026.

Venture capital is an important piece of Connecticut's efforts. QuantumCT, along with Connecticut Innovations (the State's venture capital arm), and university-affiliated institutions are making crucial early investments in promising new companies, to facilitate the growth of the industry here.

Connecticut startups are working on quantum algorithms, photonics for qubits to talk to each other, and various applications in quantum sensing, among others. State funding will be used to create facilities that startups can use (lowering their costs and "barriers to entry"), including a new test bed facility and labs in New Haven. QuantumCT is also working to prepare the State's workforce to fill new quantum-related jobs as these companies and other industry applications grow.

Relevant end users. Because some of the earliest expected commercial applications for new quantum technologies will likely be in drug discovery, national defense, advanced manufacturing, and financial services—all areas of strategic strength for Connecticut—the State is well positioned to see its quantum investments pay off more broadly throughout the state's economy. Making the technology developed here responsive to actual industry needs is at the core of the State's plan to make quantum technologies an engine of innovation for the state.

Why do industries cluster?

Labor Pooling
Firms benefit from locating near other firms of the same type because they can hire from a shared pool of specialized workers. Workers are drawn to these places because they can switch jobs without relocating.

Specialized Suppliers
A concentration of firms creates enough shared demand to sustain niche suppliers and service companies. Proximity speeds up iteration. Suppliers build up domain-specific knowledge.

Knowledge Spillovers
When firms and researchers cluster together, ideas and practical know-how spread more easily through collaboration and employee mobility, lowering costs and accelerating innovation in the region.

Economists have long studied why certain **industries tend to exist in dense clusters**, as well as how such clusters form and get reinforced over time. Clustering facilitates the hiring of specialized talent, develops deep local supply chains and ancillary service providers that focus on that niche market, and results in both formal and informal knowledge spillovers that foster even more innovation.

Because firms want to locate in these areas and workers want to be near jobs, **even a small head start for one location can set off a reinforcing dynamic** that concentrates an industry in one place.

For quantum, it's still early days. The nexus for the industry has not yet been determined, though places on the North

American east coast (including Connecticut) and in the UK are early leaders. That means investments the State makes to encourage an early concentration of cutting-edge companies, specialized suppliers, and a quantum-skilled workforce could help turn Connecticut's emerging quantum industry into a nation-leading center that becomes a major economic engine for job growth and prosperity here.

Other places are pursuing the same goal. Factors like where big tech firms (e.g., IBM, Alphabet/Google, and Nvidia) build facilities and where the federal government focuses its research and defense spending will likely be important. Connecticut has a great shot at being one of the major innovation centers for quantum, but we don't know what the future holds.

A Quantum Future

Whether or not Connecticut becomes an ultimate focal point for the industry in the U.S., quantum technology is eventually expected to have major ramifications for the economy. While the timeline is still uncertain, it should **accelerate the discovery of new drugs and new materials** and help us **solve complex optimization problems** to unlock new efficiencies, getting more value from the same set of inputs. Connecticut's finance, biotech and life sciences, advanced manufacturing, and logistics industries could all benefit.

At the same time, **quantum computing introduces a new threat**—the ability to break the encryption used to protect most digital data today. Standard encryption relies on the fact that classical computers can't factor very large prime numbers; however, a sufficiently large quantum computer will be able to, potentially giving bad actors the ability to steal sensitive data (e.g., cryptocurrency keys, personal data, state secrets). Today's quantum computers are a long way off from being able to do that, though it is seen as a matter of time. Bad actors may also be storing digital data now to "decrypt later," making switching to quantum-safe encryption methods a matter of urgency. Banks, insurance companies, health systems and other keepers of sensitive data are likely facing new costs associated with that.

Researchers also expect quantum computing to enhance **artificial intelligence**; however, current quantum computers are not well suited to handle the "big data" usually associated with machine learning. Near term,

artificial intelligence is helping design quantum hardware, calibrate systems and make the most of output from quantum sensors. Hybrid computers will leverage AI and quantum synergies.

