

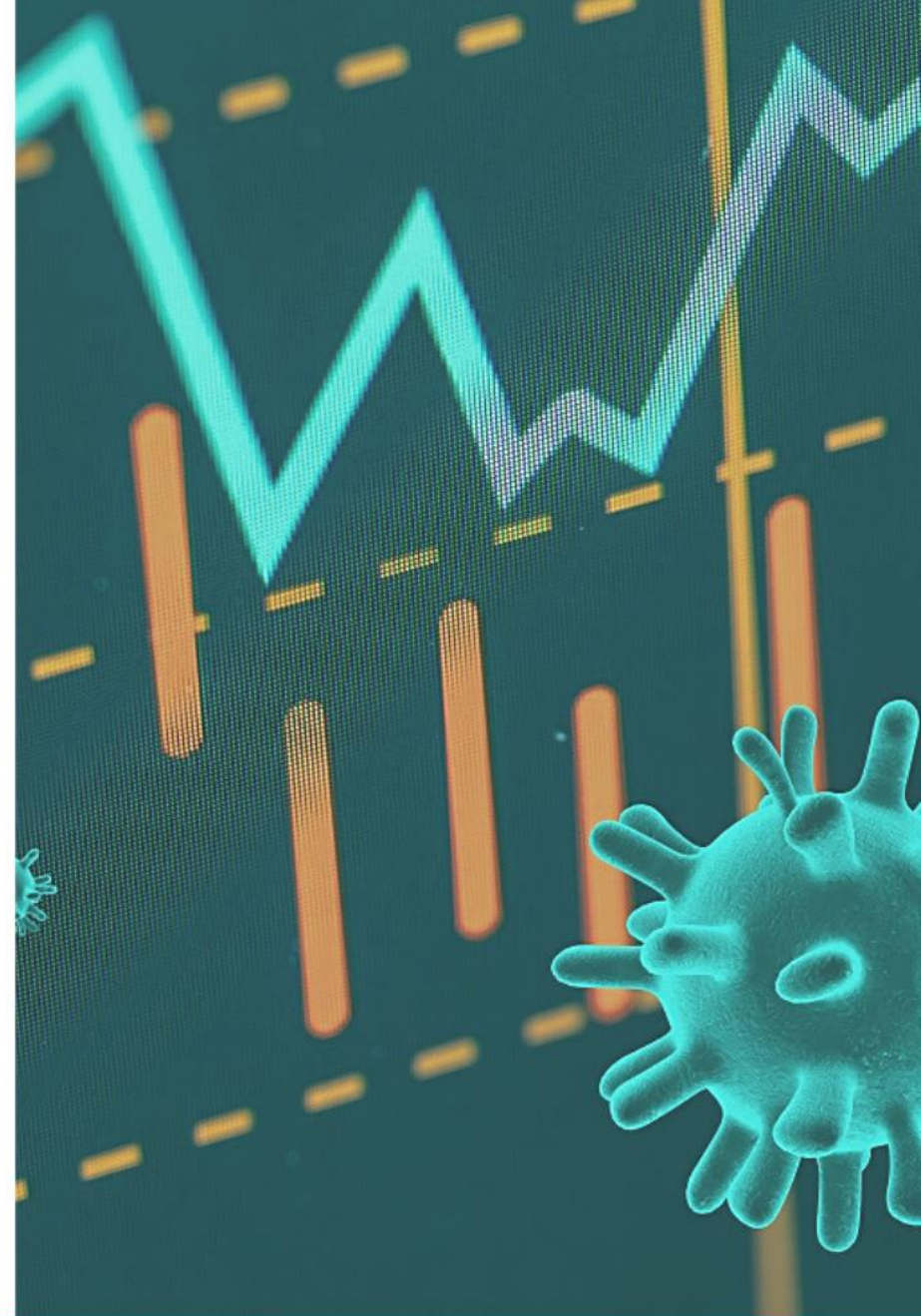
The background of the slide features a teal-tinted image of multiple financial charts and data tables. The charts include line graphs and candlestick patterns, with some text labels like 'EUR/USD - 1,35379 - 00:00:00 14 giu (EEST)' and 'EUR/USD (Bid), Ticks, # 300 / 300'. The overall aesthetic is professional and data-oriented.

Charting the Course of Connecticut's COVID Economy

2020 Issues Conference
Office of Legislative Research
Office of Fiscal Analysis

Presentation Overview

- Part I: Employment
- Part II: Housing
- Part III: Consumers and Businesses
- Part IV: State Budget

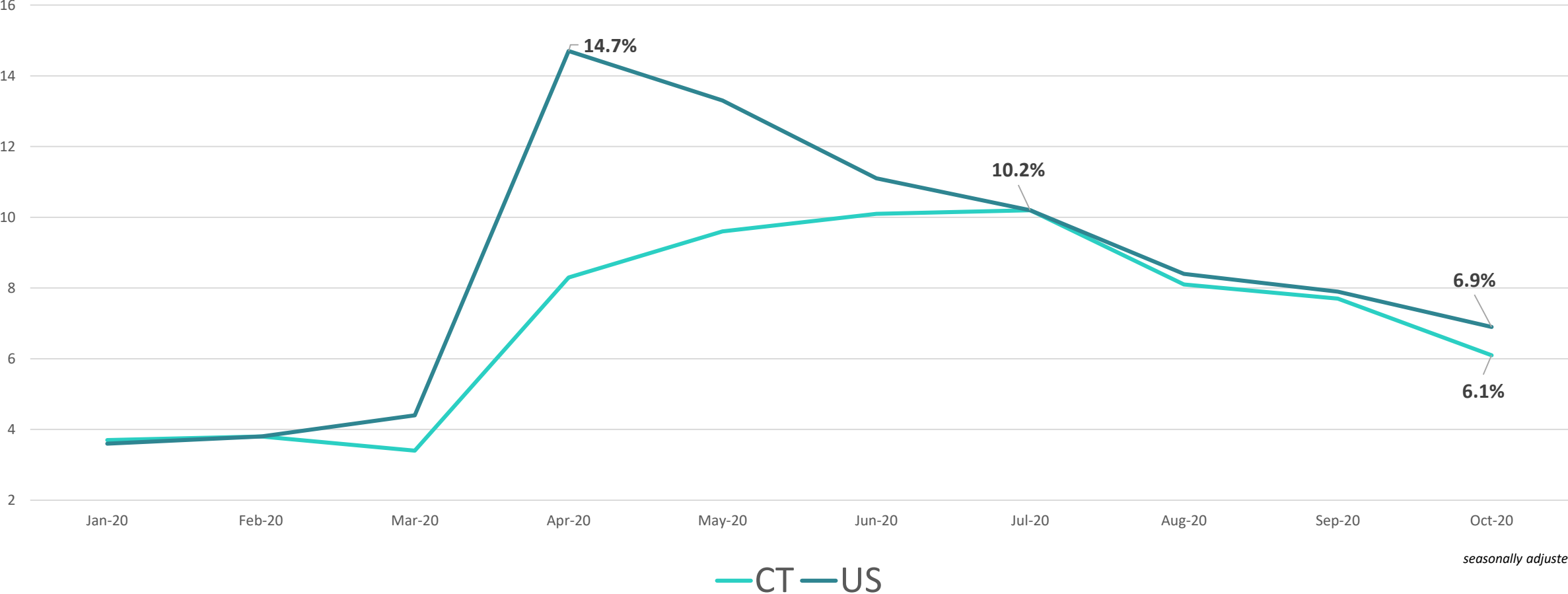




Part I: Employment

Connecticut's official unemployment rate peaked in July at 10.2%; The national rate peaked at 14.7% in April

