OFFICE of the STATE COMPTROLLER
CONNECTICUT ECONOMIC UPDATE

Sean Scanlon
State Comptroller
APRIL 1, 2026

In this month's edition

Outlook: Recession risk increased in March, as the US-Israeli war in Iran triggered a massive shock to global oil and natural gas supplies. Most economists still expect to avoid a recession in the U.S. economy in 2026, as long as the hostilities end soon, but it also depends how long benchmark oil prices remain above $100 per barrel. U.S. real GDP growth was revised down by half to 0.7% for Q4 2025 (SAAR), showing that even before the war, the economy was slowing more than previously thought.

Fed Chair Powell said the labor market appeared to be in balance but with **essentially zero monthly job growth**—uncharted territory for the U.S. economy that has recently seen growth in the pool of available workers shrink alongside a significant slowdown in hiring by companies. The Fed kept its key interest rate unchanged at 3.5-3.75% in March. Annual inflation according to the PCE Price Index was 2.8% in January, significantly above the Fed's 2% target even before the Iran war. As of March 31, financial markets are now pricing in no additional Fed interest rate cuts in 2026 (a big change from two or three quarter-point cuts expected last month). That's bad news for would-be borrowers hoping for lower interest rates for loans, credit cards, and real estate financing.

In Connecticut, the 2026 outlook worsened this month as war-related higher prices for essentials will likely cause consumers to pull back spending in other areas if the war drags on. Elevated uncertainty and higher operating costs are likely to slow businesses' hiring and investment. These forces may cancel out the expected boost to growth in 2026 from higher average tax returns and business tax breaks from the One Big Beautiful Bill Act. Available Connecticut data suggests that **February layoffs ran a bit higher than that month last year.** Still, Connecticut economic growth through Q3 2025 was strong. Rising worker productivity could support solid economic growth even if job growth remains low. IEEPA tariff refunds, ordered by a federal court in March, should boost some businesses but the timing for receiving refunds is uncertain and new tariffs loom.

The projected General Fund balance for the current fiscal year shrank from a budgeted $309.1 million surplus to -$6.0 million this month. We explain why.

The share of Connecticut consumer debt in serious delinquency rose across all major categories in 2025. This month we look at households' finances. While the typical household looks good, there is growing trouble for groups that haven't benefited from pre-2022 mortgages or strong investment growth. Expensive credit card debt and significant student loans are likely to weigh on consumer spending in 2026 and beyond.

How will the war in Iran affect people in Connecticut? Sustained global oil prices over $100 per barrel and other supply chain disruptions are driving up costs for gas, heating oil, diesel fuel, plane tickets, mortgages and likely food as well.

Connecticut home buying activity was slow in February, and a spike in mortgage rates is coming at the worst time—right as peak season gets underway. A rising rental vacancy rate is welcome news to renters and points to slower Connecticut rent growth in the year ahead.

It's a challenging time for Connecticut farmers. Rising input costs, labor difficulties, climate change, health insurance access and shifting consumer preferences are all issues Connecticut farmers are facing this year.

KEY DATES THIS MONTH

4/3 – March U.S. jobs report
4/7 – January CT jobs report
4/9 – CT 2025 Q4 GDP & personal income; U.S. 2025 Q4 GDP 3rd estimate
4/10 –March CPI inflation report
4/21 –February CT jobs report
4/28-4/29 – U.S. Federal Reserve FOMC rate-setting meeting
4/30 – U.S. 2026 Q1 GDP 1st estimate

Did you know?

The median projections from the Summary of Economic Projections of the Federal Reserve's Federal Open Market Committee (FOMC) March 17-18 meeting was for the U.S. unemployment rate to be 4.4% in December and the Fed's preferred gauge of inflation, the personal consumption expenditures (PCE) price index, to have 12-month growth of 2.7% at year end. The median real GDP growth projection was for 2.4% in 2026, 2.3% for 2027 and 2.1% for 2028.

About OSC

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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.

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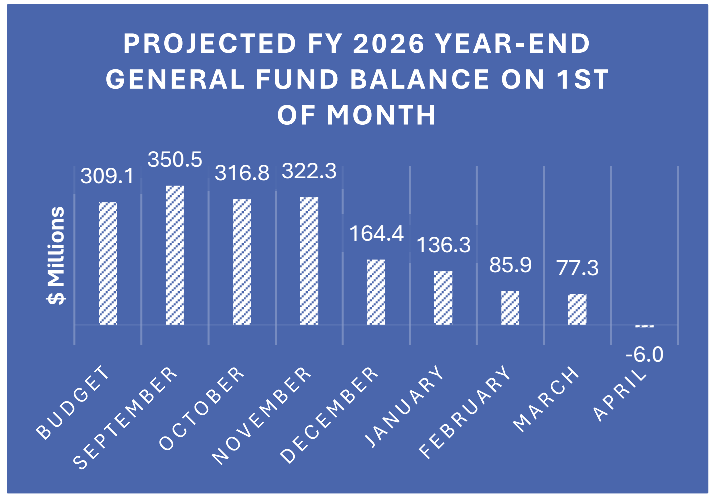
WHAT HAPPENED TO REDUCE THE SURPLUS?

The State's primary operating fund, known as the "General Fund," has finished with a positive balance for the past seven fiscal years. Those surpluses have helped the State pay down legacy pension debt, and last year, the surplus provided $300 million for major investments in affordable childcare. Under a 2025 law, any General Fund surplus not needed to top off the State's Rainy Day Fund after the fiscal year's books have been closed is now devoted to that cause through the Early Childhood Education Endowment.

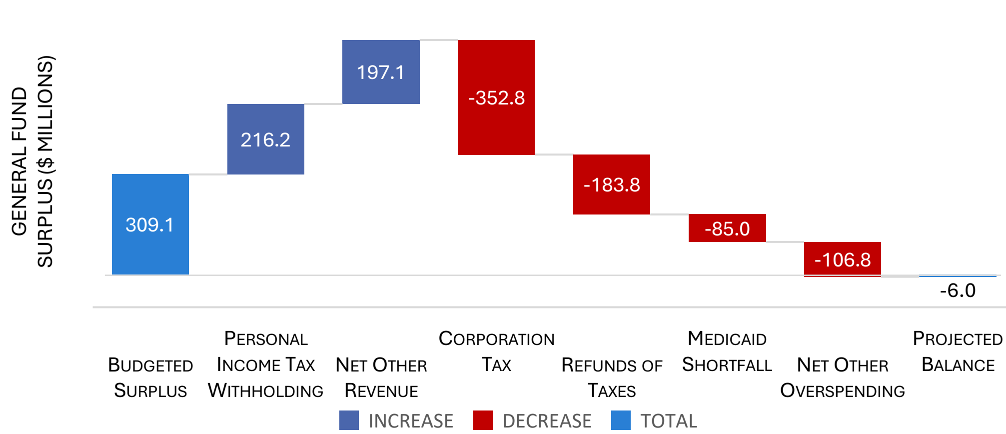
The enacted budget for the fiscal year ending June 30, 2026 (FY 2026), built in a gap between expected revenue and appropriations of $309.1 million (1.3% of the budget). As of April 1, we are now anticipating the fiscal year to close with a $6.0 million deficit, a drop of $315.1 million. What's changed?



Revenue changes account for 39% of the change (-$123.3 million). Despite upwardly revised projections for Personal Income Tax Withholding and a variety of other positive adjustments that net to $197.1 million, overall revenues are projected to fall below the level anticipated in the budget by $123.3 million, not including transfers associated with an emergency fund to respond to federal changes.

The chief reason is that Corporation Tax revenue is projected to be $352.8 million below target, due partly to a specific 2025 federal tax change that Connecticut automatically conforms to, as well as continuing lower collection trends begun last year. Corporations can now immediately expense domestic R&D (as opposed to amortizing such expenditures over five years). Analysts have projected the Connecticut impact of that change to be approximately $136.9 million this year. **Higher tax refunds** (especially for Income Tax and Pass-Through Entity Tax), also likely related to federal changes, are expected to reduce revenues by an extra $183.8 million as of this month.

CHANGES TO CONNECTICUT'S FY 2026 GENERAL FUND BALANCE PROJECTION AS OF APRIL 1



The remaining drop in projected balance (61%) is from projected overspending. Expenditures are on track to exceed the enacted budget by $191.8 million, excluding federal response spending. **Medicaid**, which provides healthcare for very-low income and disabled residents, is currently projected to overspend by $85 million, as per-enrollee utilization and costs have risen this year. As an entitlement program, benefits are guaranteed to those who are eligible.

Some agencies are not projected to spend their full budgets. Even so, that underspending is not anticipated to fully offset shortfalls in others, resulting in a net reduction of the balance of **$106.8 million outside of Medicaid**. That includes $82.0 million in extra state employee and retiree healthcare spending, mainly from higher utilization and prescription drug costs. Other overruns include personnel costs, workers' compensation claims, homelessness services and rental assistance, as well as paying claims settled against the State.

The final balance is likely to change. In recent years, final revenues (that can still accrue after June 30th) have typically outperformed what turned out to be conservative spring revenue estimates. Currently, the Early Childhood Education Endowment is not set to receive surplus investment this year.

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HOUSEHOLD DEBT: HOW HEALTHY ARE CONSUMERS' FINANCES?

Chicago Fed President Austan Goolsbee remarked recently that broad consumer spending growth has been powering the U.S. economy. Growth in consumer spending accounted for 85% of real GDP growth in 2025, up from 71% in 2024. Resilient consumer spending since the pandemic has surprised economists more than once, with affluent consumers increasing their share in 2025.