Governments around the world are paying attention to quantum as a matter of **national security**. This aspect is prompting significant federal investment in what is viewed as a competitive race with other countries for early dominance. Quantum sensors that can detect movement (e.g., of a submarine that can evade today's radar technology) and precisely locate objects without the limitations of GPS have clear military applications. Communication methods that can't be hacked (because the data becomes unusable if it is intercepted and clearly shows when tampering has taken place) can provide security for government communications and military advantage.

In Closing

While there are **still many unknowns** and commercial applications in various areas may be more than a decade away, quantum represents a promising growth area for Connecticut's economy that is already creating new jobs and businesses. Due to the way industries cluster and concentrate in specific locations, the State's investments in this area have the potential for a huge economic payoff in the decades to come.

Read more about quantum technology from the OECD here: A quantum technologies policy primer or visit QuantumCT at www.quantumct.org

Examples of quantum tech applications in the current, "second quantum revolution"

Quantum Sensing	Quantum Computing	Quantum Communication
Quantum sensors could detect underground resources (e.g., minerals) and hidden military assets, even those camouflaged or hidden using stealth technology.	A type of quantum computer could decrypt sensitive information, forge digital signatures, access and manipulate data undetected.	Quantum key distribution allows the secure transfer of digital information across a network. Since observing a qubit causes it to lose information, hackers can't eavesdrop on messages.
Could identify tiny defects in materials much sooner, important for aerospace parts manufacturers.	Quantum computers could sequence DNA at unprecedented speeds, enabling the development of tailored treatments based on an individual's genetic profile.	Distribted networks of quantum sensors should enable more precise and efficient measurement.
Could potentially be used to track the effectiveness of medical treatments by monitoring the effects of medication at the cellular level in real-time.	Should allow simulation of molecules and materials, accelerating pace of drug discovery and improvements in materials with wide applications.	Quantum networks could potentially be used to support distributed quantum computing, with many connected quantum computers able to solve more complex problem.

These descriptions come directly from "A quantum technologies policy primer" from the OECD.

RISKS AND EVENTS WE'RE WATCHING

Military conflict in Iran. The largest military buildup in the Persian Gulf since 2003 culminated in Israeli and U.S. military strikes on Iran on February 28th, including the killing of Iran's Supreme Leader, Ayatollah Ali Khamenei. Iran struck back, including at Isreal and various U.S. military bases in other countries in the region. Great uncertainty remains about the course, duration and spread of the conflict.

Oil and liquified natural gas (LNG) prices jumped significantly on March 2nd, and financial markets saw a "flight to safety" with gold and the U.S. dollar rising. Depending on how long the conflict lasts and how much oil and natural gas infrastructure is damaged, the conflict could produce **an energy price shock that keeps U.S. inflation higher**, with consumers and businesses facing higher gas prices. Approximately 20% of the world's seaborne oil flows through the Strait of Hormuz, which is a choke point on Iran's southern coast. The threat of attacks from Iran-backed Houthi rebels resuming on ships in the Red Sea is likely to drive up international shipping costs as well. These price increases could push U.S. inflation higher and therefore **delay the anticipated Federal Reserve interest rate cuts this year.**

CONNECTICUT CONSUMER TARIFF COSTS

Since February 2025, the U.S. has collected an estimated $164.7 billion in customs duties for the tariffs struck down as illegal by the Supreme Court (both the "reciprocal" tariffs on countries around the world and "fentanyl-related" tariffs on China, Mexico, and Canada) according to the Penn Wharton Budget Model through January 2026. Over the long-term, the Congressional Budget Office (CBO) assumes American consumers bear 95% of tariff costs. That suggests that American households will eventually have paid about $156.5 billion in the form of higher costs for the goods and services we consume as a result of those illegal tariffs.

Divided by 132.7 million U.S. households, 95% of the IEEPA tariffs works out to an average of about $1,180 per household in higher costs. However, the pass-through of tariff costs from importers to consumers takes time, with some businesses compressing their own margins rather than raising their prices right away. For that reason, Americans have likely spent less than $1,180 to date—maybe 50% of that ($590); however, businesses are unlikely to drop their prices (especially given a new 10 or 15% baseline tariff), so it's likely consumers will pay the rest of that amount over time as businesses continue to charge higher prices reflecting that pass-through to consumers in the months to come.