CT vs. US Unemployment Rates

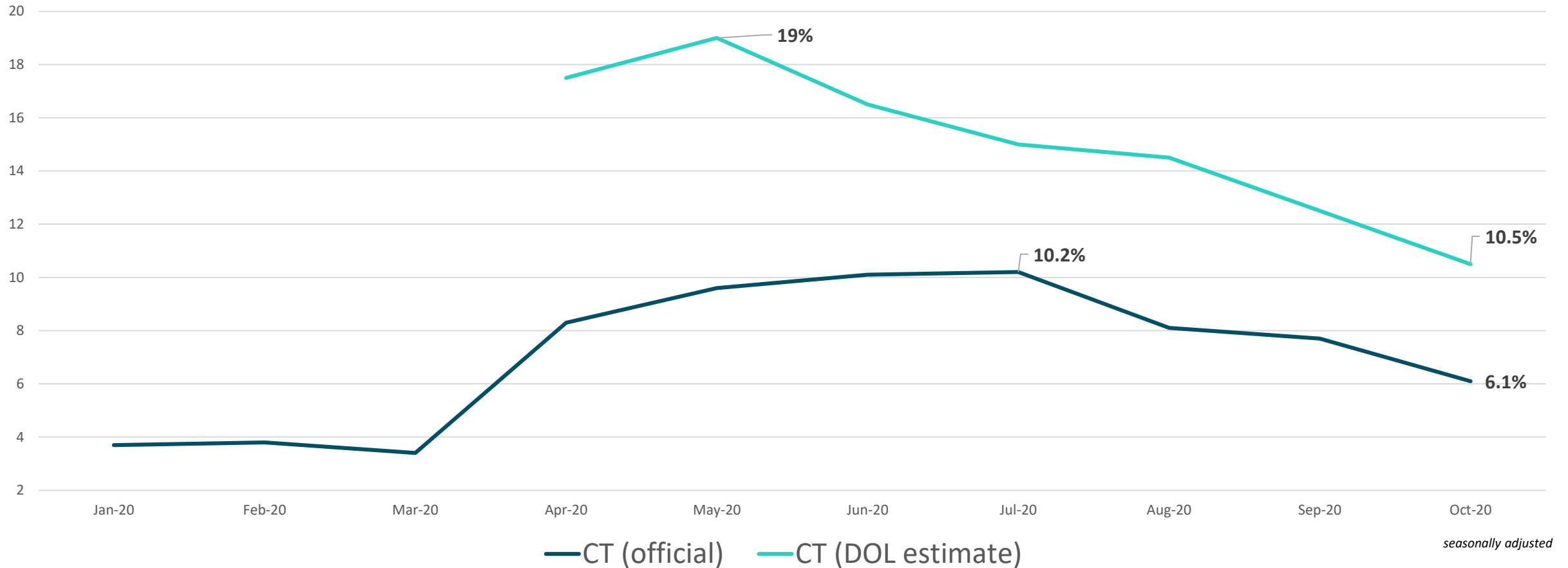


seasonally adjusted

Source: CT DOL Research Office, Labor Market Information

CT DOL analysts believe the official BLS estimate understates the actual unemployment level. They estimate CT's unemployment rate peaked in April at 19%.

CT Unemployment Rates: Actual vs. Estimated



Source: CT DOL, State of Connecticut Labor Situation, April 2020 – October 2020

Unemployment Claims

44,075

Average weekly **initial UI claims** for April 2020
↑ 963% from April 2019

318,463

Number of **continuing claims** CT DOL processed for the week of May 2, 2020, nearly 18% of the state's workforce

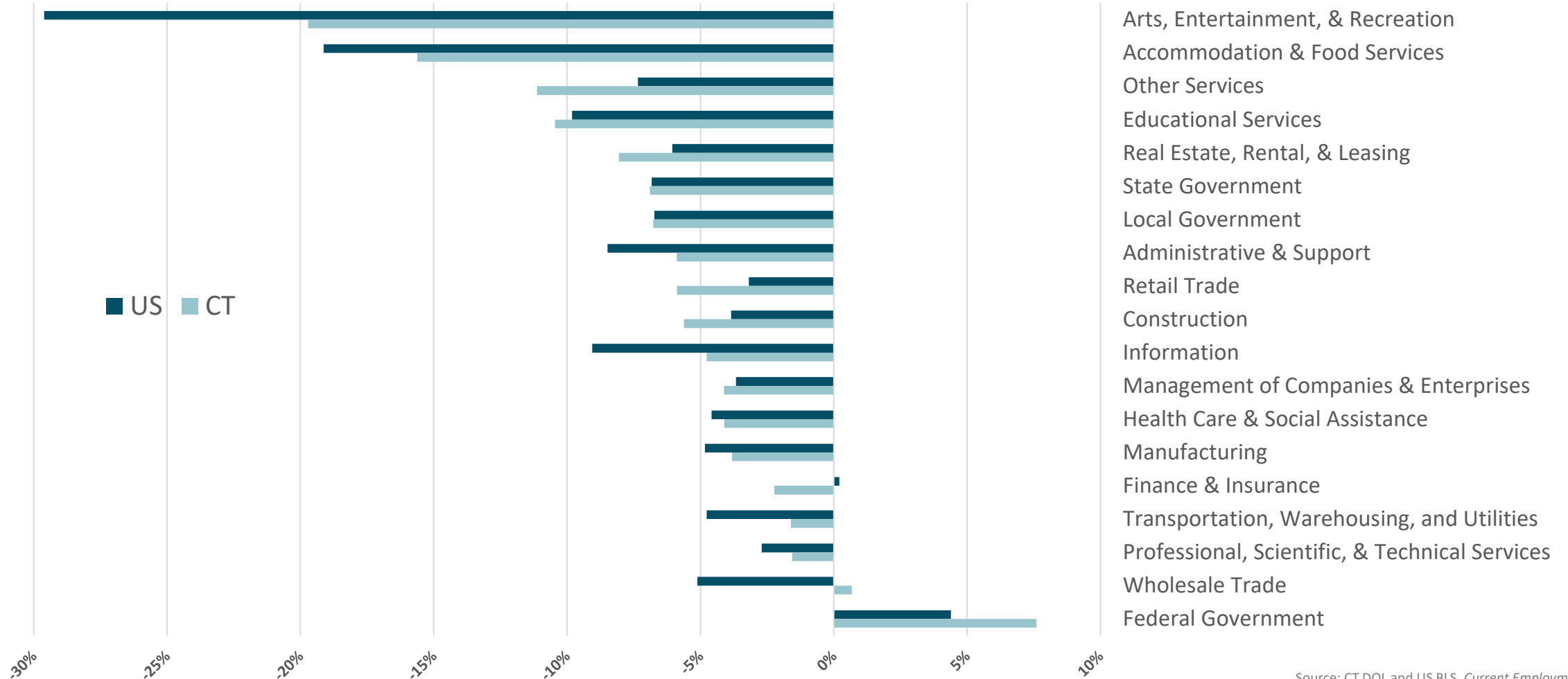
80,570

Number of Pandemic Unemployment Assistance (PUA) **continuing claims** for the week of May 9, 2020



Since February, industry sectors providing "in-person" services have suffered the greatest job losses

Employment Change: February 2020 to October 2020



Source: CT DOL and US BLS, *Current Employment Statistics*

Who are the Unemployed?

- More Female
- Younger
- Lower Wage



Which Industries are Hiring?



**Health Care
and Social
Assistance**
10,632
postings



Retail Trade
7,884
postings



**Finance &
Insurance**
4,622
postings



Manufacturing
3,865
postings



**Professional,
Scientific, &
Technical Services**
2,866
postings

Source: CT DOL Research Office Analysis of Help Wanted Online (HWOL) Data Series

An aerial photograph of a residential neighborhood, showing rows of houses with various roof colors (grey, brown, blue) and green lawns. A semi-transparent teal rectangular overlay covers the central portion of the image. The text "Part II: Housing" is centered within this overlay in a white, bold, sans-serif font. In the background, a yellow car is visible on a road at the top, and several white cars are parked in a lot at the bottom.