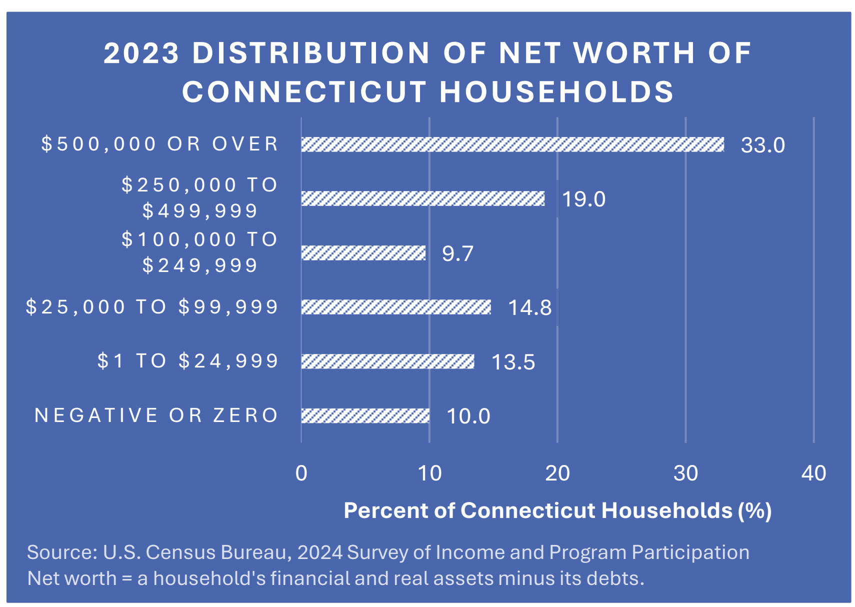
This month, we take a look at household balance sheets to better understand the health of Connecticut consumers, with a primary focus on **household debt**. U.S. household debt as a share of GDP has been declining since the 2008 financial crisis and fell from 74.9% in Q2 2019 to 68.5% in Q2 2025. While average statistics point to relatively low levels of debt (as a share of income) for consumers overall, averages never tell the whole story. Rising auto loan delinquencies suggest significant distress, as families typically prioritize paying those loans to maintain transportation to work. Connecticut also has more than half a million borrowers with student loans. Delinquencies and defaults have been surging since the end of pandemic forbearance and an additional grace period for most borrowers.

The share of Connecticut debt balances in **serious delinquency** rose across all major categories in 2025, according to the New York Fed Consumer Credit Panel data based on Equifax credit reporting. That includes **mortgages**, **student loans**, **auto loans**, and **credit cards**. With wage growth generally slowing, inflation still elevated, and consumers now facing an oil price shock from the Iran War, many Connecticut families are making tough choices about which bills to pay. Student loan debt especially is expected to impact consumer spending in Connecticut's economy in 2026, with approximately 13% of

Connecticut borrowers with federal student loans in default and therefore at risk for wage garnishment and other forced collections by the federal government. Changes to income-driven repayment plans could also leave borrowers with much higher monthly payments, all of which reduces borrowers' ability to spend elsewhere in the economy. We highlight a few state programs designed to help.

Backdrop of Growing Wealth in Recent Years

One way to measure financial health is to compare a household's **assets** (e.g., real estate, retirement savings, vehicles, funds in savings and investment accounts) with their **liabilities** (e.g., mortgage, car payments, student loans, credit card debt). Net worth is the value of assets minus the value of liabilities.

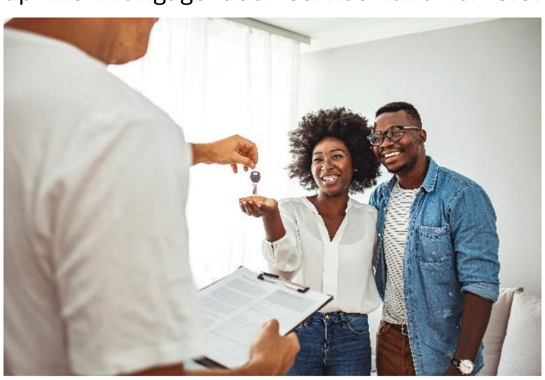


[Research](#) from the Federal Reserve has shown that **in the aggregate**, households have gained a considerable wealth cushion in recent years thanks to rapidly rising home values and stock market growth pushing up retirement accounts. Even the price of used cars and trucks rose 26.5% in 2021, driving up the value of owned used vehicles sitting in Connecticut driveways.

In 2019, the median net worth of Connecticut households (among those with any assets) was $173,500, according to the [U.S. Census Bureau](#), or about $66,500 if you exclude equity in the household's own home. In 2023, the median net worth had risen 45.9% to $253,100 (or 49.7% to $99,540 excluding home equity). Even after accounting for inflation, real median net worth over those four years rose 22.1% (or 25.3% excluding home equity).

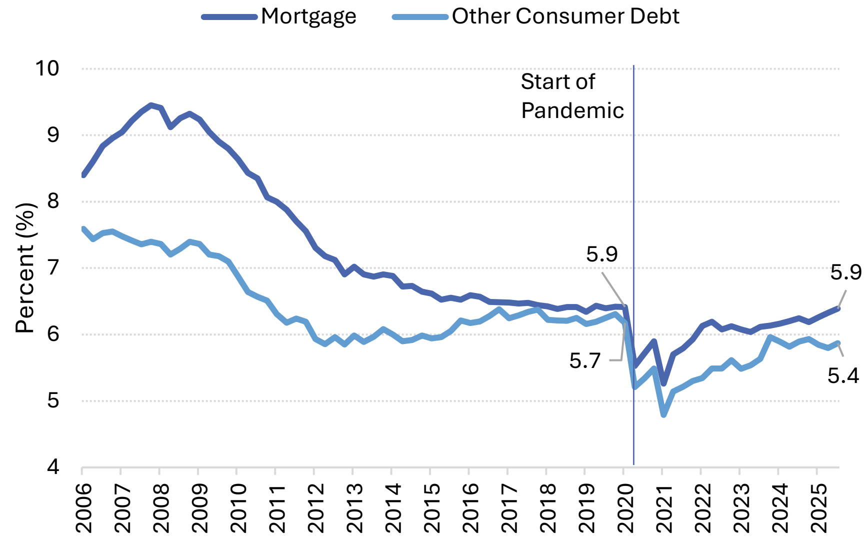
As a result, things look pretty good in the aggregate, though statistics for after 2023 are not yet available. Continued robust growth of Connecticut home prices and double-digit market returns in 2024 and 2025 have likely kept the median household's assets side of the ledger rising steeply since then.

On the debt side, homeowners who locked in low mortgage rates before 2022 continue to enjoy low, fixed housing costs (though insurance costs and property taxes have risen). Homeowners that purchased since late 2022 saw affordability drop dramatically due to higher mortgage rates and higher home prices. The rising share of such borrowers has pushed up the mortgage debt service ratio for U.S.



U.S. HOUSEHOLD DEBT SERVICE RATIOS

Scheduled or Required Payments Divided by Disposable Income



Source: Board of Governors of the Federal Reserve System via FRED, as of Q3 2025

households, as of September 2025, to the same rate it was before the pandemic; however, that ratio (which measures required mortgage payments as a share of U.S. quarterly after-tax personal income) remains far below the peak seen at the end of 2007.

Pandemic stimulus payments and higher wage growth at the low end of the wage distribution during the pandemic helped many households improve their financial situation by **paying off debt and improving their credit scores**. The average Connecticut [VantageScore 4.0](#) credit score rose from 699 in January of 2020 to 711 in January of 2023. The share of Connecticut households that had debt that equaled or exceeded their assets (zero or negative net worth) in 2019 was 16.5%; that dropped to 10% in 2023.

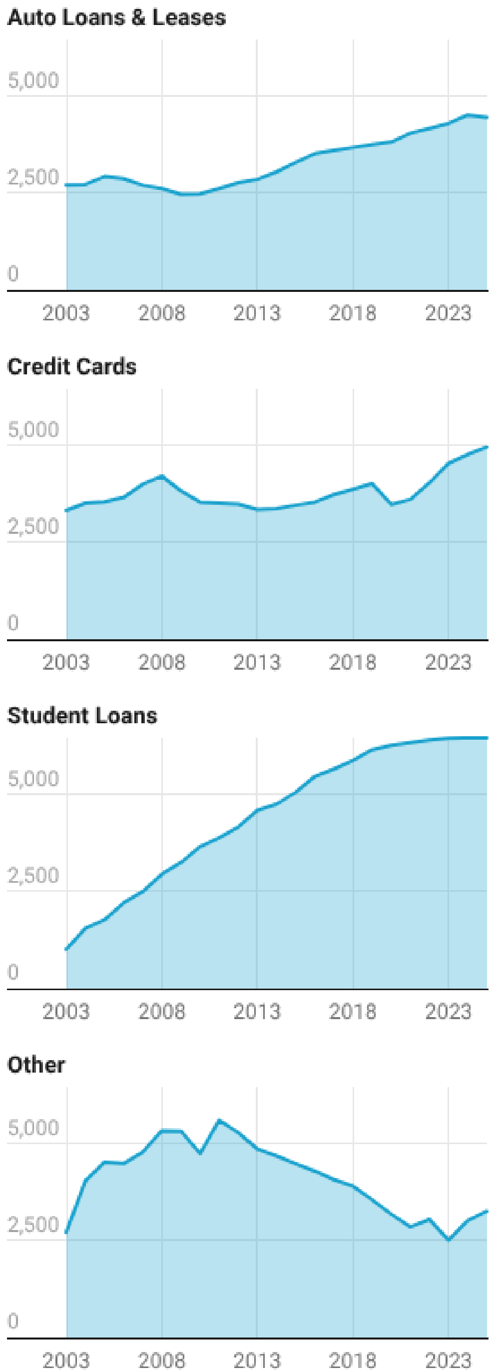
K-Shaped Economy Trends

Not everyone has benefited equally from the economic forces increasing total household wealth in recent years. **One third of Connecticut households are renters** (i.e., not benefiting from rising home equity) and **3 in 10 lack retirement accounts** to reap major stock market gains.

