News from
COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO PROJECTS $911.9M SURPLUS IN FINAL FINANCIAL AND ECONOMIC UPDATE

Comptroller Kevin Lembo today, in his final monthly financial and economic update, projected a General Fund surplus of $911.9 million for Fiscal Year 2022 while highlighting positive aspects of Connecticut's economic recovery.

"Connecticut's economy continues to improve," said Lembo. "As our state builds on its recovery after the worst of the pandemic, the benefits of smart long-term planning are also coming to fruition, leading to job growth and unprecedented budgetary stability. I urge policymakers to ensure that the benefits of our recovery reach as many people as possible, and to build on our successes by staying the course and maintaining our current momentum."

Connecticut added an estimated 5,600 jobs in November, marking the eleventh consecutive month of job growth. It was a particularly strong month for the manufacturing sector, a positive sign heading into the new year. The state has now recovered 75.3% of the jobs lost at the onset of the pandemic.

While the labor market continues to churn, Connecticut's quit rate in November was 2.2%, the second lowest in the nation. Both new and continuing unemployment claims have now returned to pre-pandemic levels.

The state's gross domestic product (GDP) increased by 2.7% in the third quarter, outpacing both the regional and national average.

Sales prices for single-family homes increased this month compared to this time last year but, overall, the market continues to cool off. Low inventory has led to a decline in total sales and the corresponding pressure has driven up rental prices, which are now up over 17% in the last year. That dynamic generates long-term concerns over housing stability but, due largely to state-level assistance programs, Connecticut has thus far avoided a spike in evictions.

"We're seeing positive trends in many key areas," said Lembo. "People are understandably concerned about the ever-changing nature of COVID-19 and what it means in their everyday lives, but the underlying economic conditions should instill confidence. Connecticut is better prepared to meet financial challenges than ever before, and the economy should continue to improve as global supply chain issues subside over time."

In a letter to Governor Ned Lamont, Lembo also projected another large deposit into the state's Budget Reserve Fund ("Rainy Day Fund") of approximately $1.88 billion, with $1.76 billion available to reduce unfunded pension liability. A law originally proposed by Lembo captures excess revenue in particularly volatile categories and automatically deposits them into the Rainy Day Fund. Because that fund has reached its statutory cap, any additional deposits above that level would instead be used to pay down the state's pension debt, as has happened the last two fiscal years.

Lembo pointed to recent economic indicators and trends from national and state sources that show:

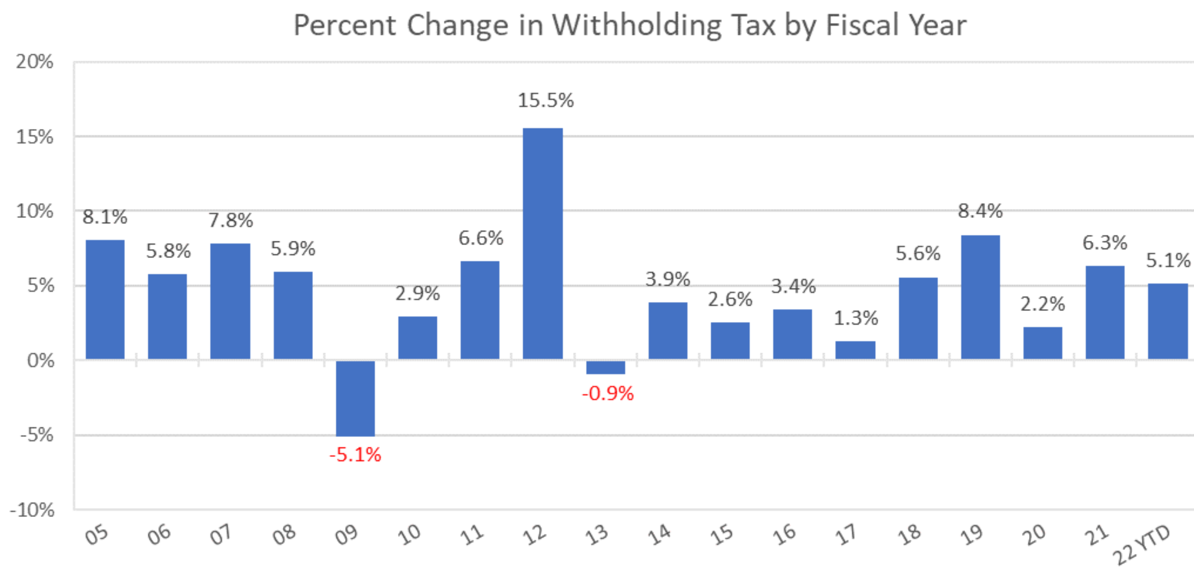
NOTE – Economic indicators largely look back to past periods. Therefore, some of the information presented this month may appear inconsistent with more recent developments in the rapidly changing response to the COVID-19 pandemic.

Employment and Withholding Receipts

The withholding portion of the income tax is the largest single General Fund revenue source.

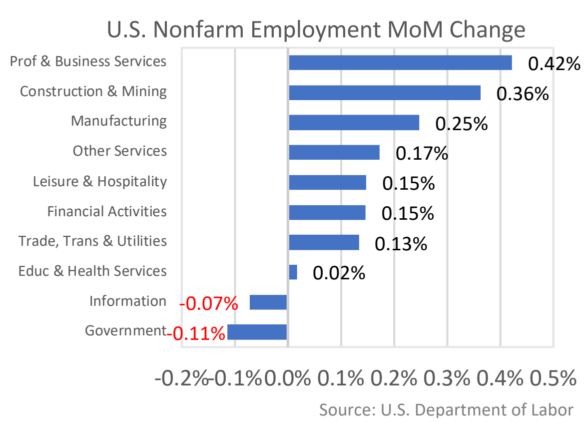
Despite historic levels of job losses at the start of the pandemic, income tax withholding still finished FY 2021 $75.3 million or 1.0 percent above its budget target. Compared with prior year realized amounts, FY 2021 withholding receipts performed even better, growing by $428.6 million or 6.3 percent over FY 2020 levels. Growth in withholding receipts reflected several factors, including the concentration of employment losses in the lower wage service sector, the ongoing recovery of jobs throughout the year, and having income tax withheld on enhanced unemployment benefits, including the additional $600 per week that was part of the Federal pandemic relief efforts.

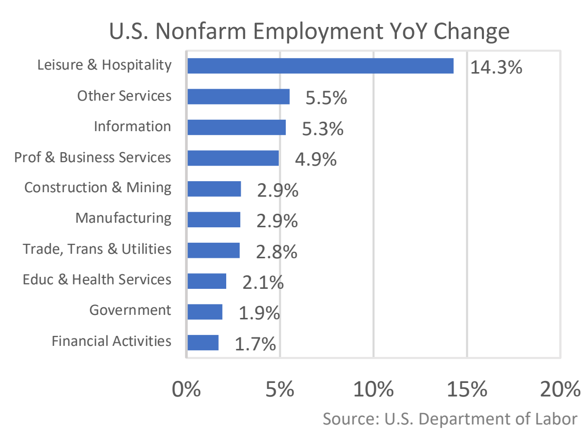
Through the first five months of FY 2022 income tax withholding continues to perform well. To date through November 30th, collections are coming in 5.1 percent above the same period in FY 2021. The budget plan calls for growth in withholding receipts of 1.8 percent over FY 2021 realized amounts, so current projections for this category are conservative.



National Jobs & Unemployment Picture – Job Growth Disappoints in November

National job growth disappointed in November after a few months of encouraging growth. The Bureau of Labor Statistics (BLS) reported the U.S. added 210,000 jobs after adding 546,000 in October and 379,000 in September. This marks eleven straight months of gains. Job gains occurred in professional and business services (+90,000), transportation and warehousing (+50,000), construction (+31,000), and manufacturing (+31,000). Both the information (-2,000) and government (-25,000) sectors declined. The graphs below display the month over month and year over year net change in employment by sector.





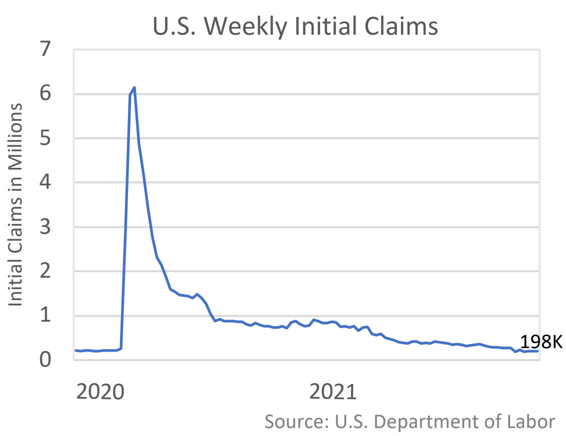
Nonfarm payroll employment is up by 18.5 million since April 2020 but is down by 3.9 million, or 2.6 percent, from its pre-pandemic level in February 2020.