Part II: Housing

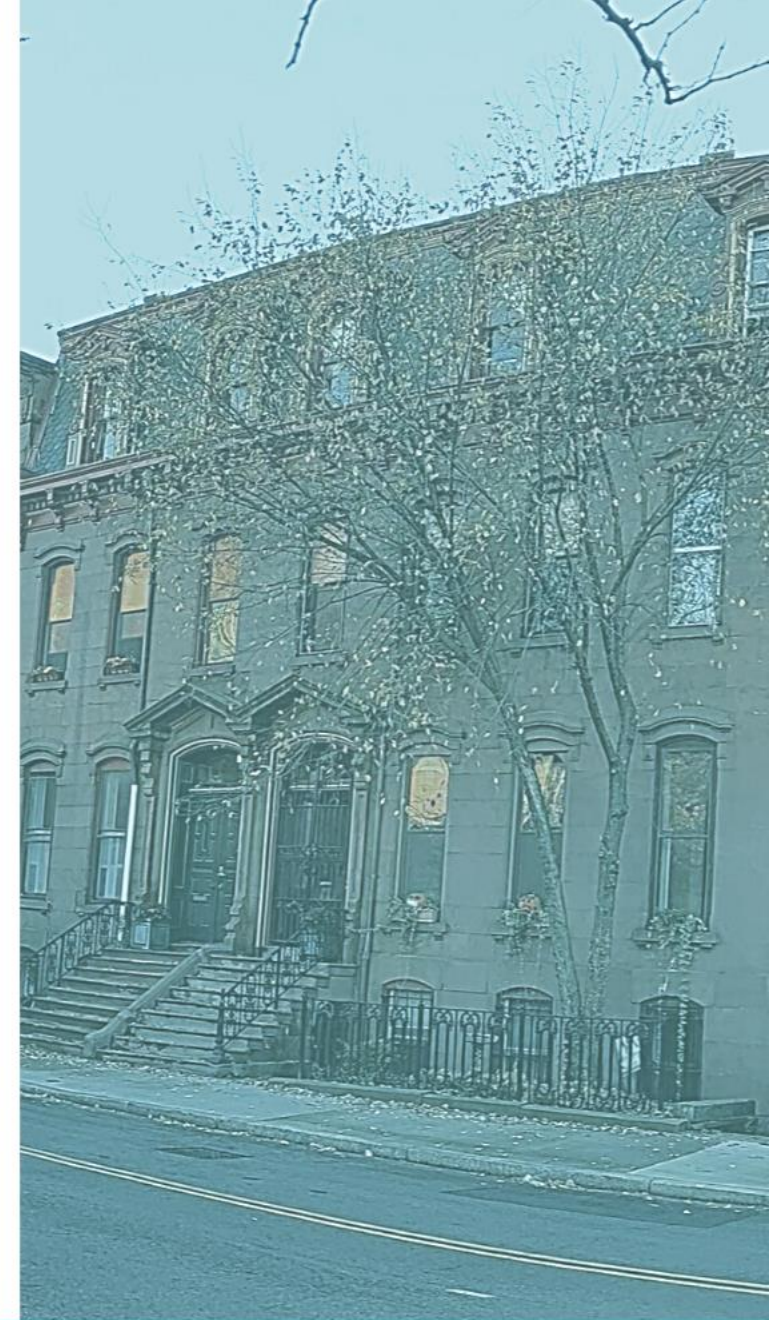
Unequal Impacts of COVID-19



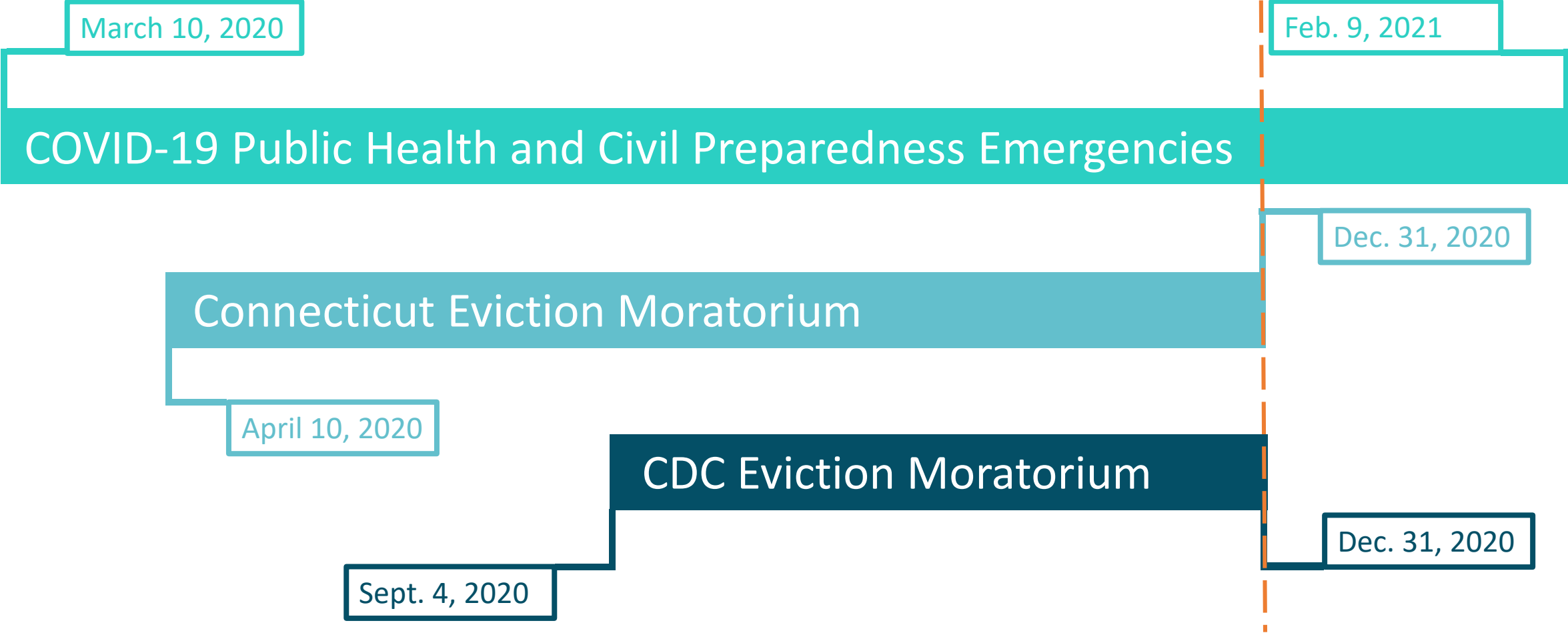
Looming Eviction Crisis



Booming Housing Market



Existing eviction moratoriums are set to expire at the end of December



As protections expire, evictions are increasing

Hartford County

EVICTON FILINGS BY WEEK



■ WEEKLY FILINGS

— FILINGS TREND

Fairfield County

EVICTON FILINGS BY WEEK



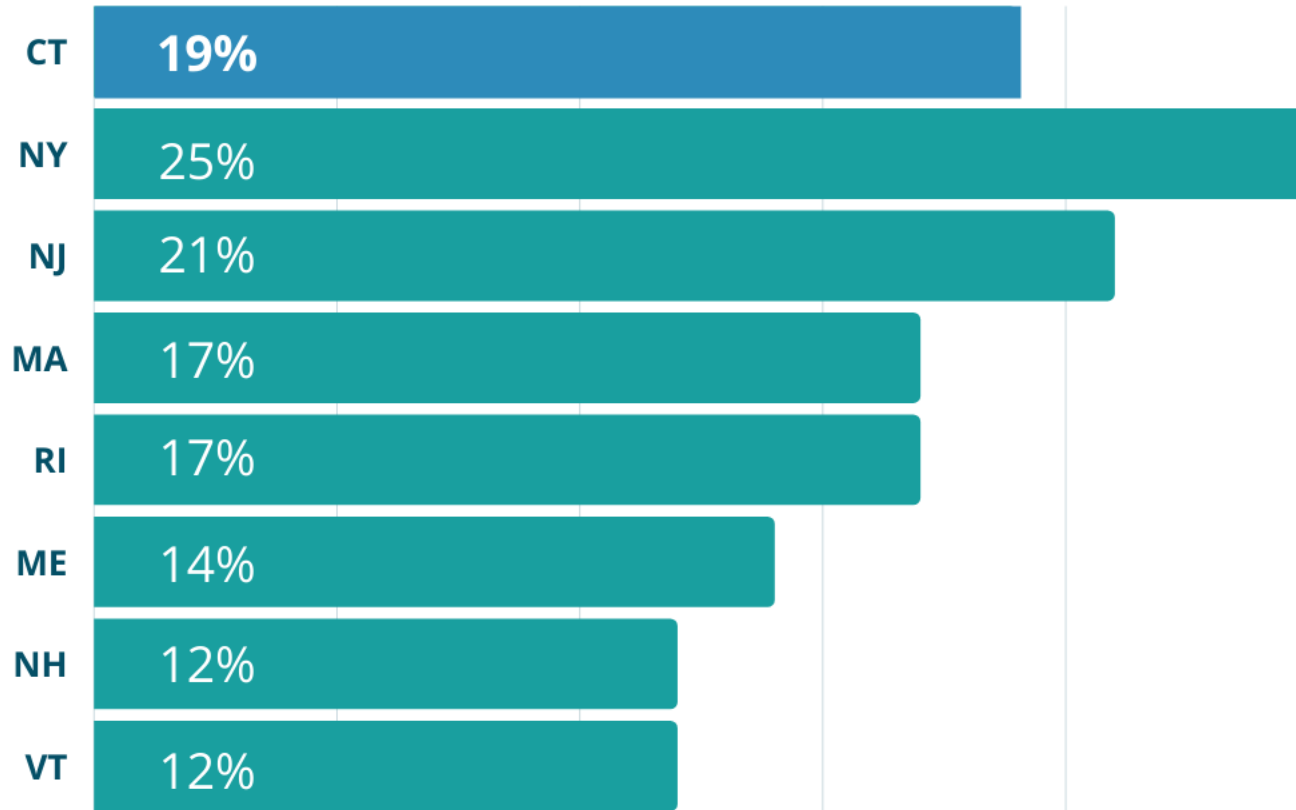
▨ LOCAL MORATORIUM
April 23 - January 1

▨ CDC ORDER
September 4 - December 31

Source: Princeton University Eviction Lab, March 15–Nov. 22, 2020

Many renters are behind on rent and believe eviction is likely in the near future

Not Caught Up On Rent (among adults in rental housing), Oct. 28 – Nov. 23.



38,882

CT renters behind on rent who believe eviction is likely in the next two months