While homeowners could increasingly tap **rising home equity** for unexpected expenses, renters experienced a slow-moving tsunami of rising rents. Connecticut [new lease rents](#) were 22.6% higher in Q4 2025 than Q4 2019. Early wage growth patterns that favored lower-wage workers [reversed](#) by mid-2024, after which lower-wage workers were seeing slower wage growth than higher income groups. Meanwhile sticky inflation continued to drive up prices of essentials like food, insurance, childcare and healthcare.

Connecticut Debt Balances Per Capita

Outstanding debt divided by Connecticut adults with a credit report as of Q4 annually

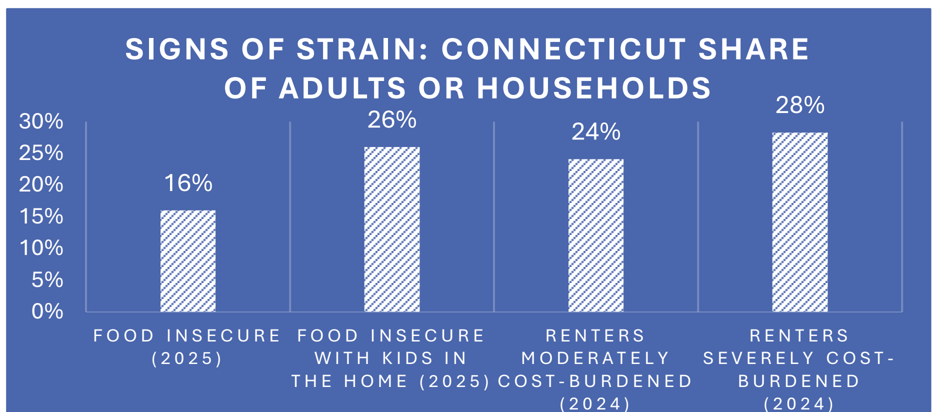


Not adjusted for inflation. Based on New York Fed Consumer Credit Panel / Equifax data that uses a sample of credit reports. "Other" includes home equity lines of credit, sales financing, personal loans, retail loans and some buy-now-pay later (though inconsistently).

Source: State Level Household Debt Statistics 2003-2025, Federal Reserve Bank of New York, February 2026 • Created with Datawrapper

Signs of this divergence of fortunes show up in the data. The share of Connecticut adults reporting **food insecurity** rose from 13% of adults in 2018 to 16% in 2025, according to DataHaven. The increase was more pronounced for families with children in the home, with food insecurity for that group rising from 17% in 2018 to **26% in 2025**. That's 1 in 4 families with kids that couldn't always afford food.

More Connecticut renters are now paying above 30% of their household income on rent and utilities, the threshold at which households are deemed "cost burdened." That Connecticut proportion rose from 47.1% in 2019 to 52.4% in 2024, according to a study by Harvard's Joint Center for Housing Studies. That report also found that the median Connecticut renter household spends 32.2% of their income on rent and utilities (as of 2024), fifth highest among states after Florida, Nevada, California, and Louisiana. Such a large housing budget leaves less leftover to afford other basic needs.



Moderately (Severely) cost-burdened means spending 30-50% (over 50%) of income on housing & utilities. **Sources:** 2025 DataHaven Community Wellbeing Survey, *America's Rental Housing*

Household Debt by Type

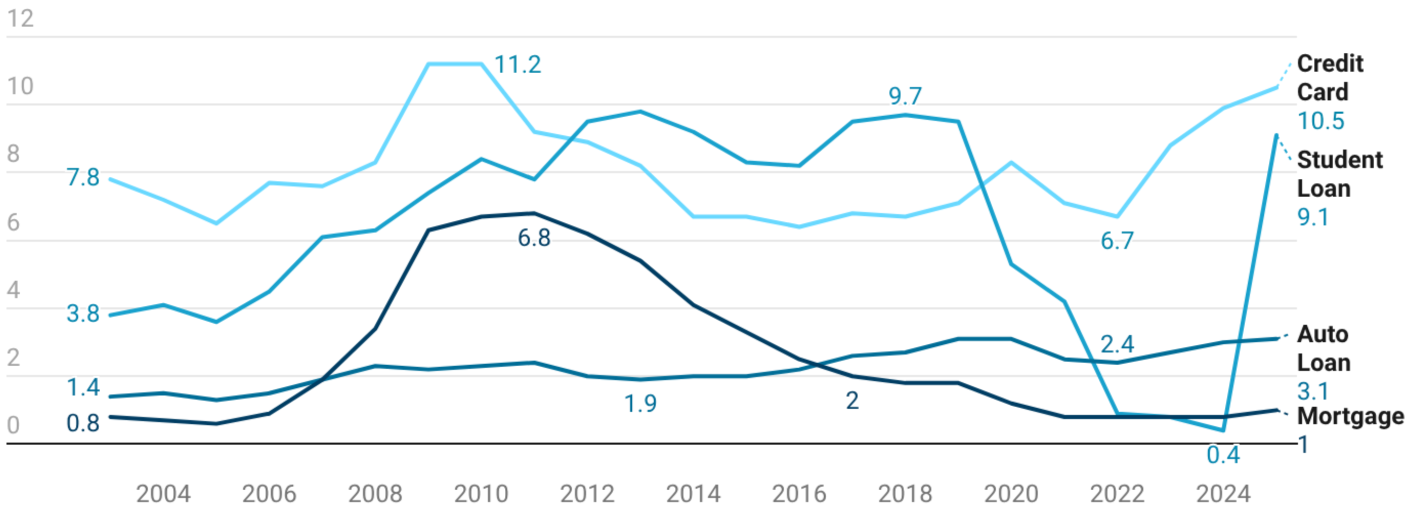
U.S. consumer credit (excluding for real estate) reached a seasonally adjusted level of $5.11 trillion in January 2026. One widely used source of credit data by state comes from the New York Federal Reserve Bank's Consumer Credit Panel that is based on a random sample of Equifax credit reports. While data at the national level is provided quarterly, state-level data for Connecticut is available once per year and was recently published for Q4 2025.

That data shows that **the average Connecticut adult (among those with credit reports) had $67,530 in household consumer debt at the end of 2025.** Note that this average includes adults without current debt. If you exclude mortgages and home equity installment loans, Connecticut per capita consumer debt is $19,150, up 2.0% from the prior year following a 5.4% jump from 2023 to 2024.

While the total per capita Connecticut consumer debt balance has risen each year since 2020, it actually declined over that period once adjusted for inflation (by the Consumer Price Index), as families used stimulus to payoff debt. However, inflation-adjusted per capita **credit card debt** has risen 12.5% since 2022.

A Rising Share of Connecticut Debt is in Serious Delinquency

Estimated % of Connecticut debt balances that are 90+ Days Late (%) based on samples of credit data



Fourth quarter data for 2003 to 2025. The student loan rate includes defaults, except for some old defaults that no longer appear on credit reports. Auto Loans are loans taken out to purchase a car, including leases.

Source: State Level Household Debt Statistics 2003-2025, New York Fed Consumer Credit Panel / Equifax • Created with Datawrapper

Mortgages

Mortgage debt accounts for over 70% of household debt in Connecticut as of Q4 2025 based on the NY Fed's Consumer Credit Panel (CCP). Connecticut outstanding residential mortgages had a total unpaid principal balance of $153.4 billion in Q3 2025, according to the National Mortgage Database, with an average monthly payment of $2,335 and an average interest rate at origination of 4.3%.

The share of Connecticut's mortgage debt balance that is seriously delinquent (typically, missing 3 or more payments) remains low. However, it rose from 0.8% in 2024 to 1.0% in 2025. That measure peaked at 6.8% in 2011 and was at 1.8% before the pandemic in 2019.

With home prices rising 77.3% since 2019 and 70.8% of Connecticut mortgages with an interest rate below 5% as of Q3 2025, **mortgage debt overall is far more manageable than during the Great Recession and its aftermath** when many homeowners were underwater (i.e., owed more than their house was worth). Low unemployment has supported repayment. However, newer homeowners (paying higher mortgage rates and higher prices) and those with government-backed loans are considerably more likely to be delinquent.

Credit Scores

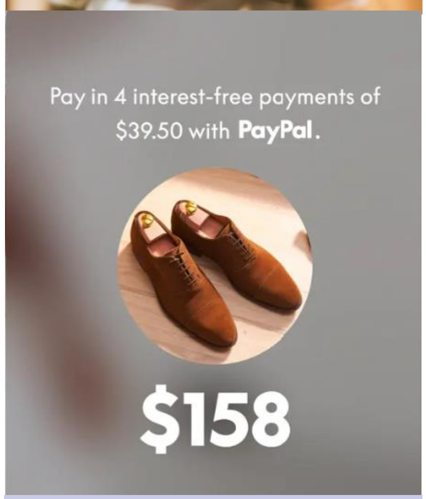
A credit score is a number (usually 300 to 850) that indicates your creditworthiness compared to other borrowers at a point in time based on your credit history. That credit history is tracked by Experian, Equifax, and TransUnion, the three credit bureaus.