A 50% tariff on Brazil contributed to higher beef prices in 2025.

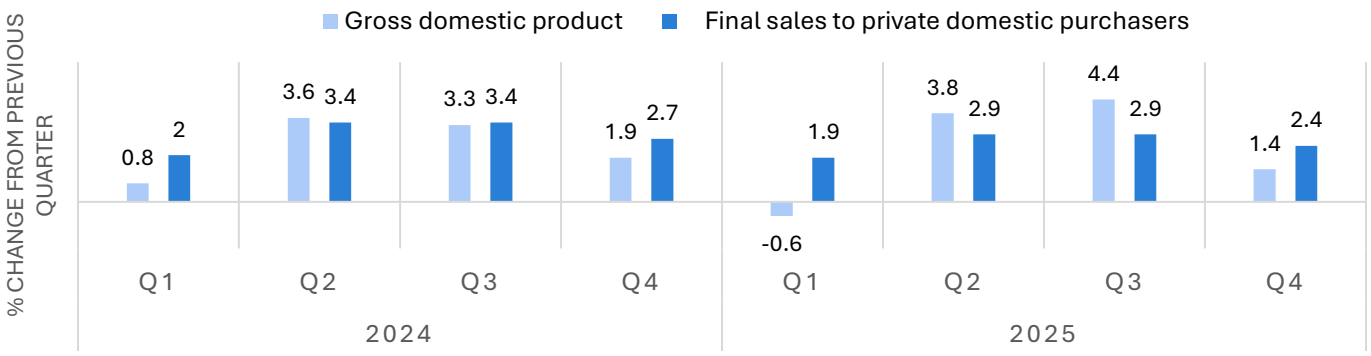
With 1.45 million households in Connecticut, that suggests Connecticut residents have already paid roughly $858 million (assuming 50% pass-through) in the past year due to the illegal tariffs and will ultimately have spent roughly $1.72 billion as a result of them when all is said and done. These calculations rest on the U.S. average household cost. Given the higher-than-average incomes and higher-than-average spending of Connecticut households compared to U.S. averages, the estimates likely understate the cost burden of the illegal IEEPA tariffs on Connecticut families.

FEDERAL GOVERNMENT SHUTDOWN LOWERED Q4 2025 U.S. GDP GROWTH

While inflation-adjusted U.S. GDP growth slowed to 1.4% (preliminary) in Q4 2025 from 4.4% in Q3, growth was at least 1 percentage point lower due to less spending by the federal government during the country's longest shutdown in October and November of last year. We should see a similarly sized bump in growth in Q1 2026 when that activity returns to normal levels. So be expecting a bigger number for Q1 growth that doesn't necessarily mean the economy is roaring.

Because GDP growth can fluctuate quarter-to-quarter based on changes in trade and government spending, economists like to look at a narrower indicator—**real final sales to private domestic purchasers**—to gauge underlying demand. That measure has been fairly steady, rising 2.4% in Q4, after rising 2.9% in Q2 and Q3. This suggests the economy continued to be resilient in the face of higher tariffs, immigration changes, and much more uncertainty in 2025.

U.S. ECONOMY INFLATION-ADJUSTED GROWTH RATES



Source: Bureau of Economic Analysis, Figures reflect real, seasonally adjusted annualized rates of growth in each metric from the previous quarter.

NEW POPULATION ESTIMATES SHOW SLOWDOWN IN GROWTH

In January, the U.S. Census Bureau released state-level population estimates as of July 1, 2025. These numbers provide the first official read on how population levels and components have changed, at least through the first five months of the Trump administration.