\$40 Million

Current funding for the state's COVID-19 Temporary Rental Housing Assistance Program (TRHAP)

Source: Center on Budget and Policy Priorities analysis of Census Bureau Household Pulse Survey

Landlords expect the pandemic to drive an increased eviction rate

3.1%

Average statewide eviction rate between 2001 and 2016

Source: DataHaven analysis (2019) of Eviction Lab data

4.9%

Best case estimate of average expected 2020 eviction rate by CT landlords

Source: State survey of residential landlords, May 2020

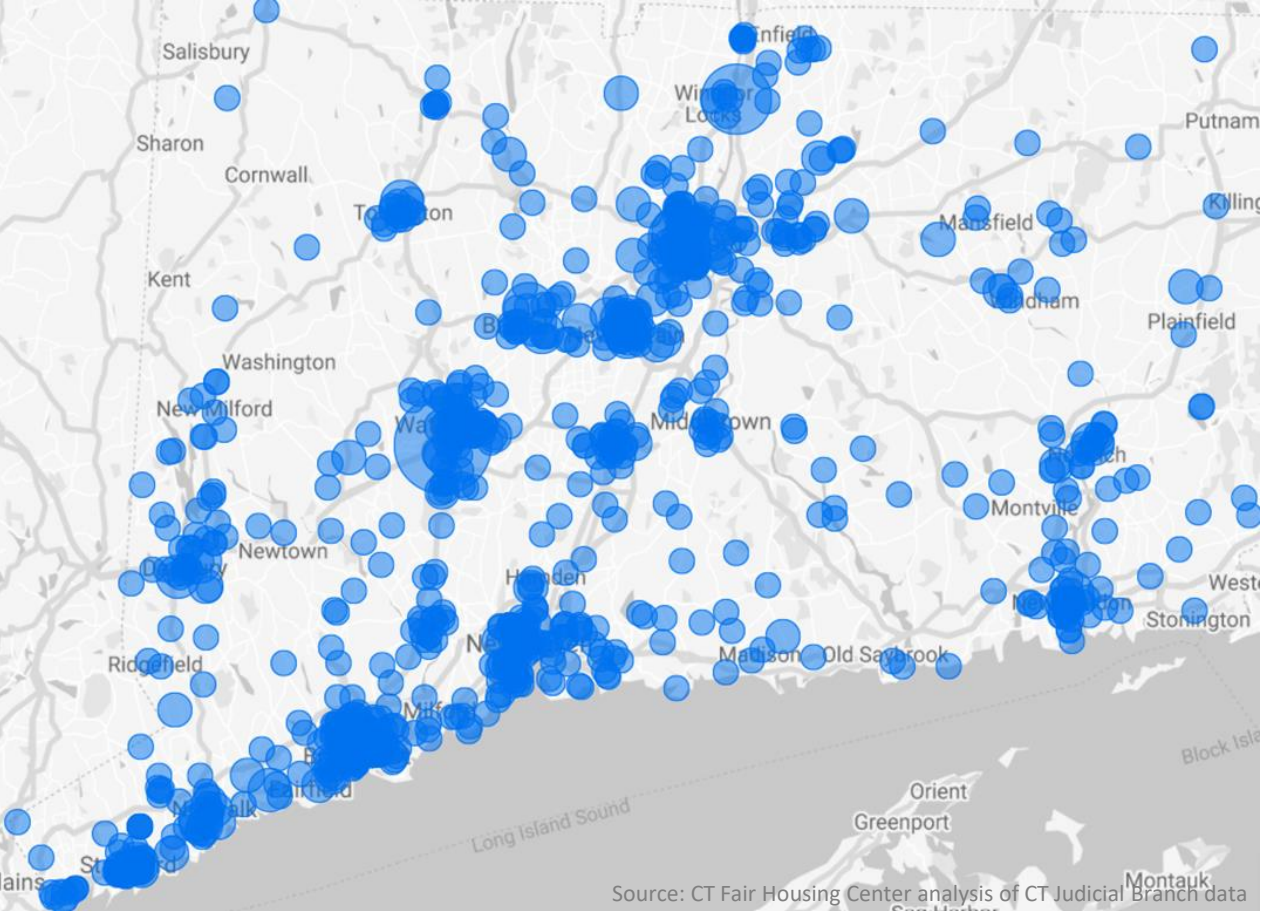
16.5%

Worst case estimate of average expected 2020 eviction rate by CT landlords

Source: State survey of residential landlords, May 2020

Black and Latino renters are more likely to be impacted by an increased eviction rate