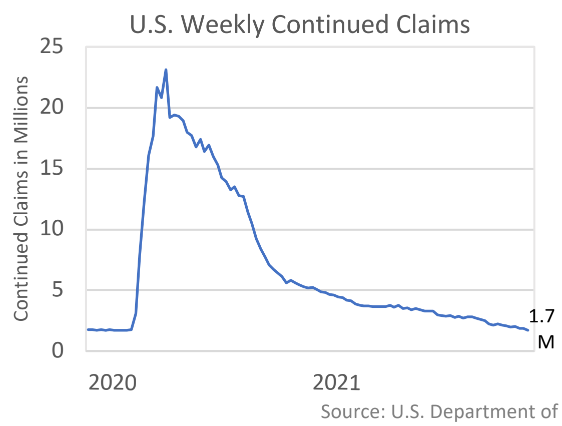
In October, the national quit rate was 2.8 percent, with 4.2 million people leaving their jobs. This is a decrease from the previous month's quit rate of 3 percent. The industries with the highest quit rates included leisure and hospitality—specifically accommodation and food services—professional and business services, and trade, transportation, and utilities—specifically retail trade. The Northeast had the lowest quit rate at 2.2 percent, followed by the West (2.7%), the Midwest (2.8%) and the South (3.2%).

In November, the national unemployment rate declined by 0.4 percentage points to 4.2 percent. This is still higher than pre-pandemic levels (3.5%) but demonstrates how fast unemployment has recovered compared to previous recessions. The COVID-19 virus created the highest national unemployment rate (14.8%) since the Great Depression (25.6%) yet rebounded to under 5% in less than a year and a half.

The number of unemployed people decreased to 6.9 million, inching closer to pre-pandemic levels (5.7 million). The number of long-term unemployed people, those jobless for 27 weeks or more, decreased to 2.2 million, and account for 32.1 percent of the total unemployed in November. The labor force participation rate inched up to 61.8 percent changing little since June of 2020. The labor force participation rate is the percentage of all people of working age who are employed or are actively seeking work.

For the week ending December 25th, BLS reported that seasonally adjusted initial claims totaled 198,000 which is a decrease from the previous week's revised level of 206,000. For the week ending December 18th, BLS reported seasonally adjusted continued claims totaled 1,716,000, a decrease of 140,000 from the previous week's revised level of 1,856,000. This is the lowest level for insured unemployment since March 7th, 2020 when it was 1,715,000.





BLS reported the total receiving unemployment benefits was approximately 2.2 million for the week ending December 11th, up approximately 40,000 from the previous week and down from 20 million the previous year. The totals reported in the chart below do not represent unique individuals, rather the number collecting from all programs.

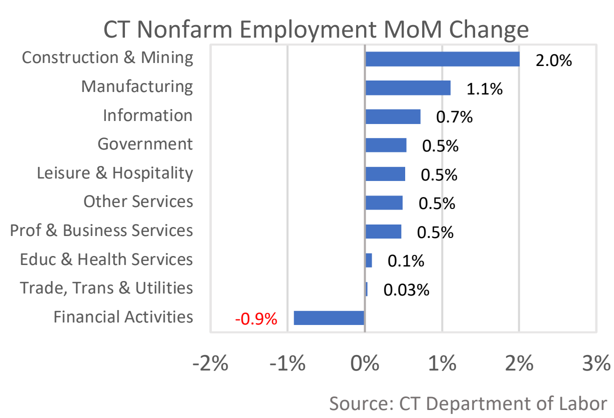
Continued Weeks Claimed Filed for UI Benefits in All Programs (Unadjusted)				
Week Ending	**December 11**	**December 4**	**Change**	**Prior Year**
Regular State	1,823,507	1,729,956	+93,551	5,380,277
Federal Employees	9,465	9,824	-359	17,008
Newly Discharged Veterans	4,764	4,718	+46	9,909
Pandemic Unemployment Assistance	137,421	133,763	+3,658	9,009,425
Pandemic Emergency UC	117,721	116,434	+1,287	5,164,407
Extended Benefits	67,543	124,276	-56,733	802,713
State Additional Benefits	2,434	2,252	+182	3,035
STC/Workshare	14,500	16,769	-2,269	105,307
TOTAL	2,177,355	2,137,992	+39,363	20,492,081

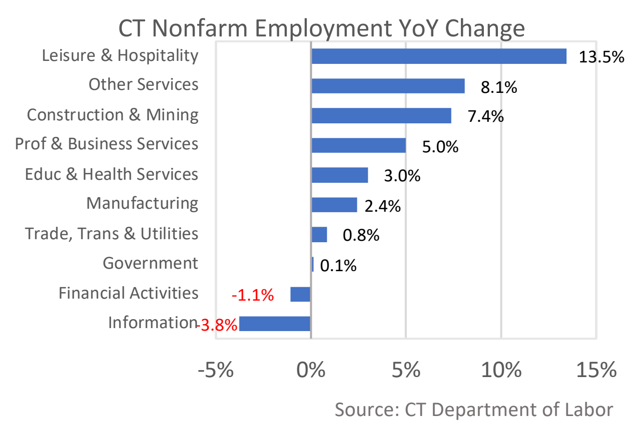
Source: U.S. Department of Labor

Connecticut Jobs Picture – Continued Progress in November

After Connecticut experienced historic levels of employment losses in March and April of 2020, the state began regaining jobs over the following year. Later in the year, the employment recovery stalled as coronavirus infection rates rose. More recently, information released by the Connecticut Department of Labor (DOL) indicates Connecticut's labor market continues to gradually improve as 2021 comes to a close.

DOL's Labor Situation report showed the state gained 5,600 net jobs (0.3%) in November to a level of 1,624,200 jobs seasonally adjusted. This follows job growth of 7,100 positions in October and represents eleven consecutive months of employment gains. The graphs below display the month over month and year over year net change in employment by sector followed by a chart with the numeric gains and losses.





On a month-to-month basis, DOL noted that nine of the ten major industry sectors experienced improvement while one declined. Manufacturing led the way (+1,700), followed by construction and mining (+1,200), and government (+1,200). Financial activities was the only sector that lost jobs month over month (-1,100).

On a year-over-year basis, eight sectors experienced gains and two experienced losses. The leisure & hospitality sector, hardest hit during the pandemic, experienced the largest gains (+16,100), growing 13.5 percent from a year ago. Information and financial activities lost jobs over the same period.