General credit scores like **FICO** and **VantageScore** are designed to predict whether someone will be 90 days late (or more) on a payment within the next 24 months. **Higher scores indicate less risk of becoming seriously delinquent.** Interestingly, the scores do not account for general economic conditions that may make all borrowers more likely to default.

Credit Cards

One area of greater concern is credit card debt. According to the U.S. Census Bureau, Connecticut households with credit card debt held an average of roughly $9,900 in debt as of 2023, though the median (i.e., the middle, in ranked order) person with credit card debt owed $5,000. Per capita credit card debt in Connecticut rose 11.9% in 2022, 12.4% in 2023, 5.1% in 2024 and 4.0% in 2025—not adjusting for inflation.

Data from the New York Fed Consumer Credit Panel shows that **10.5% of Connecticut credit card debt balances were at least 90 days late (seriously delinquent) at the end of 2025**, not far below the 11.2% peak seen in 2009 and 2010 during the Great Recession and up considerably from 7.1% in 2019.



10.5% of Connecticut's credit card debt is 90+ days late.

-NY Fed Consumer Credit Panel / Equifax for Q4 2025

During the pandemic, more cash payments from the federal government to households along with less spending as people stayed home helped many households pay off debt and improve their credit scores. While this helped more people get access to credit, analysis by the Consumer Financial Protection Bureau suggests this represented a **loosening of credit standards** that lenders may not have intended. New credit cards issued in late 2020 to 2022 have seen delinquencies rise much faster than for prior issuing years.

In response, credit card issuers tightened lending standards. The average original credit score for new credit card accounts rose from 718 in Q4 2022 to 726 in Q1 2023, based on national Large Bank Credit Card and Mortgage Data from the Federal Reserve Bank of Philadelphia. According to that data, the share of new accounts with less than a 660-credit score (considered "near prime") continued to decline from then, reaching a low of just 15.6% in Q3 2024 and remaining about the same through the most recent data (Q3 2025).

Compared to other states, Connecticut has higher per capita credit card debt ($4,960) as well as a below-average serious delinquency rate (10.5%) as of Q4 2025 (*see graph on following page*). Higher debt makes sense given that average incomes and average spending are both higher here.

While Connecticut has a smaller share of seriously delinquent credit card debt than the U.S. total of 12.4%, the fact that both balances and serious delinquencies are rising points to the current affordability crisis. When expenses rise faster than incomes, as has been the case for many amidst persistently elevated inflation, something has to give. Rising credit card debt aligns with the declining U.S. personal savings rate seen in 2025.

Unfortunately, carrying a credit card balance is a very expensive form of credit, with interest rates averaging a 21% annual percentage rate (APR) as of Q4 2025.

Buy Now Pay Later

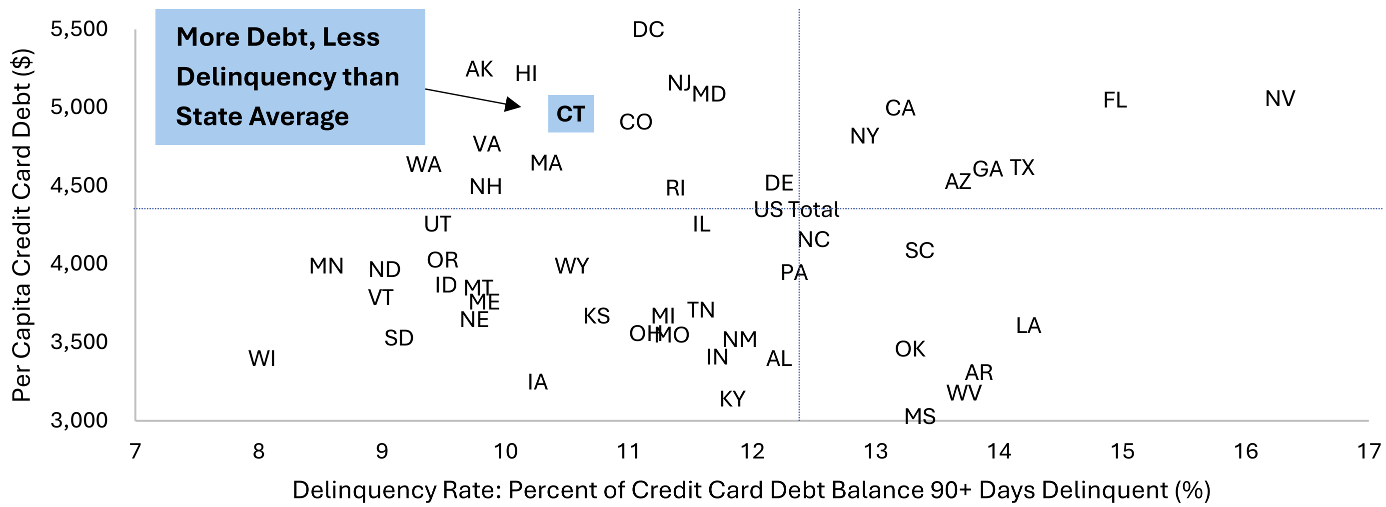
One category that is not consistently captured on credit reports and therefore is inconsistently included within the "other" category of the New York Fed Consumer Credit Panel data, is **Buy-Now-Pay-Later (BNPL)**. The transaction value of BNPL loans reached an estimated $70 billion in 2025—about 1.1% of total credit card spending, according to an analysis from the Federal Reserve Bank of Richmond.

BNPL gives consumers the option to spread out paying for a purchase, usually across four equal payments, often without any interest if paid on time. A different Federal Reserve study found that 15% of people had used BNPL in the last 12-months as of October 2024. That proportion had risen from 14% in 2023 and 10% in 2021. The share making at least one late payment rose sharply to 24% in 2024 (up from 18% in 2023).

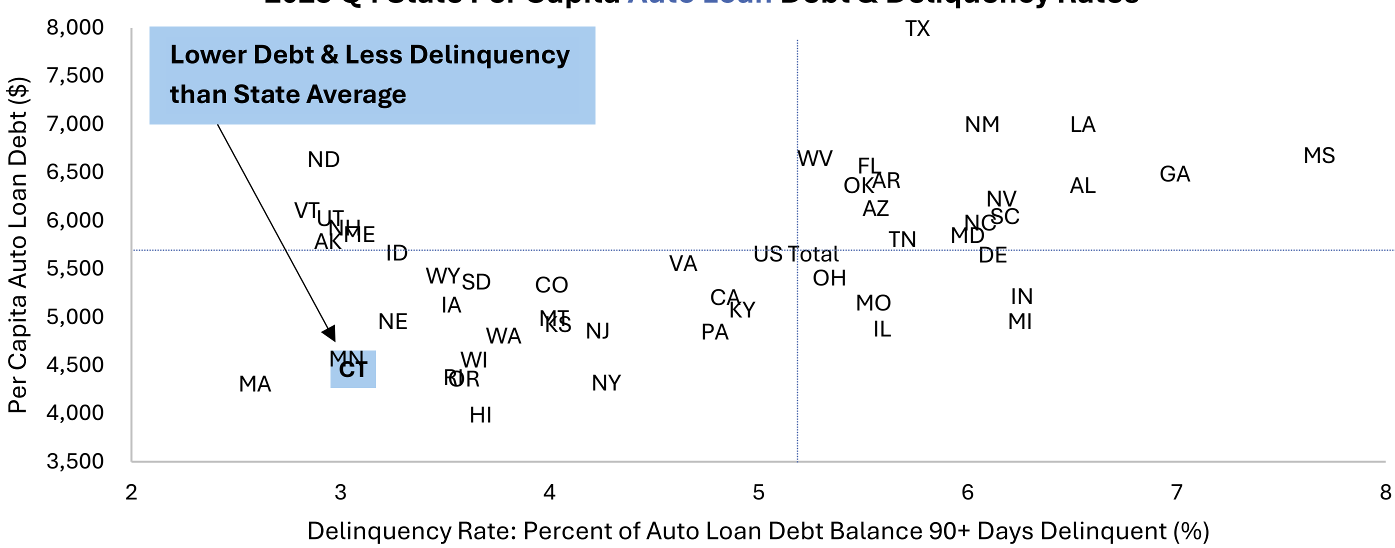
The study found that 58% of people who used BNPL did so because it was the only way they could afford the purchase, suggesting BNPL is increasing access to credit, especially for more financially vulnerable groups. The Consumer Financial Protection Bureau found that "borrowers with subprime or deep subprime credit scores make up the majority of BNPL originations."

Since the initial loan is frequently not reported on credit reports (though missed payments usually are), there is a concern that consumers may become overextended by stacking BNPL loans on top of other debt. A push to regulate BNPL more like credit cards under the Biden administration was reversed under the Trump Administration in May 2025.