Eviction Filings, March 11 to Nov. 23, 2020



61%
Share of Black
renter households

66%
Share of Latino
renter households

12%
Share of White
renter households

26%
Severe Cost-Burden
Renter Rate*

Source: Source: Census Bureau ACS, 2018 & 2017(*)

The pandemic housing market is strong across the country

↑ **21%**

Home sales year-over-year

↑ **15%**

Median sale price year-over-year

↓ **33%**

Inventory year-over-year

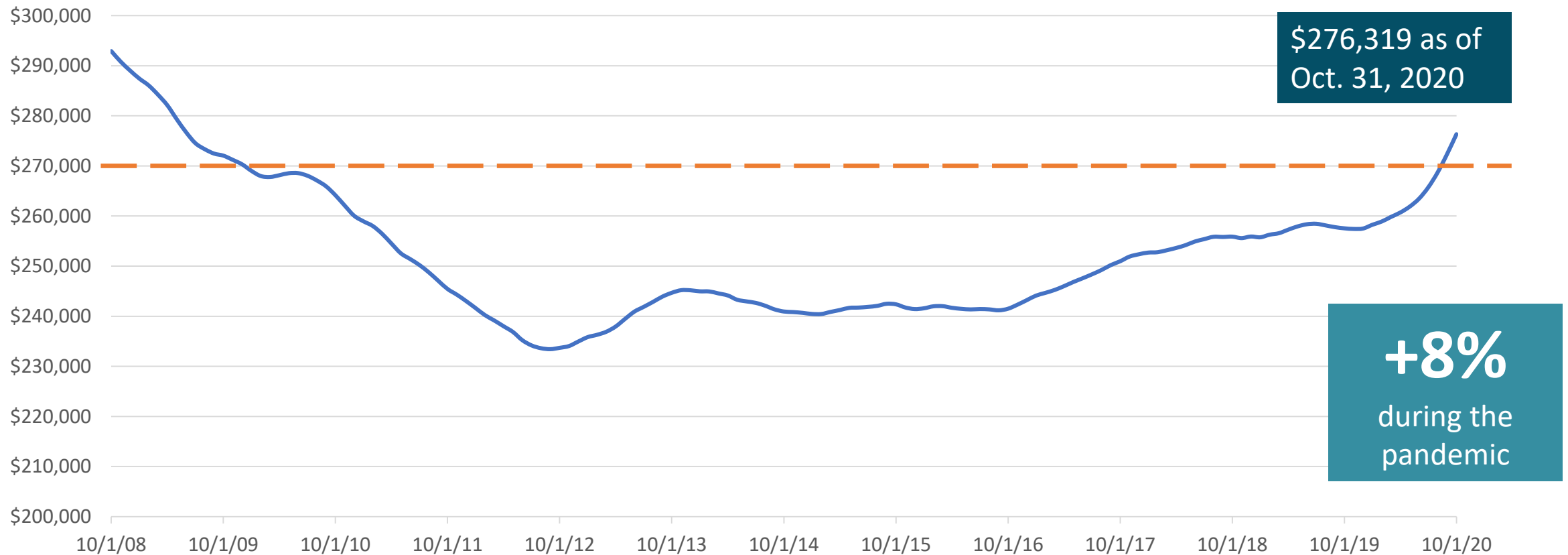
38 days

Average time from listing to contract



Home values in the state are at their highest level since the housing crash

Typical Connecticut Home Values, 2008–2020



Source: Zillow Home Value Index (ZHVI)

Experts cite several pandemic-related factors driving the strong performance of the housing market



Low Interest Rates



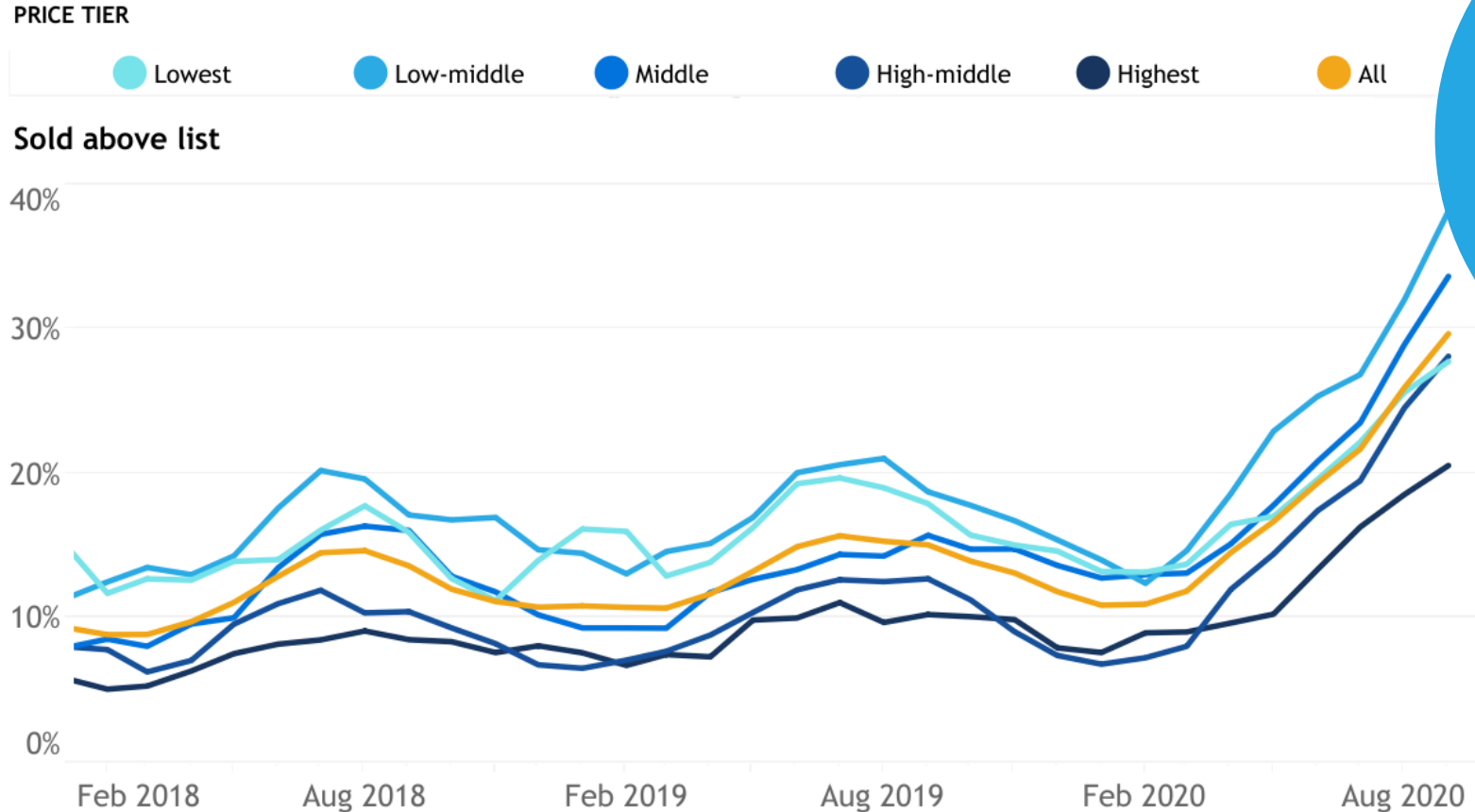
Increased Mobility



Pandemic Priorities

A booming housing market may exacerbate existing inequities in homeownership

Hartford MSA



+103%
increase in low-middle tier properties selling above list from Sept. 2019 to Sept. 2020

34%
Latino

39%
Black

76%
White

CT Homeownership rate by race/ethnicity

Zillow Economic Research | Source: Zillow Share of Homes Sold Above List Price

Source: Census Bureau ACS, 2018



Part III: Consumers and Businesses

The economy rebounded a bit in 3rd quarter after a 2nd quarter drop, but it's not enough