Nonfarm Employment by Sector

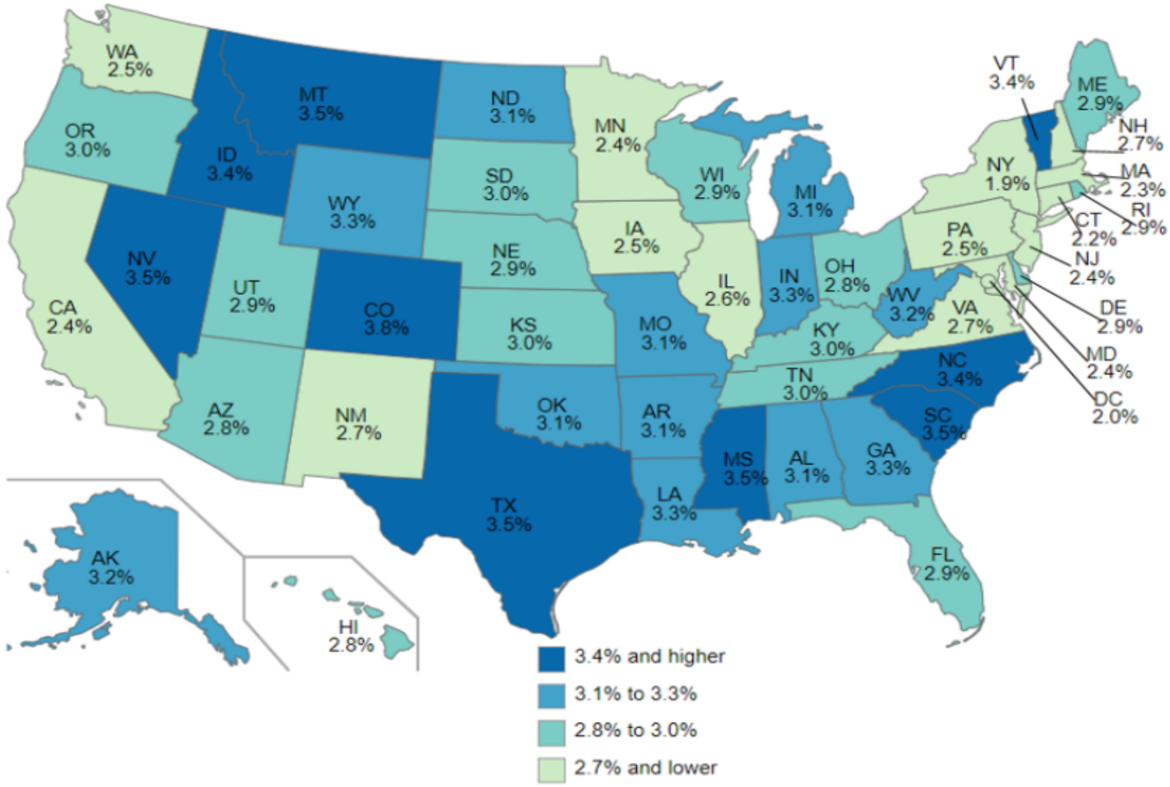
Sector	November 2021 (P)	October 2021 (R)	November 2020 (R)	MoM Change	MoM Rate	YoY Change	YoY Rate
Financial Activities	118,000	119,100	119,300	-1,100	-0.9%	-1,300	-1.1%
Trade, Trans & Utilities	290,800	290,700	288,400	100	0.0%	2,400	0.8%
Educ & Health Services	333,700	333,400	324,000	300	0.1%	9,700	3.0%
Prof & Business Services	214,400	213,400	204,200	1,000	0.5%	10,200	5.0%
Other Services	61,500	61,200	56,900	300	0.5%	4,600	8.1%
Leisure & Hospitality	135,800	135,100	119,700	700	0.5%	16,100	13.5%
Government	225,500	224,300	225,200	1,200	0.5%	300	0.1%
Information	28,100	27,900	29,200	200	0.7%	-1,100	-3.8%
Manufacturing	155,300	153,600	151,600	1,700	1.1%	3,700	2.4%
Construction & Mining	61,100	59,900	56,900	1,200	2.0%	4,200	7.4%

Source: CT Department of Labor

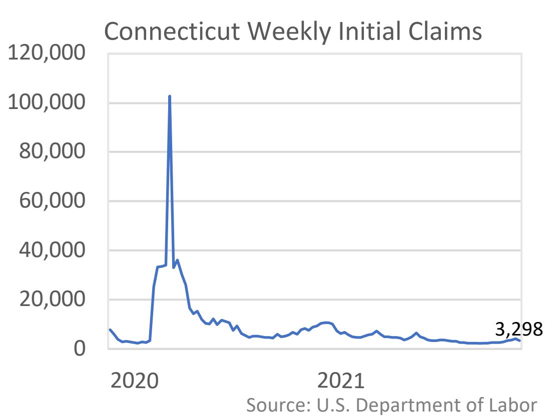
According to BLS, in October, Connecticut's quit rate was 2.2 percent, with 36,000 people leaving their job in one month. Connecticut DOL Director of Research, Patrick Flaherty, said, "Across the nation and in Connecticut, workers are leaving their jobs in record numbers for new, better jobs. This churn is opening up opportunities across almost all industry sectors—good news for those who are entering the market or looking for better employment." The graphic below from BLS depicts the quit rate by state.

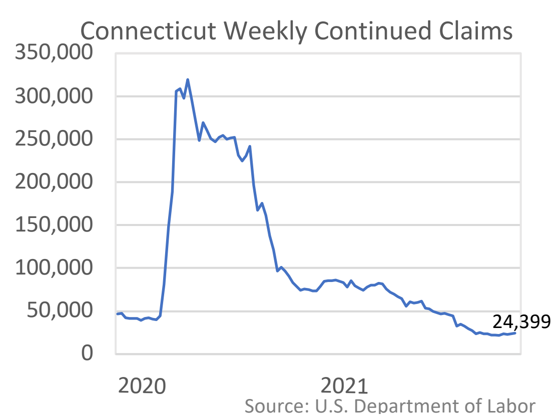
Map 4. Quits rates by state, seasonally adjusted, October 2021

Total U.S. quits rate = 2.8%

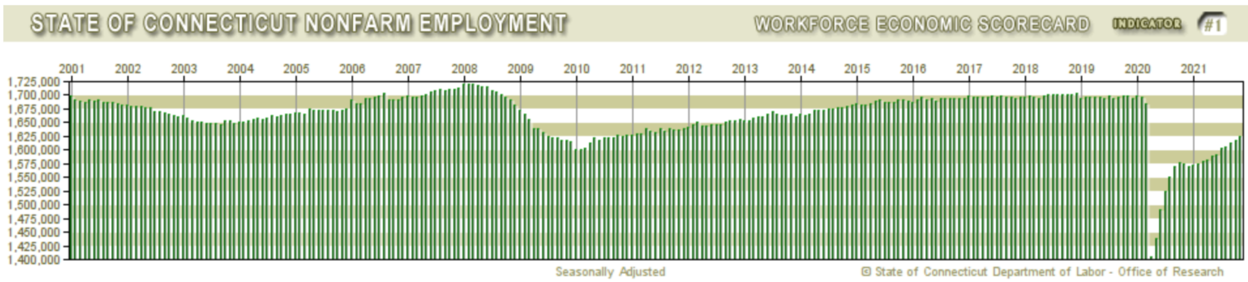


According to the Department of Labor, for the week ending December 25th, initial claims totaled 3,298. Unemployment claims for first-time filers were an average of 3,266 per week, down 236 from last month, and down 3,806 claims from last year. This level of monthly average weekly initial claims is comparable to February 2020 (3,243), just before the COVID-19 lockdown. For the week ending December 18th, continued claims totaled 24,399 which has returned to pre-pandemic levels.

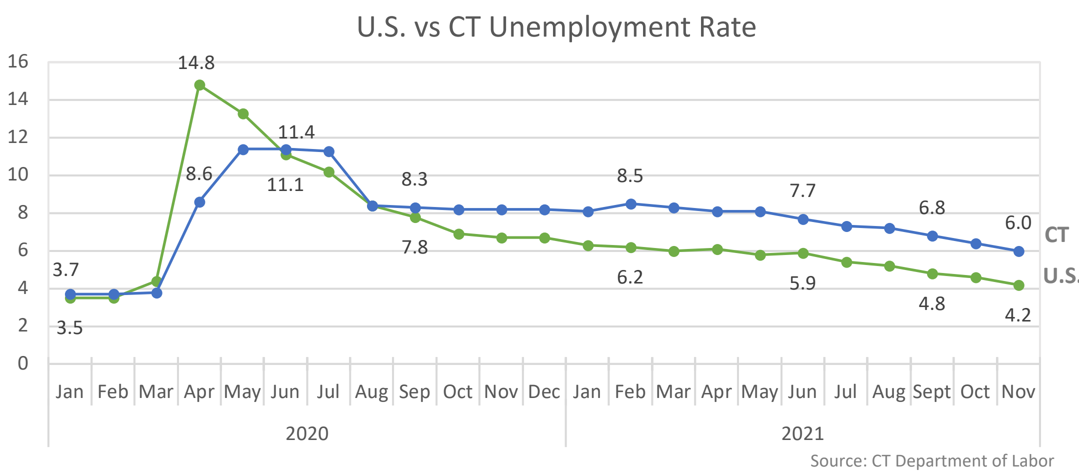




Connecticut reached its pandemic-related employment low in April of 2020. The state's total payroll employment is now 48,800 positions higher than November 2020, representing an increase of 3.1 percent. Connecticut has now recovered 75.3 percent of the 292,400 jobs lost in March and April 2020 due to the COVID-19 lockdown. The DOL graph below illustrates the longer-term trend.