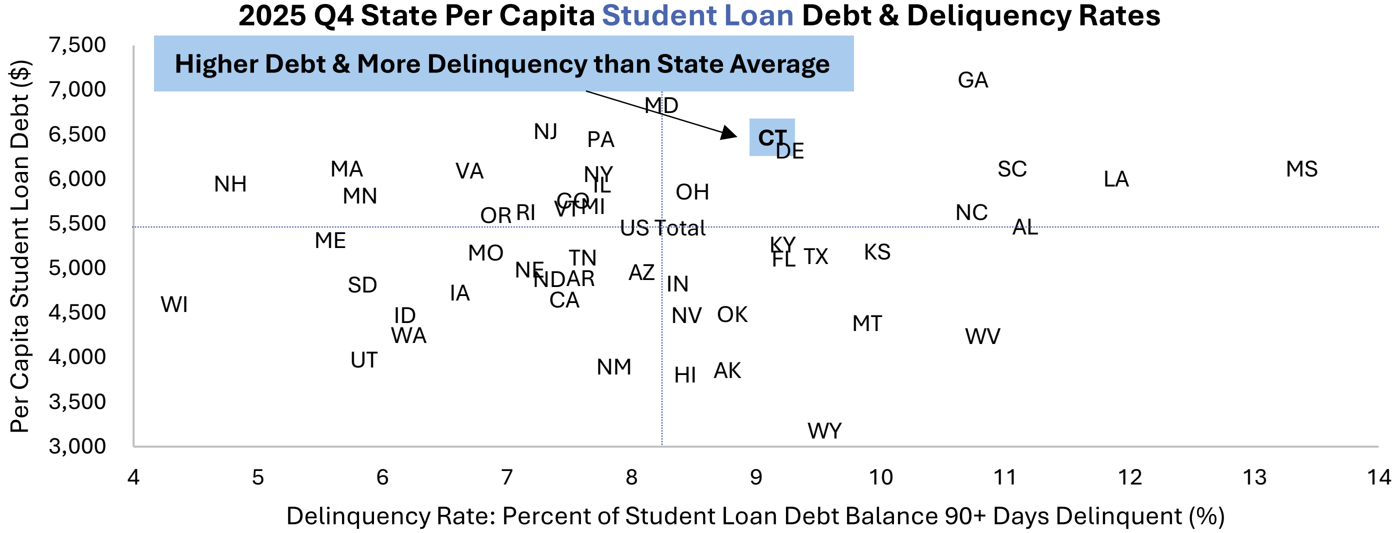
2025 Q4 State Per Capita Credit Card Debt & Deliquency Rates



2025 Q4 State Per Capita Auto Loan Debt & Deliquency Rates



2025 Q4 State Per Capita Student Loan Debt & Deliquency Rates



Source: State Level Household Debt Statistics 2003-2025, Federal Reserve Bank of New York February 2026

Auto Loans and Leases

As of 2023, 22.7% of Connecticut households (about 357,0000 families) had vehicle-secured debt according to the U.S. Census Bureau. Historically, car loans have seen some of the lowest delinquency rates because of how central having a vehicle is for most families' ability to earn a living outside of cities.

During the COVID-19 pandemic, supply chain disruptions led to a chip shortage, which limited the number of new vehicles that could be produced. New and used car prices both spiked as a result, and vehicle manufacturers focused production on more expensive and profitable vehicles.

This increased household leverage as **families in need of a vehicle financed more to afford the higher prices**. When the Federal Reserve hiked interest rates in 2022, that sent monthly payments even higher for those financing a car purchase or lease. Monthly payments rose nearly 30% between 2020 and 2023, according to research cited by the Federal Reserve. The amount financed for a new car at finance companies averaged approximately $41,700 in December 2025.

When combined with surging costs for auto insurance, maintenance, and repairs, the total cost of owning a vehicle has risen more than 40% since January 2020, according to a Navy Federal Credit Union index.

This higher amount of debt has proven unsustainable for certain borrowers, especially those with lower credit scores and renters. As a result, delinquency rates have surged in the U.S., with repossessions rising. New borrowers are stretching out payments over longer periods, increasing the risk of being "underwater" at trade in.

For Connecticut, the share of auto debt that is seriously delinquent has been rising along with this national trend since 2022; however, it remains slightly lower (3.06%) than its recent peak of 3.14% in 2019. Massachusetts shows a similar trend. This suggests drivers in Connecticut were facing significant pressure even before the pandemic and its slew of disruptions.

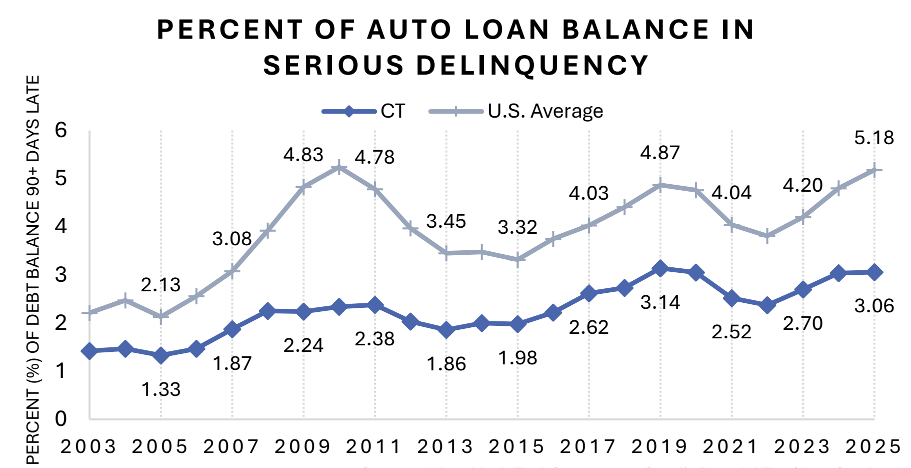
Connecticut Consumer Debt Compared to Other States

The graphs on the prior page show **Connecticut's per capita debt** and the **share of outstanding debt in serious delinquency** (90+ days late) for three types of consumer debt: credit cards, auto loans, and student loans, as compared to other U.S. states in Q4 2025. Auto loans include financed purchases and leases. Per capita debt is measured across all adults with credit histories, including those who do not have any of that type of debt. Therefore, it shows the relative level of indebtedness for the state.

Connecticut adults have higher rates of per capita credit card and student loan debt than states overall.

For credit cards and auto loans, Connecticut has below-average rates of serious delinquencies, suggesting less distress among Connecticut borrowers for those categories than elsewhere in the country. For auto loans, Connecticut's per capita debt is $4,460, about 20% below the national average. Just 3.06% of Connecticut auto loan debt is 90+ days late, compared to 5.18% in the U.S. overall.

Connecticut's per capita student loan debt is 5th highest among states according to the New York Fed Consumer Credit Panel / Equifax data (at $6,470). The state also has an above-average share of debt in serious delinquency or default (9.13% compared to the 8.25% US average). These measures show that student loan debt is likely having a more serious impact on Connecticut's economy than in other parts of the country.

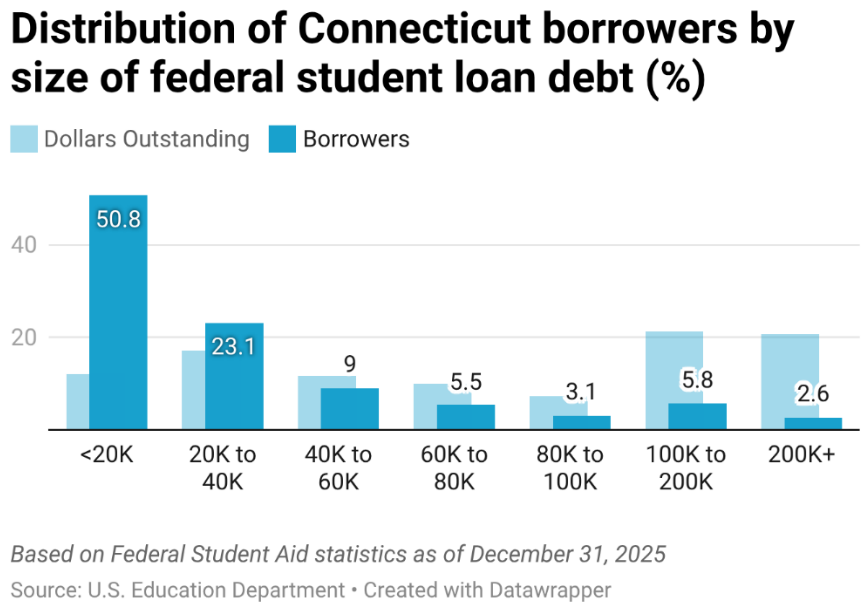


Source: New York Fed Consumer Credit Panel / Equifax; Q4 data

RISING DELINQUENCIES & MAJOR CHANGES FOR STUDENT LOANS

Connecticut borrowers carry significant student loan debt and have endured years of shifting repayment rules. Recent changes include a 2020-2023 pandemic payment pause, loan forgiveness efforts blocked in court, and a major overhaul of federal loan programs in the 2025 so-called "One Big Beautiful Bill Act."

In March, the Trump administration announced plans to move the nearly $1.7 trillion student loan portfolio to the Treasury Department—part of dismantling the U.S. Education Department. Constant changes have likely contributed to rising delinquencies by making it harder for borrowers to know their obligations.



Quick Stats on Debt and Borrowers

As of December 2025, at least 521,400 Connecticut residents had federal student loans—about 1 in 7 residents. They owed $19.8 billion in principal and interest, or $37,975 on average. Including private loans, the total rises to about 547,000 as of December 2024, according to the New York Fed. That source shows that **the median Connecticut borrower owes about $20,000**. The average is skewed by approximately 8% of borrowers who owe $100,000 or more; they hold 42% of the state's federal loan balance.