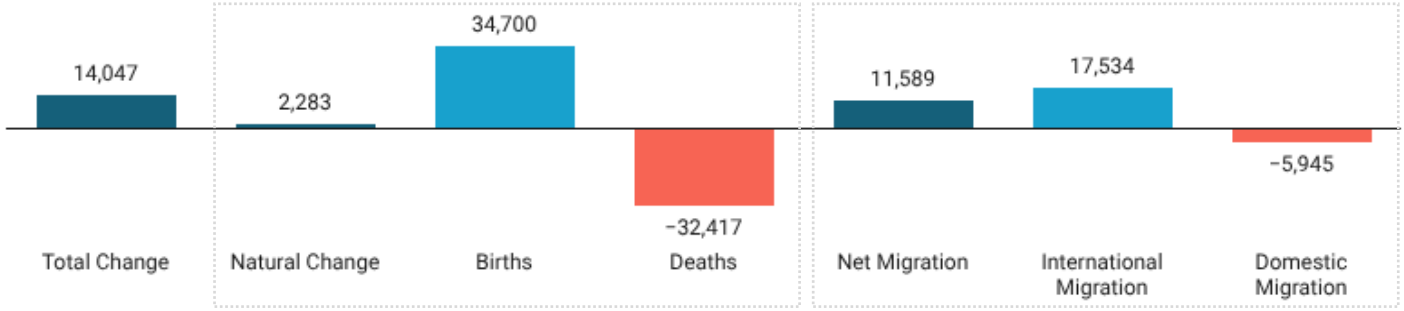
Connecticut's population reached 3,688,496 people as of July 1, 2025. That's up about 14,000 (0.38%) from July 1, 2024, but reflects a slowdown from the prior year, which saw particularly strong population growth of approximately 35,500 people (0.91%). The graphs show the components of population change for Connecticut according to the Census Bureau's estimates.

As shown on the next page, Connecticut's population growth in the past 15 years has been extremely reliant on the strongly positive flow of net international migration (people moving into Connecticut from abroad minus those leaving to go abroad). Generally, this positive flow of international migrants has partially or fully offset domestic out-migration (i.e., more people leaving Connecticut for other U.S. states than coming here from elsewhere in the U.S.).

If net international migration falls further in 2026, Connecticut could see a return to falling population, as experienced in the late 2010's.

International migration drives Connecticut population growth

Estimates of the components of Connecticut resident population change from July 1, 2024 to July 1, 2025



**Total population change includes a residual, which is the change in population that cannot be attributed to the components shown.*

Source: U.S. Census Bureau Population Estimates Program (PEP) 2025 Vintage • Created with Datawrapper