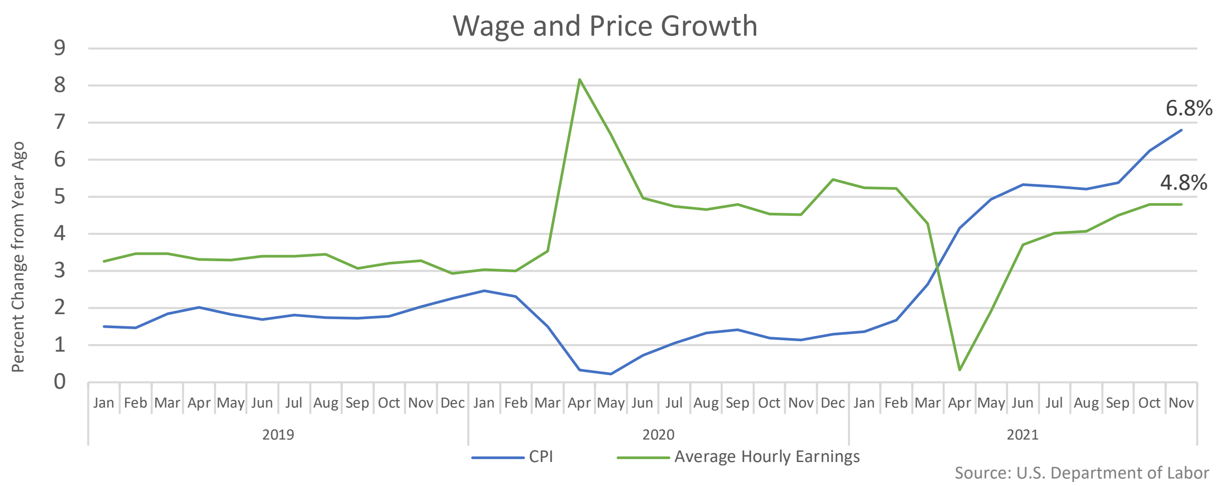


Connecticut's official unemployment rate dropped to 6 percent in November, down from 6.4 percent a month earlier and 8.2 percent from a year ago. Danté Bartolomeo, Commissioner of CT DOL said, "This labor report brings continued good economic news—the labor force is growing, most industry sectors are growing, and more job seekers are taking advantage of the job opportunities out there. We have a lot of work ahead of us, but the numbers tell a powerful story. At this time last year, we had nearly 157,000 people receiving unemployment benefits. Now, that number has dropped to about 45,000 weekly filers, the job market is growing, and people are finding new jobs quickly. It's critical that we continue to follow public health guidelines to ensure the virus variants don't interrupt this recovery."



Income and Salary – Inflation Diminishing Wage Growth

According to the U.S. Department of Labor, average hourly wages increased 0.3 percent from last month and increased 4.8 percent from last year. Due to high inflation, real earnings actually decreased 0.4 percent from last month and 1.9 percent year over year. The graph below charts the Consumer Price Index and Average Hourly Earnings as percent changes from last year. Inflation is outpacing wage growth which concerns some economists who warn against the wage-price spiral.



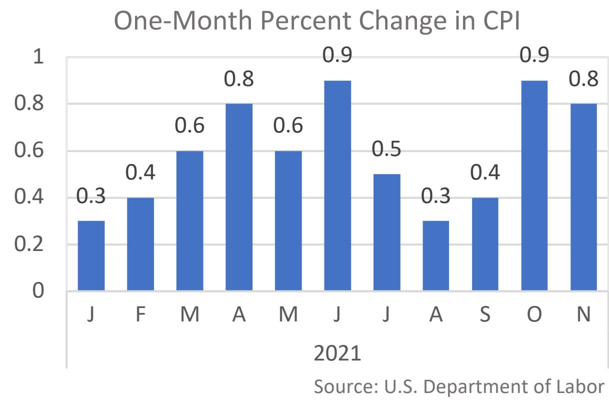
In Connecticut, November average hourly earnings at $34.13, not seasonally adjusted, were lower by $0.52 (1.5%) from the November 2020 estimate ($34.65). The resultant average private sector weekly pay came in at $1,163.83, down $28.13 or 2.4 percent from a year ago. This could reflect the recent addition of lower paying jobs in the service sector as it continues to recover from pandemic-related employment losses. Due to fluctuating sample responses, DOL warns that private sector earnings and hours estimates can be volatile from month-to-month.

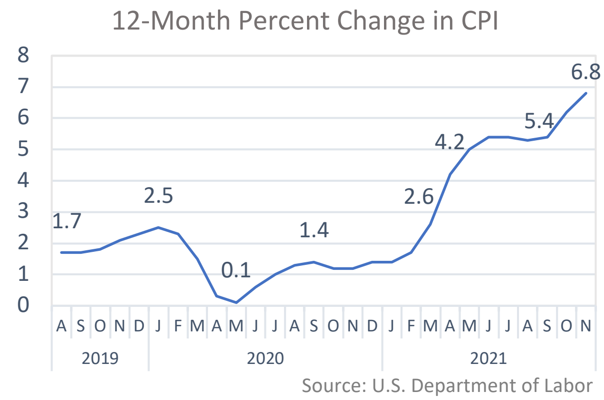
Inflation Hits Highest Rate Since 1982

According to the U.S. Department of Labor, the Consumer Price Index (CPI) increased 0.8 percent in November for an annual rate of 6.8 percent which is the largest 12-month increase

since June 1982. Price increases were broad-based and included gasoline, shelter, food, used cars and trucks, and new vehicles. Core CPI, which excludes food and energy, rose 0.5 percent in November for an annual rate of 4.9 percent.

Factors driving inflation include global supply-chain disruptions, raw material shortages, and labor shortages, each exacerbated by pent up demand. The following graphs display one-month and 12-month percent changes in CPI.





The Personal Consumption Expenditures (PCE) price index is the Federal Reserve's preferred measure of inflation because it includes a wider range of goods, accounts for substitution between goods, and is based on surveys of what businesses are selling rather than what households are buying. According to the Bureau of Economic Analysis, the PCE price index excluding food and energy increased 0.5 percent from last month and now stands at an annual rate of 4.7%. This annual rate is the highest in thirty years.

In order to address inflation, the Federal Open Market Committee (FOMC) decided to double their pace of reductions in its asset purchases. Beginning in mid-January, the monthly pace of net asset purchases will be reduced by $20 billion for Treasury securities and $10 billion for agency mortgage-backed securities. If the economy evolves broadly as expected, these increased reductions will continue each month, implying a completed taper by mid-March. The FOMC also indicated they will keep interest rates near zero until the tapering process is complete and maximum employment is achieved which is expected by the end of next year.

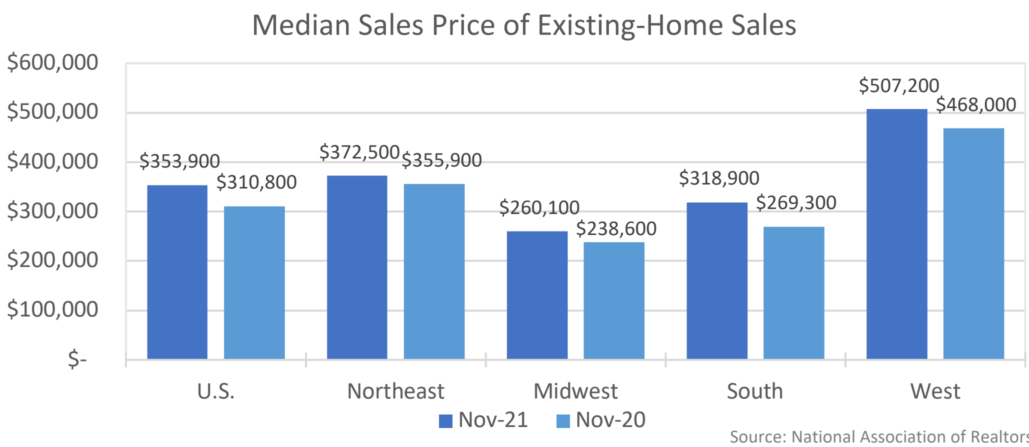
On December 15th, Chairman Powell said, "We understand that high inflation imposes significant hardship, especially on those least able to meet the higher costs of essentials like food, housing, and transportation. We are committed to our price stability goal. We will use our tools both to support the economy and a strong labor market and to prevent higher inflation from becoming entrenched."

National Housing Market – Existing Home Sales Increase in November

The National Association of Realtors (NAR) reported existing-home sales increased 1.9 percent to a seasonally adjusted annual rate of 6.46 million in November. Three of the four major U.S. regions had month-over-month sales increases. Year-over-year sales dropped 2 percent from November 2020 (6.59 million).