Gross Domestic Product (GDP)

CT

US

2Q

↓ **31.1%**

↓ **31.4%**

3Q

data not
yet available

↑ **33.1%**

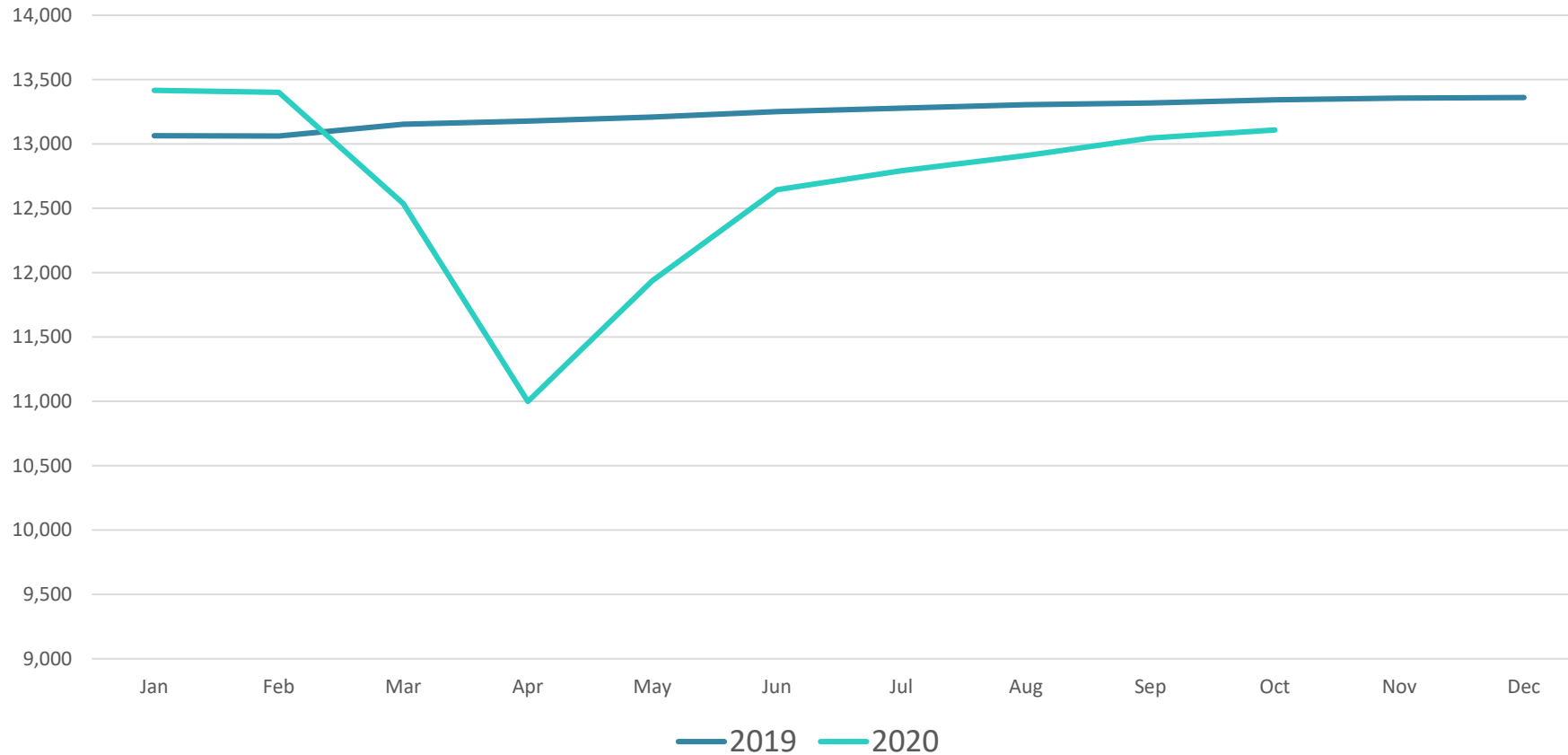
↑ **53%**

3Q increase
necessary to return
to 2019 4Q level

Source: U.S. Bureau of Economic Analysis (BEA)

Consumer spending has bounced back since its low point in April, but the rate of growth has slowed

Consumer Spending, 2019 v. 2020
(in billions of chained 2012 dollars)



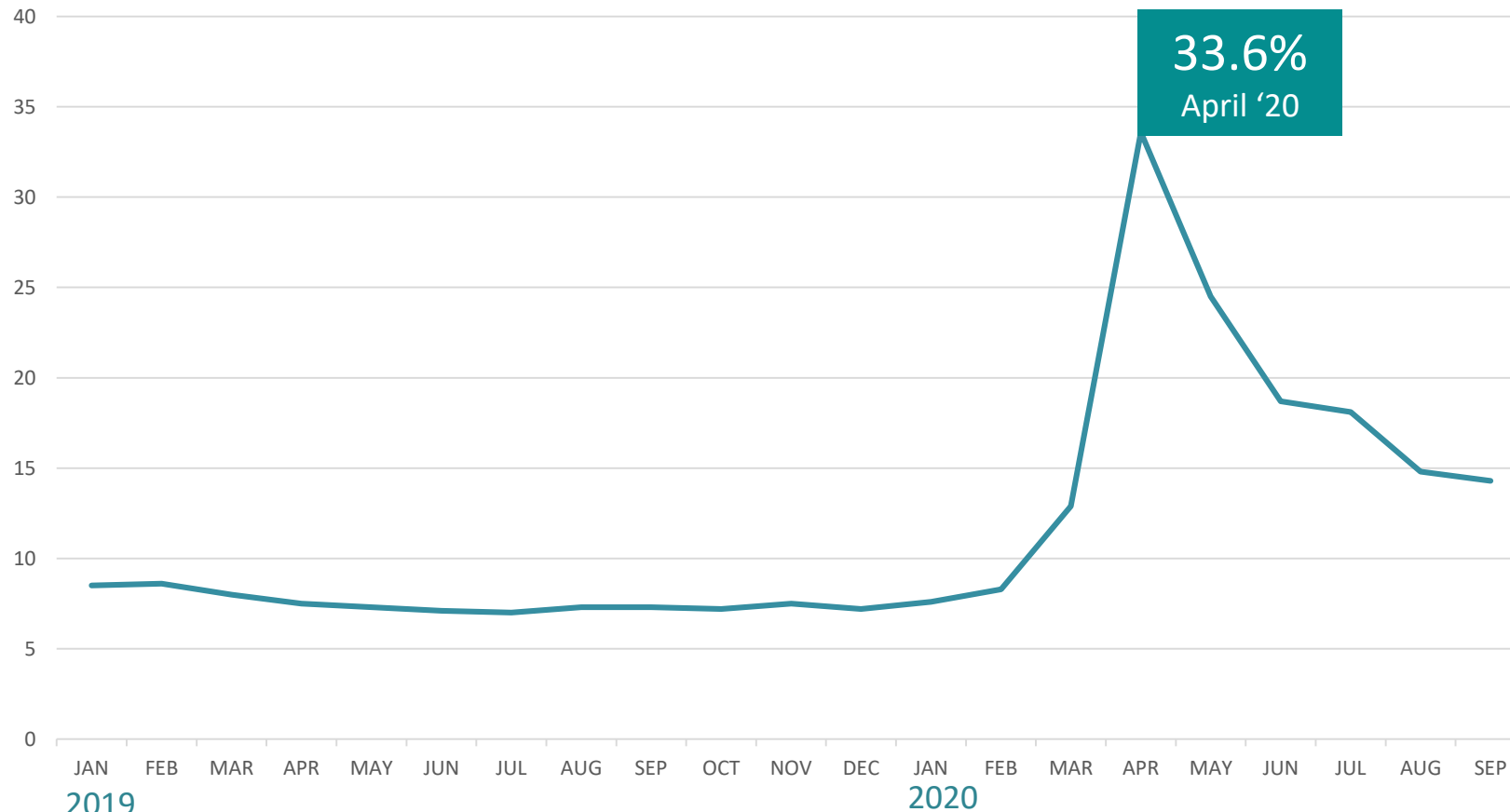
14.96%
Spending growth
between April and June

1.5%
Spending growth
between August and
October

Source: BEA

As consumer spending decreased, personal savings hit a record high. But only some are saving.