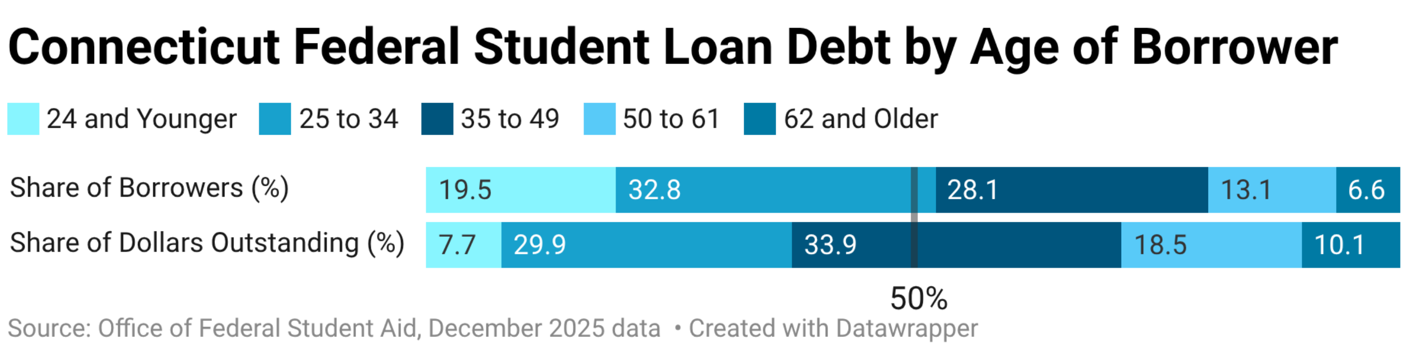
Student debt is not just a burden for young people. Borrowers over age 34 account for 47.8% of Connecticut federal student loan borrowers and hold 62.4% of the debt. Borrowers aged 35 to 49 (Millennials and young Gen-Xers) owe the most: $6.69 billion. Some older borrowers hold ParentPlus loans for their children, while others are still repaying their own education debt.

Borrowers who never complete a degree often struggle the most to repay because they do not get the earnings boost usually associated with a credential. However, even many graduates are having trouble finding jobs in this "low hire, low fire" economy, making it harder to repay loans.

Delinquencies & Defaults Rising Fast

Like other forms of debt, missed student loan payments damage your credit score, making other borrowing more difficult and expensive. New York Fed researchers found that a new reporting of a 90+ days past due student loan delinquency was associated with an average credit score decline of 87 to 171 points—enough to lower a FICO score from 760 to 589. The surge in serious delinquencies means more Connecticut borrowers are likely struggling with higher interest rates and less access to credit as they try to get a car or a house. That can hurt spending in the economy overall.

Approximately 9.1% of Connecticut student loan debt was 90 or more days late as of Q4 2025, according to the



New York Fed's Consumer Credit Panel, up sharply from 0.4% in 2024. That spike reflects the end of various pandemic-era borrower protections.

When much of the economy shut down in March 2020, the federal government paused federal student loan repayments and stopped interest accrual. That pause ended more than three years later, with payments resuming on October 1, 2023. To ease the restart, the Biden Administration created a one-year "on-ramp" during which missed payments and defaults were not reported to credit bureaus.

Missed payments began showing up on credit reports in earnest in 2025. Federal loans generally enter default after 270 days of nonpayment. By September 30, 2025, 5.3 million U.S. borrowers were in default, according to Education Department data. Connecticut had 47,000 borrowers with federal student loans in default at that time.

By December 2025, the Education Department reported **68,000 Connecticut borrowers had defaulted on $1.57 billion in student loans**—at least **13%** of federal loan borrowers in the state. Nationwide 7.7 million are in default.

The share of Connecticut's student loan debt that was seriously delinquent or in default as of Q4 2025 has returned to roughly the pre-pandemic level (~9%), according to the New York Fed data. That's somewhat unusual—most states were still far below their 2019 level as of the close of 2025.

Together, these figures show that student loan debt is straining a substantial share of Connecticut residents. The federal loan default rate (13%) is generally lower than in other states, but the share of total debt in or near default (i.e., 90+ days late) is above average, suggesting that the Connecticut borrowers in distress are the ones with particularly high debt burdens and more are on the edge.

Borrowers in default face involuntary collections, including Treasury offsets—where the federal government intercepts tax refunds or other federal benefits—and wage garnishment of up to 15% of paychecks. **If imposed broadly, those collections could reduce consumer spending at Connecticut businesses**, with knock-on effects to the wider economy. The Education Department announced in January that such collections would not begin before July 1, 2026.

SAVE Now Defunct

Current income-driven repayment (IDR) plans base a borrower's monthly payment on their income and family size and generally forgive remaining balances after 20 to 25 years of on-time payments. Some 7.2 million U.S. borrowers have spent years in legal limbo under the most generous IDR plan—a Biden-era repayment plan known as "**SAVE**".

SAVE plan borrowers resumed repayment in October 2023 like other borrowers but have been in administrative forbearance since July 2024, when several states challenged the plan in court. SAVE borrowers haven't had to make payments since then, but also generally couldn't make payments towards loan forgiveness, pushing payments later into their lives.

Recent legislation required the SAVE plan to end by July 1, 2028, but a court ruling just last month determined that existing borrowers in the SAVE plan will likely need to transition to other IDR plans much sooner. That is likely to leave them with significantly higher monthly payments—in some cases double. Connecticut borrowers impacted will likely curb other spending or saving as a result.

Policy Changes and Connecticut Help

President Biden sought to cancel significant student loan debt through executive orders, but courts struck down most of those efforts. The publicity may have added to borrower confusion. Still, the administration said nearly 4.4 million borrowers received loan forgiveness, including 35,390 in Connecticut. In Connecticut, $1.5 billion was forgiven across various programs, or about $42,600 per borrower.

The One Big Beautiful Bill Act (OBBBA) makes changes to federal student loans, including new annual and lifetime borrowing limits, elimination of Grad PLUS loans, and replacement of prior repayment options with just two plans for new borrowers starting July 1, 2026: Standard Repayment and the Repayment Assistance Plan (RAP). Most current IDR enrollees must switch by 2028. The law also allows defaulted loans to be rehabilitated twice instead of once; ends economic-hardship and unemployment deferments for loans disbursed after July 1, 2027; removes the partial-financial-hardship requirement for IDR; and closes the window for Parent PLUS borrowers to access income-based repayment on July 1, 2026.

Some borrowers may benefit, such as those who newly qualify for IDR. But many families will face higher payments, longer repayment, or both; debt cancellation under RAP generally takes 30 years.

Medical debt is another area where households can fall far behind. Connecticut banned the reporting of medical debt to credit bureaus in 2024, though recent action by the Trump Administration seeks to override such state laws. The credit bureaus announced in 2023 that they are voluntarily no longer tracking medical debts below $500 on credit reports, which previously could have destroyed credit scores.

Governor Lamont and lawmakers have also worked to systematically erase medical debt that is in collections for Connecticut families through a nonprofit called "Undue Medical Debt." So far, nearly 160,000 residents who've been struggling with medical debt have had debt erased since 2024, worth $198 million. The nonprofit negotiates low rates for the debt in bulk, often pennies on the dollar.

The law is also expected to reduce access, especially for graduate students who can no longer borrow up to the full cost of attendance through federal loans. Private loans are generally more expensive and do not offer income-based repayment. Being in a more expensive area of the country, many students borrow more than the new caps to attend local programs.

Advanced degrees that are not deemed "professional", such as for nursing, social work or physical therapy, are now capped at $100,000 in federal borrowing. Governor Ned Lamont and the legislature are considering a **Connecticut Supplemental Graduate Student Loan Program** to help fill the gap.

Connecticut borrowers can get help from the **Student Loan Ombudsperson**. Michelle Jarvis-Lettman, the first to hold the role, offers free appointments to help families consider their options and a useful monthly newsletter that describes policy changes affecting borrowers and families planning for college.

The State also provides up to $5,000 per year (up to $20,000 over four years) in debt relief for eligible Connecticut residents that attended Connecticut schools. The **State of Connecticut Student Loan Reimbursement Program**, administered by the Office of Higher Education, began providing assistance in 2025. Borrowers must meet income and community service requirements to qualify.

In Closing

While average household balance sheets look healthy thanks to rising asset values, signs of debt-related distress for certain groups in Connecticut are on the rise. The 9% surge in consumer prices in 2022 and sticky inflation since then has eroded purchasing power for many low and middle-income households, making it harder to afford basic needs like food, healthcare, and car payments.

While stronger average household finances may support continued consumer spending in Connecticut in 2026, more vulnerable groups are increasingly struggling with debt and slowing real wage growth. This suggests k-shaped economy trends—where the affluent drive most of the growth—are likely to persist.

CONNECTICUT ECONOMIC IMPACTS FROM WAR IN IRAN

Anyone who's filled their gas tank in the last month knows that the war in Iran is already having an economic impact here, on the other side of the globe. That's because the global economy is interconnected—if importing countries can't get their usual oil deliveries from Middle East sources, they'll bid up the price of it elsewhere. The result is that we pay more at the pump, despite having plenty of domestic oil supply.

Gas prices up. According to AAA, Connecticut regular unleaded gasoline prices have risen by $1.02 per gallon (35%) since March 1st. That's mostly because the cost for a barrel of brent crude oil, the global benchmark, has risen from about $73 per gallon in late February to $104 per gallon in late March. Higher spending on gas usually means less spending on other things.

Tankers filled with **oil**, **natural gas**, **helium**, and other resources usually exported from the petroleum-rich kingdoms of the Persian Gulf have been trapped for weeks due to Iran's effective closure of the **Strait of Hormuz**. It's a narrow waterway on Iran's southern coast through which about 20% of the world's oil usually traverses on its way to Asia and Europe.