NAR reported the median existing-home price for all housing types was $353,900, up 13.9 percent from last year as prices increased in every region. This price growth marks 117 straight months of year-over-year gains dating back to March 2012. All regions of the country experienced price growth from a year ago. The largest regional gains on a percentage basis were in the South (+18.4%), followed by the Midwest (+9%), the West (+8.4%), and the Northeast (+4.7%).

November's inventory totaled 1.11 million units, down 9.8 percent from October and down 13.3 percent from one year ago. Unsold inventory sits at a 2.1-month supply at the current sales pace, below the desired pace of six months. "Supply-chain disruptions for building new homes and labor shortages have hindered bringing more inventory to the market. Therefore, housing prices continue to march higher due to the near record-low supply levels" said Lawrence Yun, NAR's chief economist.



Connecticut Housing Market

Connecticut's housing market continued its recent slow-down in November as sales, new listings, and average list prices all decreased. Berkshire Hathaway HomeServices reported year over year sales of single-family homes decreased 17.17 percent and new listings were down 13.62 percent. Median sales price increased by 6.25 percent and median list price increased by 6.25 percent. Average sales price increased 0.98 percent and average list price decreased 0.65 percent. Average days on the market decreased to 41 days from 54 a year ago. On average, sales prices came in above list prices, with a list/sell price ratio of 100.9 percent. Inventory sits at a 1.7-month supply at the current sales pace, down from last month and last year. The table below contains more detailed data for the Connecticut housing market.

Connecticut Market Summary						
	Nov 2021	Nov 2020	% Change	YTD 2021	YTD 2020	% Change
New Listings	2,779	3,217	-13.62%	46,500	49,995	-6.99%
Sold Listings	3,318	4,006	-17.17%	39,120	38,905	0.55%
Median List Price	$339,900	$319,900	6.25%	$340,000	$309,900	9.71%
Median Selling Price	$340,000	$320,000	6.25%	$349,900	$305,200	14.65%
Median Days on the Market	24	32	-25%	23	41	-43.90%
Average Listing Price	$486,966	$490,136	-0.65%	$538,457	$476,106	13.10%
Average Selling Price	$488,122	$483,399	0.98%	$539,530	$464,175	16.23%
Average Days on the Market	41	54	-24.07%	43	69	-37.68%
List/Sell Price Ratio	100.9%	99.9%	0.97%	101.6%	98.8%	2.80%

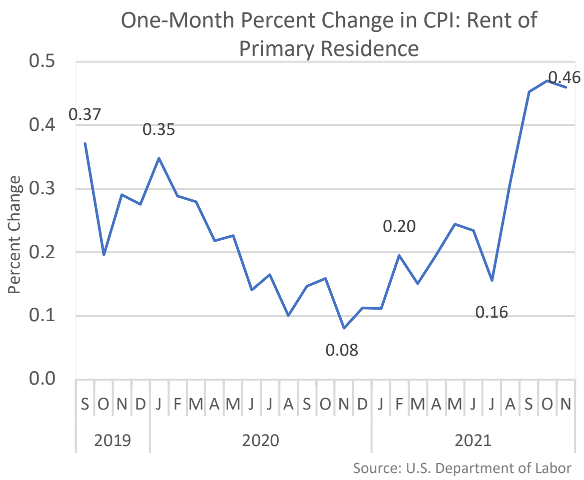
Source: Berkshire Hathaway HomeServices

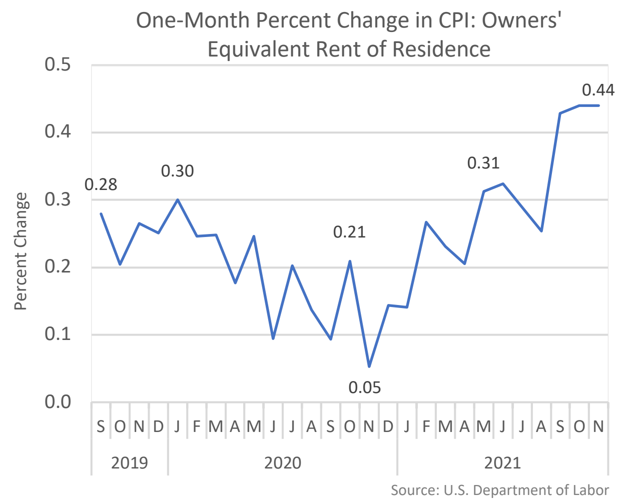
Rental Market

According to Apartment Guide's November 2021 Rent Report, the national average rent price for a one-bedroom apartment was $1,670, up 0.6 percent from last month and up 19.8 percent from last year. Every state saw rent prices increase year over year. In Connecticut, average rent increased 17.22 percent year over year, from $2,004 to $2,349.

Thirty five percent of households in Connecticut rent their homes, and approximately 52 percent of Connecticut renters are cost burdened, meaning they spend more than 30 percent of household income on housing costs. According to the most recent U.S. Census Bureau Household Pulse Survey, 116,773 Connecticut tenants reported they were not caught up on rent and 147,012 Connecticut tenants reported low confidence in their ability to make next month's rent payment.

According to the U.S. Department of Labor, the price index for rent and owner's equivalent rent both rose 0.4 percent in November. Owner's equivalent rent is what an owner would be paying for housing had they not bought a home. The Federal Open Market Committee (FOMC) is carefully monitoring the owners' equivalent rent component of price indexes because rising home prices lead to upward pressure on rent.





"Rent prices continue to rise even faster, putting upward pressure on inflation. While rents are surging for a number of reasons, record high home prices hurts affordability, delaying the transition to homeownership for many renters. When rates fell in 2020 during the pandemic, approximately 3.7 million additional households could purchase a home compared to 2019. Today, however, due to high home prices, 4.8 million fewer households can buy a residence versus two years ago, even though mortgage rates are lower than in 2019. As a result, the share of first-time homebuyers has dropped to a near two-year low of 26%" says Nadia Evangelou, Senior Economist and Director of Forecasting for the National Association of Realtors.

Evictions in Connecticut

The National CDC and statewide ban on evictions have both ended. State protections including mandatory rental assistance applications, 30-day notice, and required information sharing are extended until February 15th, 2022. According to Eviction Lab, there has been no major national or state spike in evictions after the moratoriums ended, with evictions filings remaining below historical averages. According to the Connecticut Fair Housing Center, since January of 2021, landlords have filed 8,522 eviction cases and courts have carried out 3,179 eviction orders so far.

Working to prevent an eviction crisis, Connecticut established the UniteCT Program to provide landlords and tenants with rental and utility assistance. As of December 29th, 39,878 cases had been approved and $189 million dollars had been allocated out of $371 million budgeted.

Experts are concerned a wave of evictions could generate far reaching social and economic issues. Evictions taint a tenant's record and can reduce credit ratings. This further deters the ability to secure safe, affordable housing which affects employment, educational opportunities, health outcomes, and much more. Evictions can force people to stay in crowded shelters, move in with family or friends, or become homeless which decreases the ability to social distance or quarantine properly. With Omicron variant cases increasing across the country, officials are concerned a wave of evictions could create long-lasting economic and health problems.

Stock Market

Historically, the fourth quarter tends to be the best performing quarter of the year for the stock market. However, the Omicron COVID-19 variant, persistent high inflation, and the Fed's shifting monetary policy threatened progress as the calendar year came to an end. After Thanksgiving, stocks fell primarily due investors' concerns about Omicron and its potential to disrupt the global economic rebound. The market rebounded quickly in early December yet remained volatile throughout the month as the global economy reckoned with the virus.

As of this writing, over the month, the Dow Jones Industrial Average gained 1,914 points or 5.55%. The S&P 500 gained 212 points or 4.64% and the NASDAQ gained 204 points or 1.31%. December was a volatile month, but year-to-date all three indices performed very well as the bull market continues into 2022. As of this writing, year-to-date, the DOW increased 18.92 percent, the S&P 500 is up 27.23 percent, and the NASDAQ has gained 22.14 percent.

A year and a half ago, in late March 2020, the stock market was in free fall as pandemic-related shutdowns were taking place. As the charts below illustrate, all three indices have made significant gains since then. To give a broader perspective, three-year results are shown below.