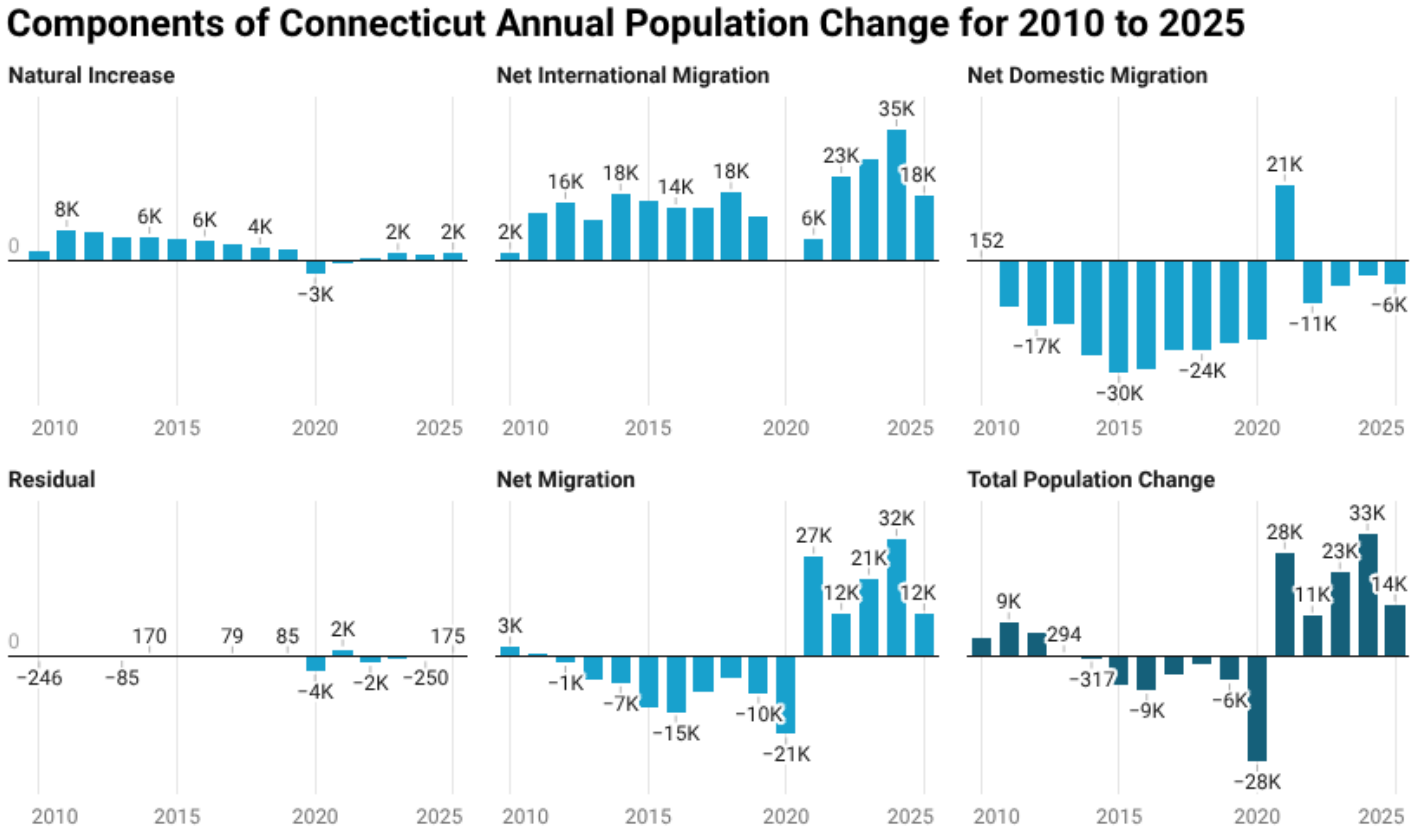
Due to low fertility rates and an aging population, natural increase (the number of births minus the number of deaths) only contributes a small amount to population growth: 2,283 people in the year ending July 1, 2025.

For 2025, approximately 17,500 more people came to Connecticut from abroad than left for abroad (net international migration). That is down from approximately 35,500 in 2024 (-50.5%), likely related to President Trump's immigration crackdown and restrictive immigration policies. Also, for 2025, approximately 6,000 more residents left Connecticut for other states than came from other states. While the net impact of domestic migration is to reduce the state's population, that negative flow is considerably smaller than it was before 2023, suggesting either fewer people are leaving or more people are coming.

Why does population matter? A growing population is generally a good thing for a state's economy. It means more customers for local businesses, more taxpayers for the government, and more workers for the labor force.

Given the importance of international migration for Connecticut's population growth in recent years, the Trump Administration's immigration changes, which heavily restrict who can come into the United States and have discouraged many international students from coming, are expected to result in less population growth in the next few years. This likely means slower labor force growth (or contraction), with immigrant-intensive sectors such as construction, lodging and food services, home health care, and childcare likely to be more constrained for workers. Those sectors could see faster wage growth as result—which can benefit workers but generally means higher costs for consumers.

Fewer international students also translates to financial hardship for many higher education institutions and upward pressure on tuition prices, since international students typically pay more and subsidize domestic student fees.



Population change in persons estimated as of July 1 each year. Natural increase is births minus deaths, net migration is the sum of international and domestic migration, residual is the amount of the total change not attributed to published components. Note that 2010-2019 are from the 2019 vintage, while 2020-2025 are from 2025 vintage estimates.

Source: U.S. Census Bureau Population Estimates Program (PEP) • Created with Datawrapper

RISKS AND EVENTS WE'RE WATCHING, CONTINUED

Tariffs struck down. The Supreme Court ruled on February 20th that President Trump's "liberation day" and fentanyl-related tariffs are illegal because the International Emergency Economic Powers Act does not authorize the president to set such tariffs. The court was silent on the issue of refunds—leaving U.S. companies that already paid roughly $175 billion in limbo as to whether they will ever get those dollars back, and if so, when. Experts predict it will

be months (possibly a year) before any refunds are made, and that further litigation will be necessary.