Analysts have said energy prices are likely to remain elevated even after military hostilities end, due to critical infrastructure in the region being damaged and difficulties getting everything restarted and ships in the right place again.

Diesel fuel jumped by over $1.50 per gallon

— Weekly New England No. 2 Diesel Retail Price, Dollars per Gallon

Source: U.S. Energy Information Administration • Created with Datawrapper

Slower growth. The war in Iran is a headwind for Connecticut's economy that could slow economic growth in 2026. The severity of the impact will depend on how long the war continues, but damage in the form of higher inflation has already been done. EY-Parthenon already reduced their year-over-year forecast for U.S. real GDP growth from 2% to 1.7% for Q4 2026.

The U.S. economy is likely to suffer less than many other economies around the world because the U.S. is a net exporter of oil (a change from the 1970s oil shocks), so the windfall for oil producers will partially offset higher costs for consumers and businesses. However, Connecticut is not one of the states likely to see that upside (except via oil-related equities).

Wide range of higher costs. Impacts on the economy will extend far beyond the price of gas. That's because higher fuel prices raise the cost of producing and transporting all kinds of goods, and because the region is

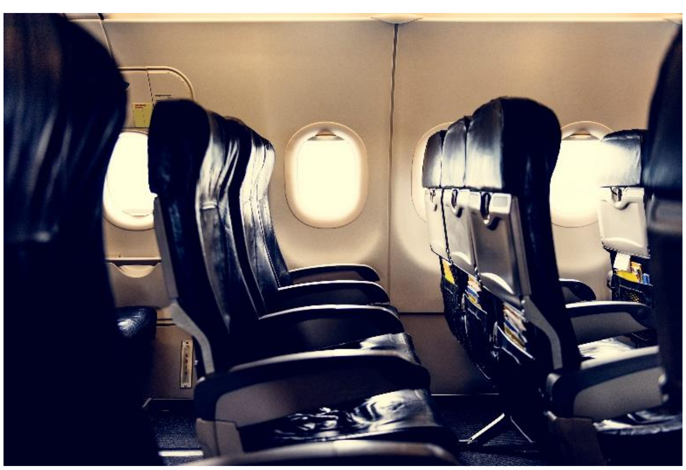
Global benchmark oil rises over $100 per barrel

— Weekly Europe Brent Crude Oil Spot Price, Dollars per Barrel

Shows prices "free on board" (i.e., at the time of loading)
Source: U.S. Energy Information Administration • Created with Datawrapper

also a major supplier of other commodities like liquid natural gas (LNG), helium (important for making semiconductors), and fertilizer. Below we list some of the ways the conflict is likely to impact Connecticut households and businesses.

1. Higher **gas prices** for consumers. As of March 31st, the average Connecticut price was $3.95 per gallon.
2. More expensive home **heating fuel**. The average price of Connecticut home heating oil has risen by $1.52 per gallon (37.3%) as of March 23rd compared to late February, according to the Energy Information Administration (EIA).
3. Higher **diesel** prices ($5.82/gal as of March 26th, up 45.8% per AAA), which are paid mostly by businesses with trucks and equipment. Some of those higher transportation and operating costs will be passed on to consumers in the form of higher prices for goods and services.
4. Higher prices for **fertilizer** during the key planting season. This directly impacts Connecticut farmers, but consumers will also see higher food prices as a result. The USDA predicts food prices will rise by 3.6% in 2026.
5. Higher costs for imported goods shipped through the Middle East or U.S. products made with such goods, as logistics companies face extra **war-premium insurance costs**.



According to the International Energy Agency, the current situation in the Middle East is the "largest supply disruption in the history of the global oil market."

The 32 member countries have agreed to release 400 million barrels of emergency oil stocks—the largest ever in the agency's history dating back to 1974.

6. More expensive **plastic** (e.g., food packaging), which is made from petroleum products now in short supply. This will add to grocery costs.
7. Higher priced **airfare** due to jet fuel prices doubling over the past month, according to the Platts Jet Fuel Price Index.
8. Higher business loan and credit card **interest rates** as the Federal Reserve is likely to keep rates "higher for longer" while the major supply shock plays out.
9. Increased **mortgage rates** slowing down activity in the housing market just as we enter peak homebuying season. The 30-year fixed rate mortgage average rose from 5.98% for the last week of February to 6.38% for the week ending March 26th, as bond markets anticipate more inflation.
10. Potentially **less discretionary spending** in Connecticut on leisure and entertainment, as consumers are stretched by price increases for gas, food, etc.
11. Longterm, **potentially more jobs** in Connecticut's defense manufacturing sector, as the military restocks and geopolitical tensions remain elevated.

Together, these likely impacts illustrate why an energy supply shock raises concerns about "**stagflation**", which means slower economic growth along with elevated inflation. That can be especially hard for central banks to deal with without causing widespread pain.

However, economists are generally not projecting a major inflation spiral like the 1970s since the labor market is weak (limiting second-order inflation through wage pressures) and the U.S. is not expected to face actual shortages of oil due to domestic supply.

Nevertheless, war has dampened the outlook for the economy in 2026 and raised recession risks. Mark Zandi, chief economist at Moody's Analytics, recently pegged the probability of a U.S. recession in the next 12-months above 40%. Connecticut typically follows the rest of the country into recession. Recession is not the base case yet, but growth is widely expected to be slower as a result, bringing lower wage and job growth.

Connecticut Housing Market Trends
February 2026

-10.7%
2,116
New Listings YoY
Realtor.com

-8.1%
Home Sales YoY
Redfin

+1.9%
$423,000
Median Sales Price YoY
Redfin

+1 days
48
Median Days on Market YoY
Realtor.com

-0.27 ppts
6.38%
Freddie Mac 30-Year Fixed Rate Mortgage Average for the week ending 3/26

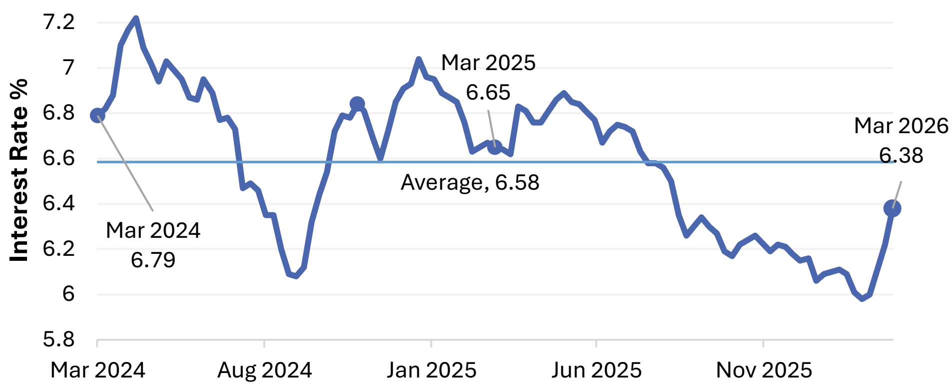
+0.6%
1,698
Median New Lease Rent YoY
Apartment List

CONNECTICUT HOUSING MARKET

Connecticut homes sales in February were down 8.1% from the same month last year, reflecting fewer deals during this winter's extreme cold. New listings were also 10.7% lower. While the average 30-year mortgage rate briefly dipped below 6% at the end of February, according to Freddie Mac, it didn't last.

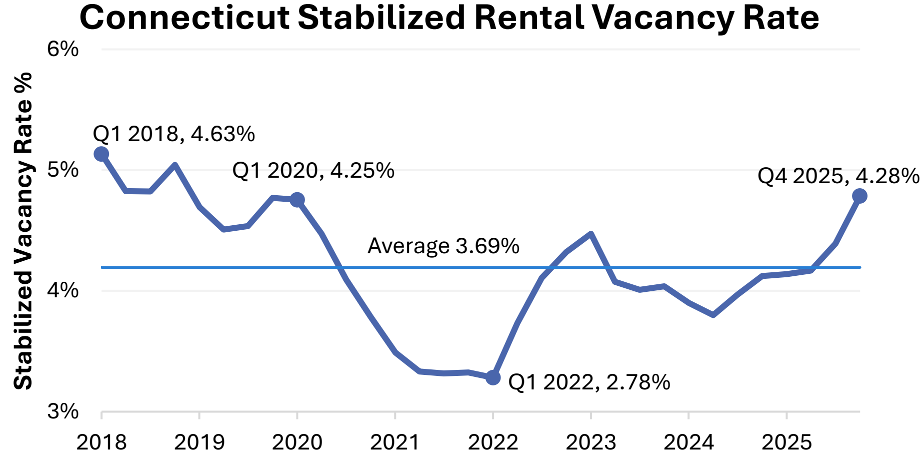
Mortgage rates generally follow the yield on 10 Year U.S. Treasury bonds, which jumped up following the start of military action in Iran, as bond traders expect higher oil prices to translate to higher U.S. inflation. That sent mortgage rates up over 40 basis points in just one month. Rates are still lower than at the start of last year's spring home-buying season, but consumers' continuing concern about the job market, a supply of homes that is still 73% below February 2020 levels, and the recent jump in rates could throw cold water on hopes this spring would see a pickup in homebuying activity.

30-Year Fixed Rate Mortgage Weekly Average



Source: Freddie Mac via FRED

Connecticut Stabilized Rental Vacancy Rate



Source: CoStar Group via CHFA Housing Needs Assessment Dashboard

Connecticut's stabilized vacancy rate rose to 4.28% in Q4 2025, according to CoStar Group data published by the Connecticut Housing Finance Authority, reaching the pre-pandemic level for the first time in five years. That is likely taking the pressure off new lease rents, which are just 0.6% above last year's level according to Apartment List. However, renters with existing leases are still seeing elevated rent growth. The price for rent of a primary residence is up 4.0% year-over-year according to the February 2026 Northeast Consumer Price Index, though that measure is trending down.