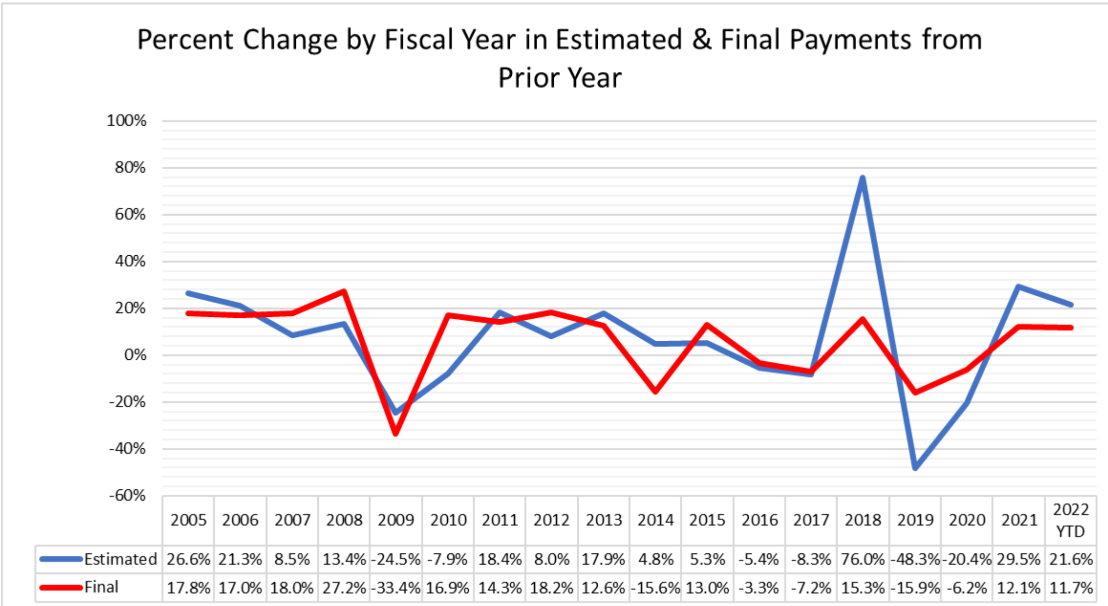
DOW Jones Industrial Average Index:

S&P 500 Index:

NASDAQ Composite Index:

The performance of the stock market has a significant impact on the State of Connecticut's revenues. In a typical year, estimated and final income tax payments account for approximately 30 percent of total state income tax receipts, but can be an extremely volatile revenue source.

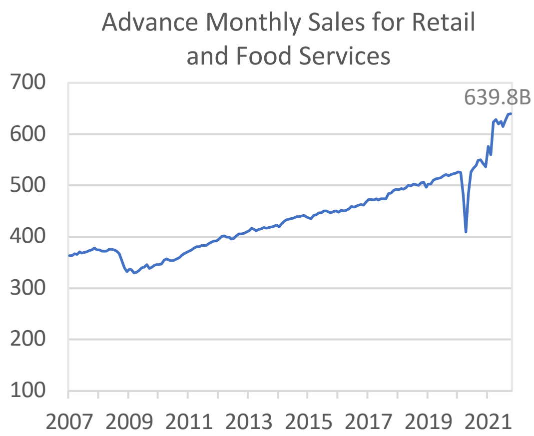
According to unaudited FY 2021 results, combined estimated and final payments are 19.9 percent above FY 2020's level, with estimates up 29.9 percent and final payments up 12.1 percent. This reflects the strong performance of the stock market. This collection trend has continued into FY 2022, with both categories of tax receipts growing by a combined 18.9 percent over year-to-date results in the previous fiscal year.

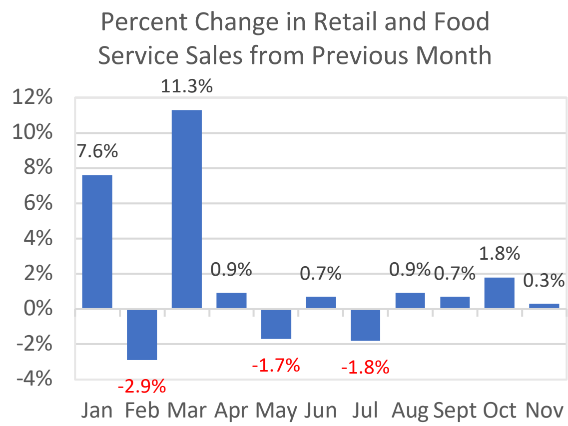


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 YTD
Estimated	26.6%	21.3%	8.5%	13.4%	-24.5%	-7.9%	18.4%	8.0%	17.9%	4.8%	5.3%	-5.4%	-8.3%	76.0%	-48.3%	-20.4%	29.5%	21.6%
Final	17.8%	17.0%	18.0%	27.2%	-33.4%	16.9%	14.3%	18.2%	12.6%	-15.6%	13.0%	-3.3%	-7.2%	15.3%	-15.9%	-6.2%	12.1%	11.7%

Consumer Spending Inches Up in November

Consumer spending is the main engine of the U.S. economy, accounting for more than two-thirds of total economic output. According to the U.S. Department of Commerce, advance retail sales were $639.8 billion in November, up 0.3 percent from October. This small increase was lower than analysts expected due to the holiday shopping season. Sectors with the largest gains include gasoline stations (+1.7%), sporting goods, hobby, musical instrument, & bookstores (+1.3%), food and beverage stores (+1.3%), and food services and drinking places (+1.0%). Sectors that experienced a step back include electronic and appliance stores (-4.6%), general merchandise stores (-1.2%), and health and personal care stores (-0.6%). Core retail sales increased 0.2 percent in November which excludes automobiles, gasoline, building materials and food services.





Source: U.S. Department of Commerce

Consumer Debt

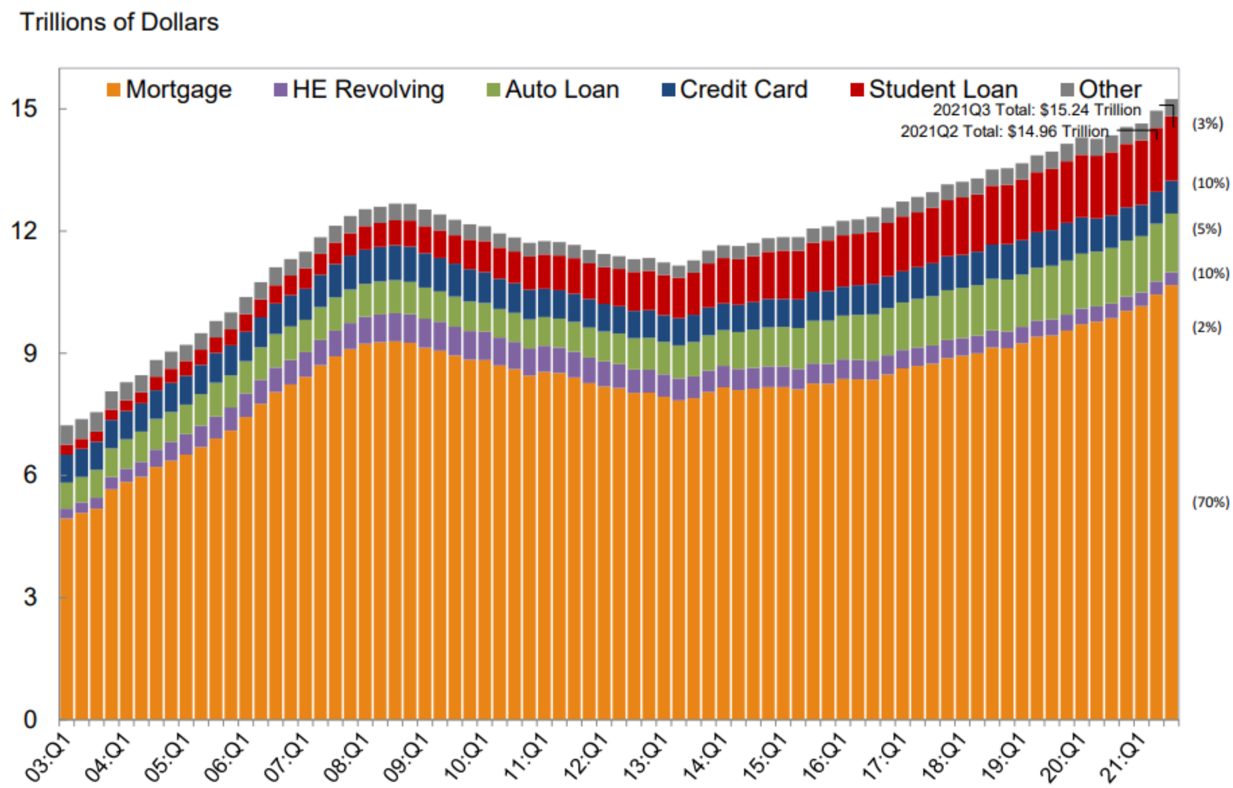
According to the Federal Reserve Bank of New York, total household debt increased by $286 billion in the third quarter of 2021 to $15.24 trillion, a 1.9 percent increase from the second quarter. Balances are $1.1 trillion higher than at the end of 2019 and $890 billion higher than quarter 3 of 2020.