Personal Savings as a Percentage of Disposable Personal Income



Source: BEA

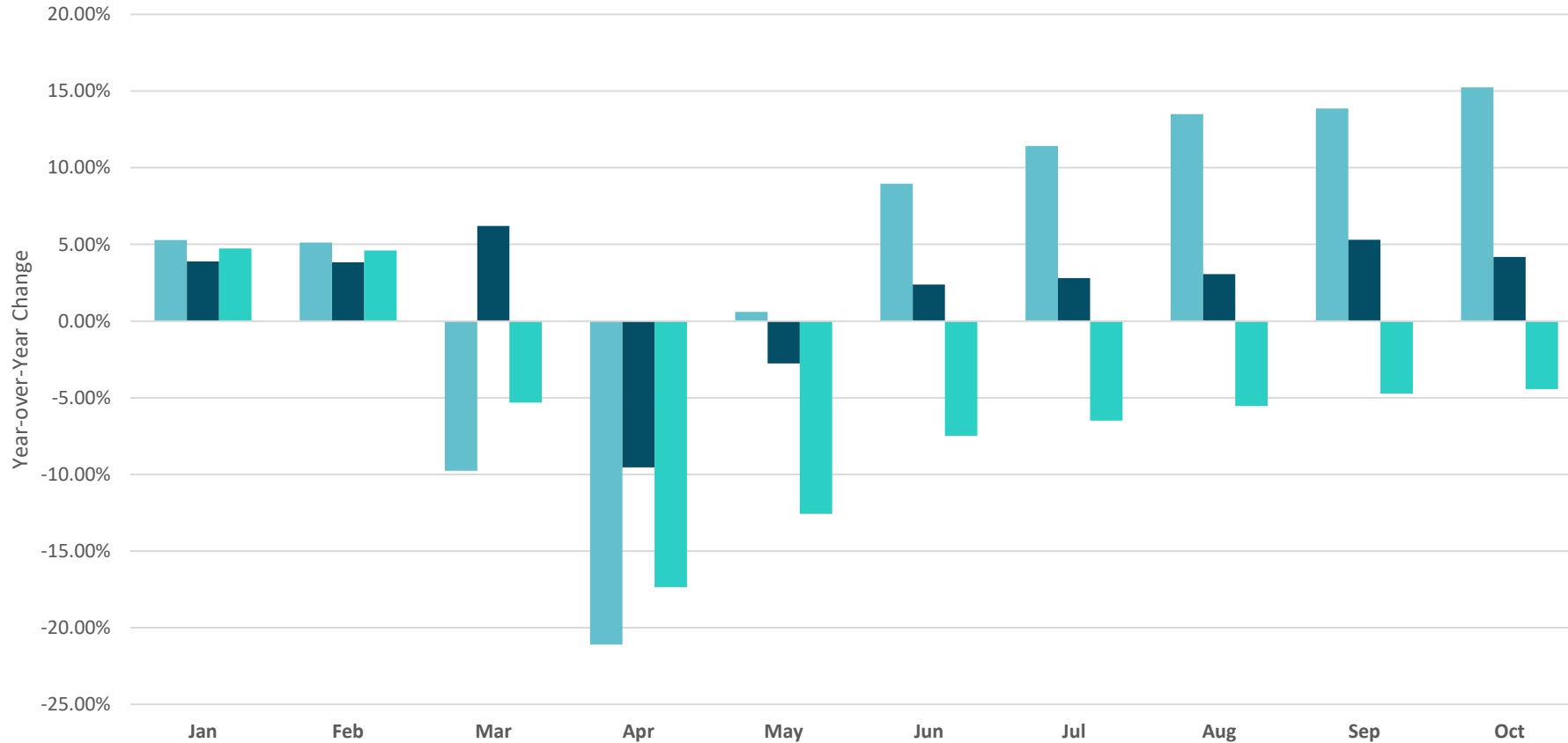
66% +

Share of spending reductions attributable to households in the top 25% of income distribution