RISKS AND EVENTS WE'RE WATCHING

War in the Middle East has upended supply chains and increased world oil prices by more than 50%. The longer the conflict continues and the more oil and natural gas infrastructure are damaged, the more significant the negative hit will be for the world economy. Asia and Europe especially rely on Middle East oil and natural gas to power their economies. Slowdowns elsewhere can translate to lower demand for exports produced in Connecticut.

Tariff refunds. On February 20th, the Supreme Court ruled that many of President Trump's tariffs—those justified by the International Economic Emergency Powers Act (IEEPA)—were illegal. As of early March, over 330,000 importers had made over 53 million related entries with U.S. Customs and Border Patrol (CBP), paying approximately $166 billion in IEEPA tariffs.

A judge at the Court of International Trade has ordered CBP to provide **refunds with interest** to the importers of record for tariff bills that have been paid but not officially finalized (i.e., CBP must liquidate unliquidated entries without regard to IEEPA duties, and reliquidate entries for which liquidation is not yet final). The order does not address what will happen for IEEPA duties paid that have already become final, but businesses may want to file a protest (within the 180-day protest period) to challenge those duties while we wait to find out.

The refund timing and process are still being worked out but will likely require importers to submit refund requests. CBP has said it is building new functionality within its online Automated Commercial Environment (ACE) for the mass processing of refunds that should be ready by April 20th, and that refunds will only be provided electronically though its Automated Clearinghouse (ACH) Refund system. Connecticut importers should ensure that they have enrolled in that system to facilitate refunds.

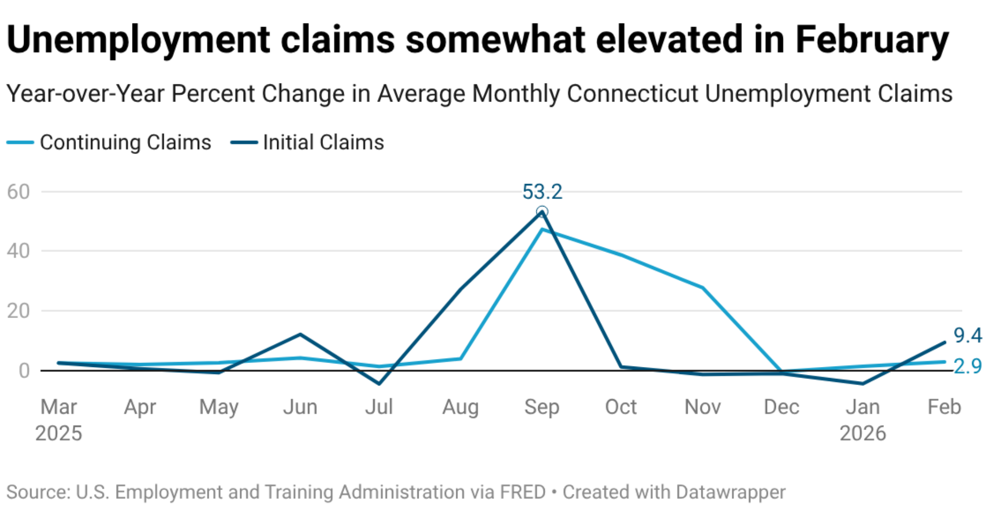
General Dynamics Electric Boat, which is expanding its operations in the former Crystal Mall in Waterford, recently announced plans to hire 8,000 new employees this year, including 1,000 engineering-and-design positions in New London and about 2,250 roles in operations at the company's Groton shipyard.

Connecticut town budgets have been strained by this winter's heavy snowfall and prolonged deep freeze. A regional salt shortage and more labor hours for snow removal contributed to higher costs, with some towns using contingency funds to address shortfalls.

Major U.S. stock market indices fell into correction territory in March as traders digested higher oil prices and the higher interest rates but rebounded partially by month end. Increasing concerns about the less-regulated **private credit** market are also contributing to market jitters.

LABOR MARKET UPDATE

Connecticut jobs data for January and February will be released in April, and Connecticut's unemployment rate could have changed from 4.2% in December. Claims made for initial and continuing unemployment benefits provide a timelier indicator, though economists have argued that unemployed workers may be turning to gig work and therefore not filing as many claims as in the past.



Claims remain low but increased in February. Connecticut average weekly initial claims for unemployment in February were 9.4% higher than in that month last year, and that month also saw 2.9% more average weekly claims for continued benefits.

PRODUCERS FEELING THE PINCH

A wide range of industries across Connecticut are being impacted by price changes related to the war in Iran, including farmers. Surging oil prices have sent the price of a gallon of diesel fuel in Connecticut up $1.83 per gallon as of March 26th, which makes running vehicles and equipment much more costly.

Fertilizer prices have shot up too, especially for nitrogen fertilizers like urea that are produced as byproducts of natural gas. It's a surprising fact of our globalized economy that when Qatar, a small nation in the Persian Gulf, can't export fertilizer products during the key planting season in the Northern Hemisphere, farmers in New England watch their thin margins get even thinner.

Connecticut agricultural producers are facing a range of challenges, not just from the recent war in the Middle East. Legislative leaders recently called for emergency aid to local dairy farmers.

Producers at **Ag Day at the Capitol** in March shared some examples of their challenges, summarized below.

Climate/Extreme Weather

- Deep snow later in the season and unseasonably warm weather March 9-10th followed by a return to cold temperatures produced poor conditions for the state's maple syrup producers this spring. New technology helped prevent greater losses.
- Christmas tree farms have been challenged by stretches of both too much and too little rain.

Lack of Health Insurance

- Many farmers take on second jobs to access employer-sponsored health insurance.

Rising Input Costs

- Tariffs have increased costs for a wide range of goods, including machinery and parts.
- Fuel and fertilizer costs have soared from the Iran war.
- Land, insurance, veterinary services, agrochemicals and labor costs have all risen in recent years.
- Dairy farmers have seen input costs rise more than federally regulated selling prices, sending margins negative.

Changes to Demand

- Connecticut wineries have seen a trend of lower wine consumption, partly as a result of young drinkers' changing preferences.
- Farms selling Christmas trees face stiff competition from artificial trees.

Labor Needs

- Some farms only need labor at specific times of year, but it's hard to ensure quality workers will be there when you can't pay them year-round.
- Labor can be too expensive and hard to find.

APPENDIX

*Most recent data available

Connecticut Housing Market	Feb-26	Feb-25	% Change or Change
Home Sales (Redfin)	1,928	2,097	-8.1%
Median Sales Price (Redfin)	$423,000	$415,000	1.9%
Active Listing Count (Realtor.com)	3,143	3,140	0.1%
New Listing Count (Realtor.com)	2,116	2,370	-10.7%
Freddie Mac U.S. 30-Year Fixed Rate Mortgage Average (%) (Week ending 3/26/26 and 3/27/25)	6.38	6.65	-0.27
Median Days on Market (from listing to close, Realtor.com)	48	47	1.0
Average Sale-to-List Price Ratio (Redfin)	101.0%	101.0%	0.0%
Median Rent for New Leases (Apartment List)	$1,689	$1,679	0.6%
Single-family Housing Permits - January (U.S. Census Bureau)*	129	129	0.0%
2+ Unit Structures Housing Permits-January (U.S. Census Bureau)*	305	161	89.4%

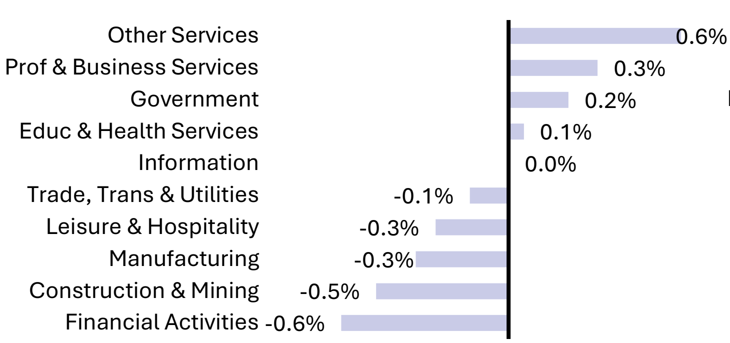
Some Data Retrieved from FRED, Federal Reserve Bank of St. Louis

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

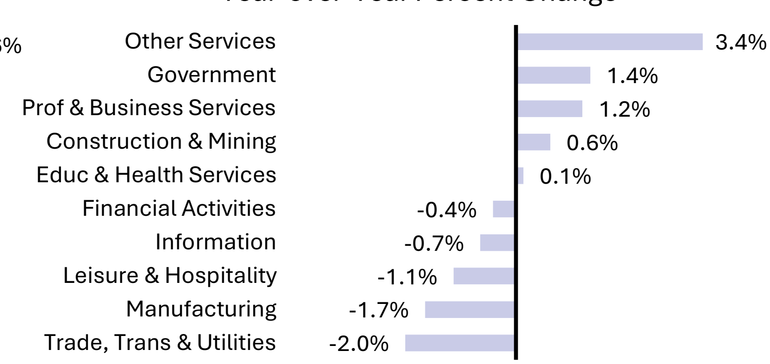
Connecticut Industry Sector Nonfarm Payroll Employment – December 2025*

Month-over-Month Percent Change



Source: CT Department of Labor

Year-over-Year Percent Change



Source: CT Department of Labor