Mortgage balances, the largest component of household debt, increased by $230 billion to $10.67 trillion at the end of September. Student loans, the second largest category of household debt, increased by $14 billion to 1.58 trillion as the school year started. Auto loan balances increased by $28 billion, reaching $1.44 trillion. Balances on home equity lines of credit decreased by $5 billion, the 19th consecutive decrease since the fourth quarter of 2016, bringing the outstanding balance to $317 billion. Credit card balances increased by $17 billion to a total of $800 billion but remain $123 billion lower than they had been at the end of 2019.

Federal Reserve Bank researchers noted the changes in credit card balances in the second and third quarters of 2021 are remarkable since they appear to be a return to the normal seasonal patterns in balances. Credit card balances typically follow a seasonal pattern—modest increases in the second and third quarter, a larger increase in the fourth quarter coincident with holiday spending, and then a large reduction in the first quarter, as borrowers pay off their holiday spending. Donghoon Lee, research officer at the New York Fed said, "we are again seeing credit card balances increase in the third quarter after a solid rise in the previous. As pandemic relief efforts wind down, we are beginning to see the reversal of some of the credit card balance trends seen during the pandemic, namely reduced consumption and the paying down of balances. At the same time, as pandemic restrictions are lifted and consumption normalizes, credit card usage and balances are resuming their pre-pandemic trends, although from lower levels."

The graph below represents the total debt balance broken out by type of debt.

Total Debt Balance and its Composition

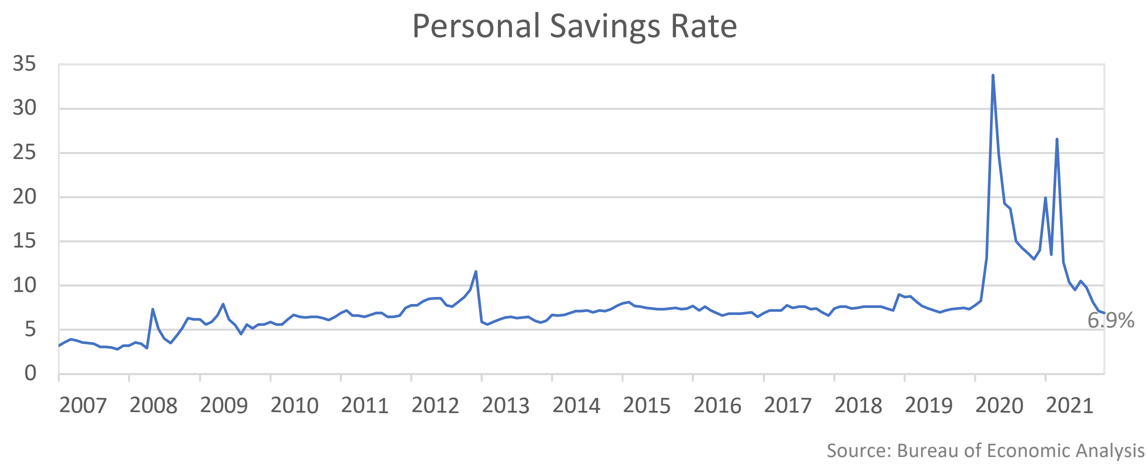


Source: New York Fed Consumer Credit Panel/Equifax

Delinquency rates have remained low since the beginning of the pandemic, reflecting forbearances provided by the CARES Act and lenders, which protect borrowers' credit records from the reporting of skipped or deferred payments. As of September, 2.7 percent of outstanding debt was in some stage of delinquency, a two-percentage point decrease from the fourth quarter of 2019, just before the pandemic. Of the $412 billion of debt that is delinquent, $302 billion is seriously delinquent (at least 90 days late).

Personal Saving Rate Declines in November

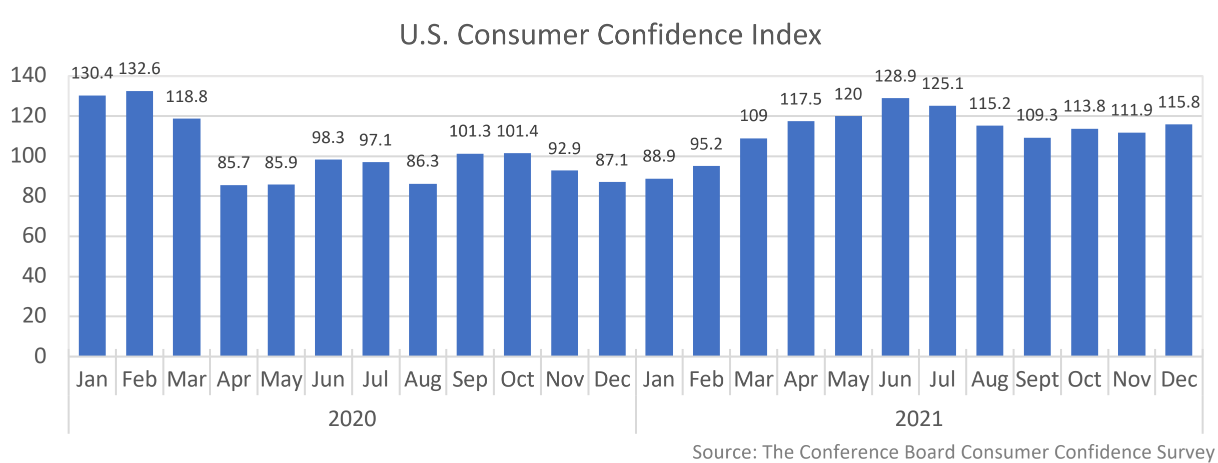
The Bureau of Economic Analysis (BEA) reported the personal-saving rate was 6.9 percent in November, down from 7.1 percent in October. Personal income increased $90.4 billion (0.4 percent) while personal consumption expenditures (PCE) increased $104.7 billion (0.6 percent). As a result, disposable personal income (DPI) increased $70.4 billion (0.4 percent). The personal saving rate is defined as personal saving as a percentage of disposable personal income.



As can be seen from the chart above, the personal saving rate has been volatile since the pandemic began – with large swings in both directions. BEA noted that over the past 1.5 years, changes in personal income have primarily reflected changes in governmental social benefit payments, which were based on the enactment and expiration of various legislative acts and related programs in response to COVID-19. Examples include direct economic impact payments to households and supplemental weekly unemployment benefits.

Consumer Confidence Improves in December

The U.S. consumer confidence index (CCI) is published by the Conference Board and looks at U.S. consumer's views of current economic conditions and their expectations for the next six months. The index is closely watched by economists because consumer spending accounts nearly 70 percent of U.S. economic activity. The Conference Board reported that the CCI now stands at 115.8, up from November's revised reading of 111.9.



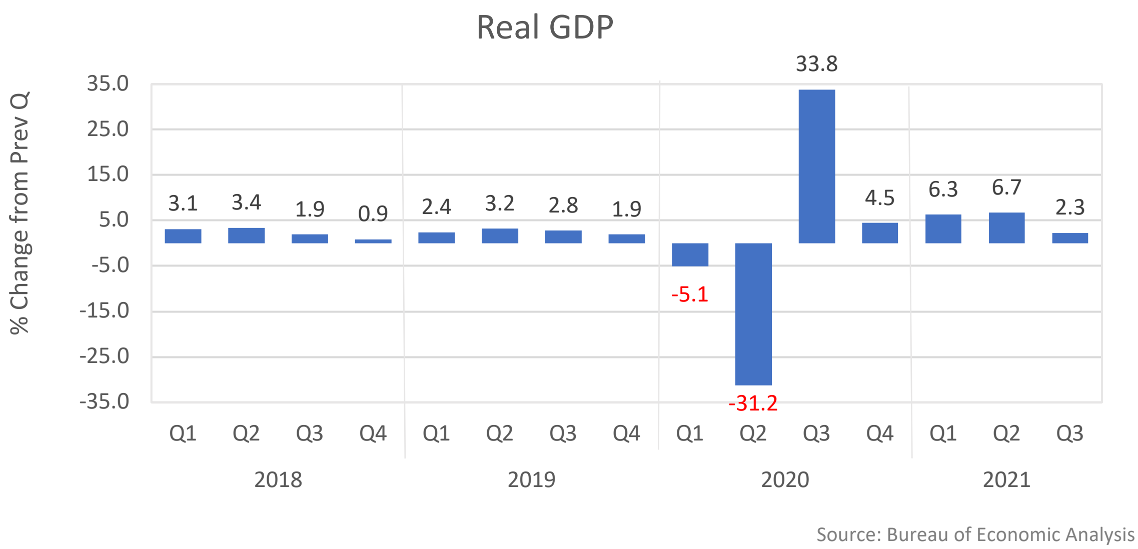
The Consumer Confidence Index is made up of two parts, including the Present Situation Index, which looks at current conditions and the Expectation Index, which measures consumers' views of anticipated conditions for the next six months. In the December survey, the Present Situation Index decreased from 144.4 to 144.1. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, increased from 90.2 to 96.9.