Following the Supreme Court's ruling, President Trump instituted a new across-the-board tariff of 10% (with statements it will go to 15%); however, that can only last for 150 days without extension by Congress (which seems unlikely in an election year). The legality of the new blanket tariff is also questionable.

All of this leaves U.S. companies that rely on imports back in a state of **heightened uncertainty** that is likely to slow down the pace of investment. Small businesses especially stand to lose if obtaining refunds requires expensive legal action.

If refunds are made in a burst, that could boost GDP growth via higher business investment.

Connecticut Housing Market Trends
January 2026

+3.7%
Active Listings YoY
Realtor.com

+7.5%
$446,000
Median Sales Price YoY
Redfin

-6.3%
Home Sales YoY
Redfin

-1 days
61
Median Days on Market YoY
Realtor.com

-0.84 ppts
6.01%
Freddie Mac 30-Year Fixed Rate Mortgage Average for the week ending 2/19

+7.8%
7,009
Connecticut Housing Permits 2025 Total, YoY
U.S. Census Bureau

+0.4%
$1,679
Statewide Median New Lease Rent, YoY
Apartment List

CONNECTICUT HOUSING MARKET

January is always a slower month for Connecticut home sales, but this **January was particularly slow** according to Redfin, with January 2026 sales down -6.3% from the same month in 2025 and -30.6% from December. That's despite lower mortgage rates, though home prices continue to rise. New listings were down year-over-year by 14.8% in January, per Realtor.com, likely impacted by the long period of particularly cold temperatures. That could signal fewer sales in February and early March, despite the **average 30-year mortgage rate dropping below 6%** in the week ending February 26th for the first time in over three years.

U.S. household trends impacting residential real estate

We recently attended the National Association of Business Economists' Policy Conference, with an interesting discussion on housing. Below are some trends highlighted by speakers:

- **Americans used to move more than they do now.** Historically, those who moved (usually for a job) did better financially than those who stayed put. In the U.S. in 1988, 17.8% of people had moved in the last year. In 2023, only 7.4% had. Mobility is most sharply down for low-income Americans. In contrast to previous patterns, people are now moving away from areas with good opportunities toward areas where housing is more affordable.

- **Americans want more space**; square footage per person has been increasing. Despite falling birthrates and slower population growth, growing demand for square footage per person will likely offset some of the natural decline in housing demand from fewer additional people in the years to come.

- The fastest growing segment of unhoused (homeless) people is those over age 50.

- About 23% of 25–34-year-olds in the U.S. are living with their parents, family members or roommates—likely the highest share ever. This trend can distort our interpretation of the homeownership rate over time, since most of those individuals are not captured in it. In the past, more would have been either renters or owners.

LABOR MARKET UPDATE

The latest U.S. jobs report showed stable conditions in January; however, 2025 U.S. job growth was weaker than previously reported. The corresponding data for Connecticut won't be released until April.

The U.S. unemployment rate fell to 4.3% in January (from 4.4% in December). Workers 16 to 24 years old saw a noticeable drop in their unemployment rate (from 10.4% in December to 9.0% in January), likely driving the overall decline.

Employers added 130,000 net payroll jobs in January on a seasonally adjusted basis, the largest monthly gain since December 2024 and significantly higher than median expectations.

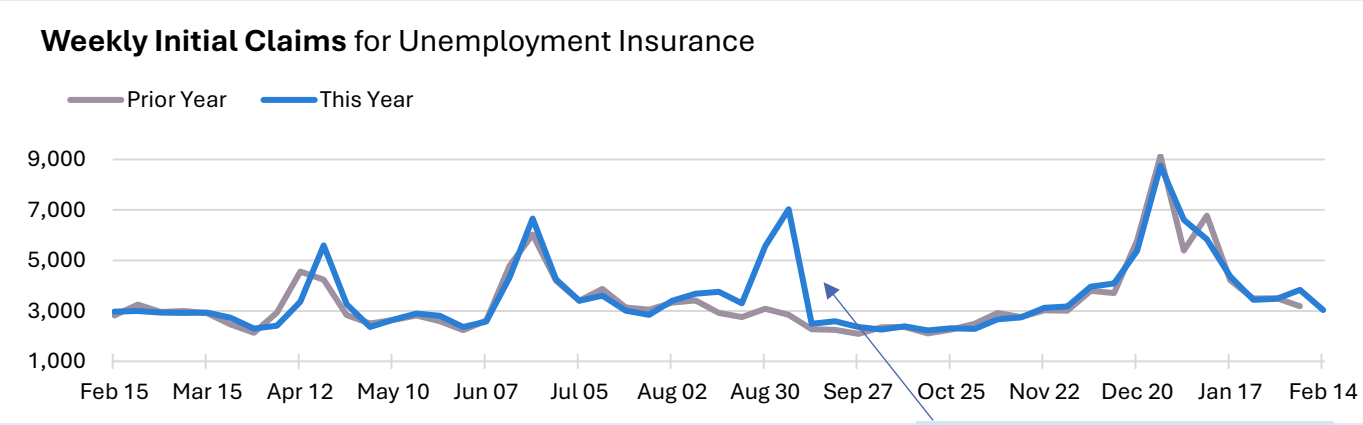
Most of the job gains were in healthcare, social assistance, and construction. Financial services firms (including insurers) and the federal government shed the most positions. Previously reported job gains in November and December were revised down by 17,000 jobs, putting the three-month average at +73,000 positions. Average hourly earnings increased 3.7% year-over-year in January, and hours worked ticked up by 0.1 hour.

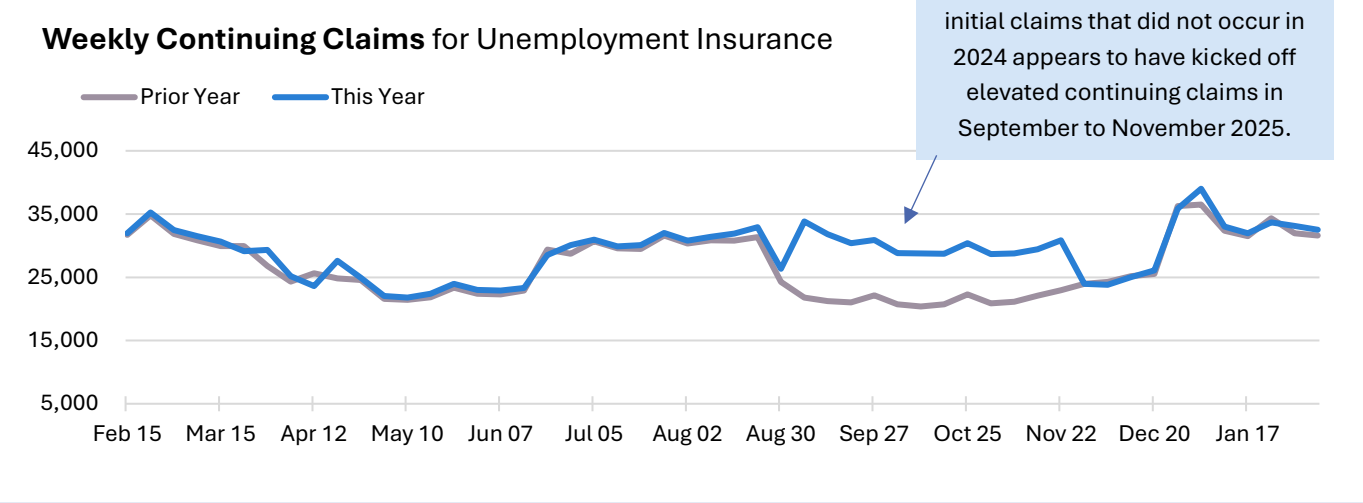
Annual benchmark revisions lowered U.S. employment by 898,000 jobs for March 2025 and lowered 2025 job growth to only 181,000 jobs (average 15,000 per month)—essentially no job growth for the year marked by great policy uncertainty.

Connecticut had 68,000 job openings and 80,400 unemployed workers as of December (preliminary).