Lynn Franco, Senior Director of Economic Indicators at The Conference Board noted, "Consumer confidence improved in December, following a very modest gain in November. The Present Situation Index dipped slightly but remains very high, suggesting the economy has maintained its momentum in the final month of 2021. Expectations about short-term growth prospects improved, setting the stage for continued growth in early 2022. The proportion of consumers planning to purchase homes, automobiles, major appliances, and vacations over the next six months all increased. Meanwhile, concerns about inflation declined after hitting a 13-year high last month as did concerns about COVID-19, despite reports of continued price increases and the emergence of the Omicron variant. Looking ahead to 2022, both confidence and consumer spending will continue to face headwinds from rising prices and an expected winter surge of the pandemic."

Business and Economic Growth – GDP Third Quarter 3rd Estimate

According to the Bureau of Economic Analysis (BEA), U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 2.3 percent in the third quarter of 2021. This revision included a 0.2 percent increase to the 2.1 percent first estimate. This follows a 6.7 percent real GDP increase in the second quarter. The update primarily reflects upward revisions to personal consumption expenditures (PCE) and private inventory investment that were partly offset by a downward revision to exports. Imports, which are a subtraction in the calculation of GDP, were revised down.

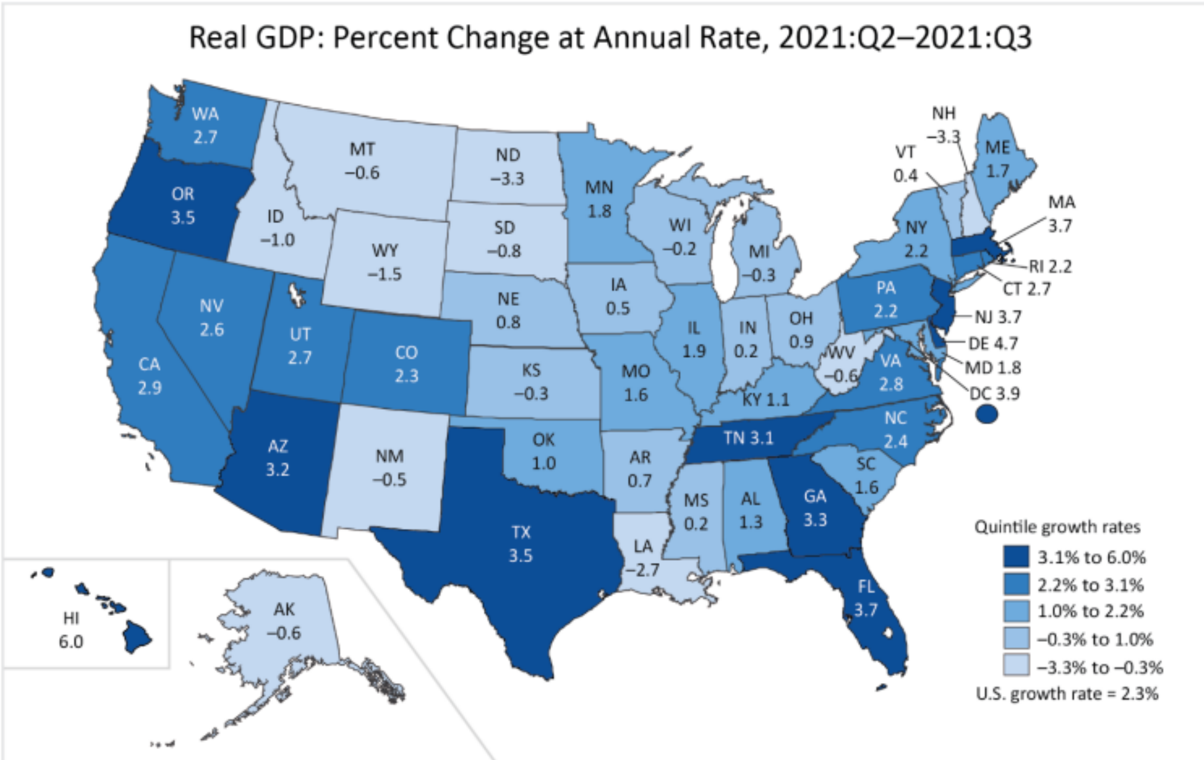
BEA noted the third quarter results reflected the continued economic impact of the COVID-19 pandemic. A resurgence of COVID-19 cases resulted in new restrictions and delays in the reopening of establishments in some parts of the country. Government assistance payments in the form of forgivable loans to businesses, grants to state and local governments, and social benefits to households all decreased.



State Level GDP 3rd Quarter – Connecticut Growth Outpaces National Economy

According to BEA, real gross domestic product (GDP) increased in 37 states and the District of Columbia in the third quarter of 2021, as real GDP for the nation increased at an annual rate of 2.3 percent. The percent change in real GDP in the third quarter ranged from 6 percent in Hawaii to -3.3 percent in New Hampshire.

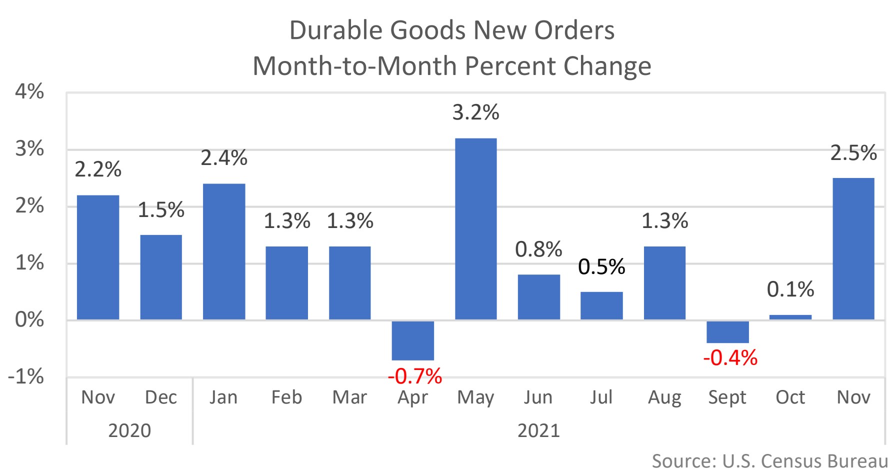
Connecticut's GDP growth rate of 2.7 percent ranked 15th in the nation, coming in above national growth and the New England regional average of 2.6 percent. Connecticut industries experiencing the largest gains on a percentage basis were finance and insurance (+1.29%), professional, scientific, and technical services (+0.75%), and nondurable goods manufacturing (+0.51%). Connecticut's annualized GDP came in at $299.8 billion for the third quarter.



U.S. Bureau of Economic Analysis

Durable Goods

According to the U.S. Department of Commerce, new orders for manufactured durable goods increased $6.5 billion or 2.5 percent in November to $268.3 billion. The increase follows a 0.1 percent increase in October. Despite small increases in the last few months, year over year durable goods new orders has increased 21.5 percent indicating strong demand.



November's increase was driven by transportation equipment, up $5 billion or 6.5 percent. The largest category in transportation that led the increase was non-defense aircraft and parts. The other largest increases for new orders included capital goods (+5.5%), computers and electronic products (+4%), and manufacturing with unfilled orders (+3%). Orders for core capital goods, considered a proxy for business spending, increased by 2 percent, and exclude all defense and aircraft goods.

Global raw material and labor shortages continue to contribute to slowed production. Manufacturers are struggling to find enough workers and materials to meet increased demand. Shipments rose 0.7 percent in November while unfilled orders also rose 0.7 percent—which has increased for ten consecutive months.

***** END *****