Connecticut unemployment claims remain low as of early February

The number of Connecticut workers claiming unemployment insurance jumped in early fall 2025 compared to the same weeks in 2024. However, since then new and continuing claims have remained low, following **normal seasonal variation** through (at least) the first week of February 2026.





An August/September spike in initial claims that did not occur in 2024 appears to have kicked off elevated continuing claims in September to November 2025.

APPENDIX

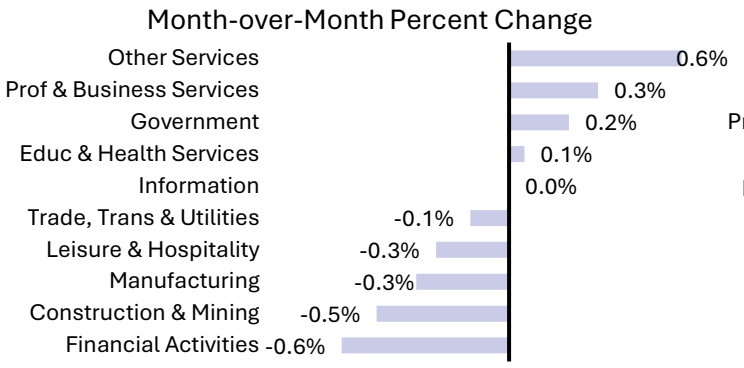
Connecticut Housing Market	Jan-26	Jan-25	% Change or Change
Home Sales (Redfin)	2,286	2,439	-6.3%
Median Sales Price (Redfin)	$446,000	$415,000	7.5%
Active Listing Count (Realtor.com)	3,391	3,271	3.7%
New Listing Count (Realtor.com)	1,920	2,254	-14.8%
Freddie Mac U.S. 30-Year Fixed Rate Mortgage Average (%) (Week ending 2/19/26 and 2/20/25)	6.01	6.85	-0.84
Median Days on Market (from listing to close, Realtor.com)	61	62	-1.0
Average Sale-to-List Price Ratio (Redfin)	100.8%	100.6%	0.2%
Median Rent for New Leases (Apartment List)	$1,679	$1,672	0.4%
Single-family Housing Permits Jan. - Dec. 2025 (U.S. Census Bureau)*	2,082	2,116	-1.6%
2+ Unit Structures Housing Permits Jan. - Dec. 2025 (U.S. Census Bureau)*	4,927	4,383	12.4%

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

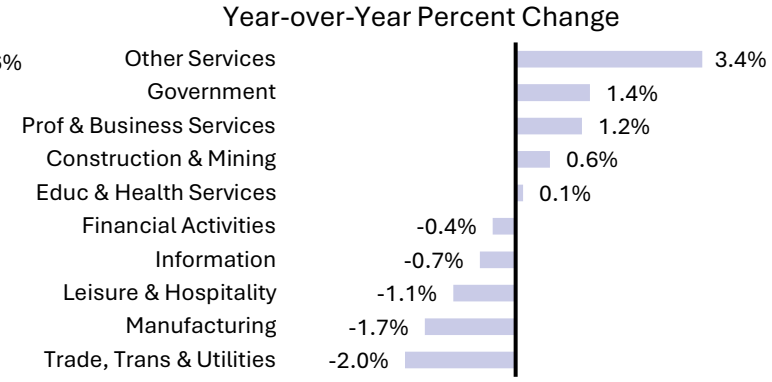
Connecticut Labor Market	Dec-25	Nov-25	Dec-24
Unemployment Rate	4.2%	4.0%	3.2%
Total Unemployed	80,400	77,200	62,500
Total Nonfarm Employment	1,713,900	1,714,400	1,716,100
Job Growth	-500	2,100	3,500
Job Openings to Unemployed Ratio	0.8	1.0	1.2
Quit Rate	1.7	1.7	1.6
Average Monthly Initial Unemployment Claims	5,545	2,800	5,603
Labor Force Participation Rate	64.0%	64.0%	65.0%
Average Hourly Wage	$39.97	$39.72	$38.81

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

Connecticut Industry Sector Nonfarm Payroll Employment – December 2025



Source: CT Department of Labor



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