Source: Opportunity Insights Economic Tracker

Spending on services has not recovered as well as spending on goods

Year-Over-Year Changes in Consumer Spending, by Category



April to October
Spending Growth

49%

Durable goods

17%

Nondurable goods

4%

Services

Source: BEA

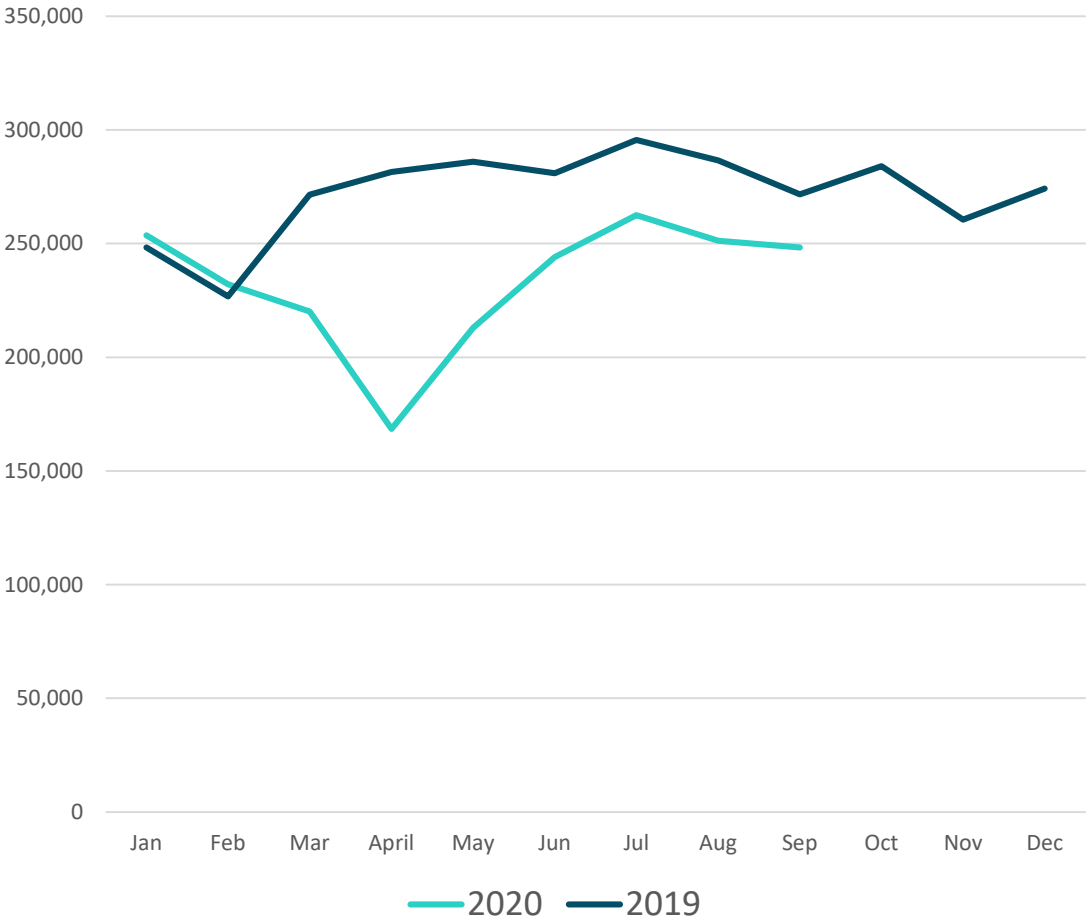
Durable Goods

Nondurable Goods

Services

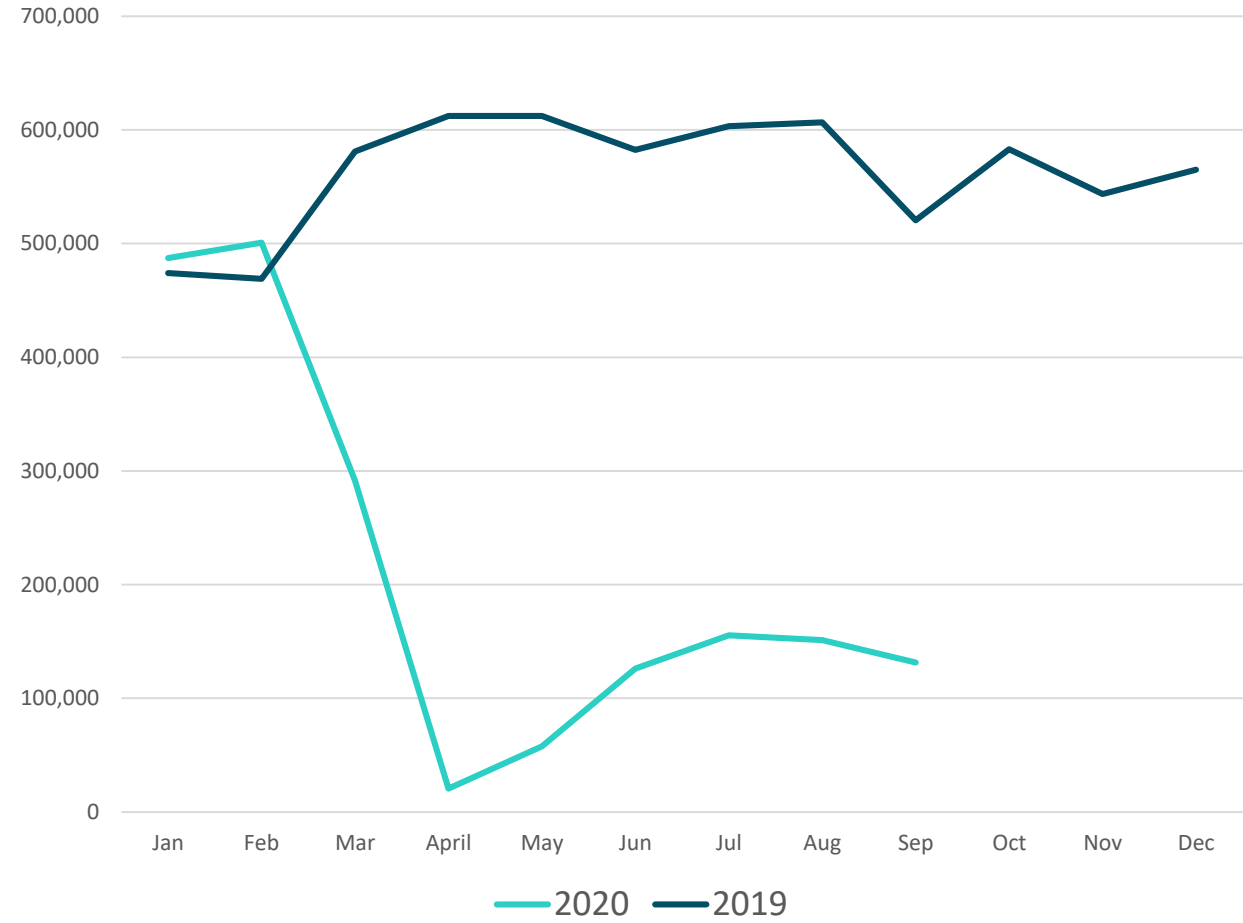
Connecticut residents are traveling less

Connecticut Vehicle Miles Traveled, 2019 & 2020



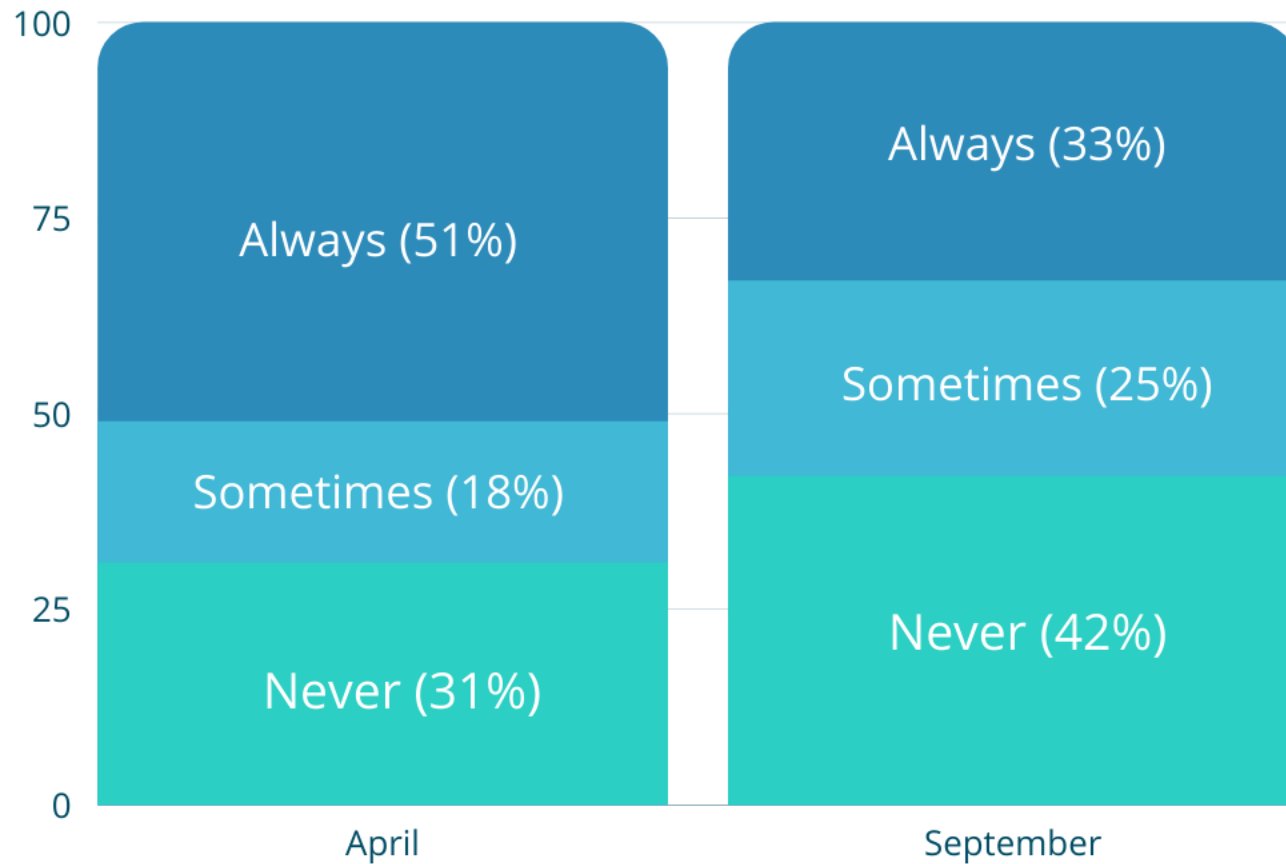
Source: Federal Highway Administration

Bradley Airport Traffic, 2019 & 2020



Source: Connecticut Airport Authority

Telework down from April, but still part of life for most Americans



Source: Gallup News Poll

69%

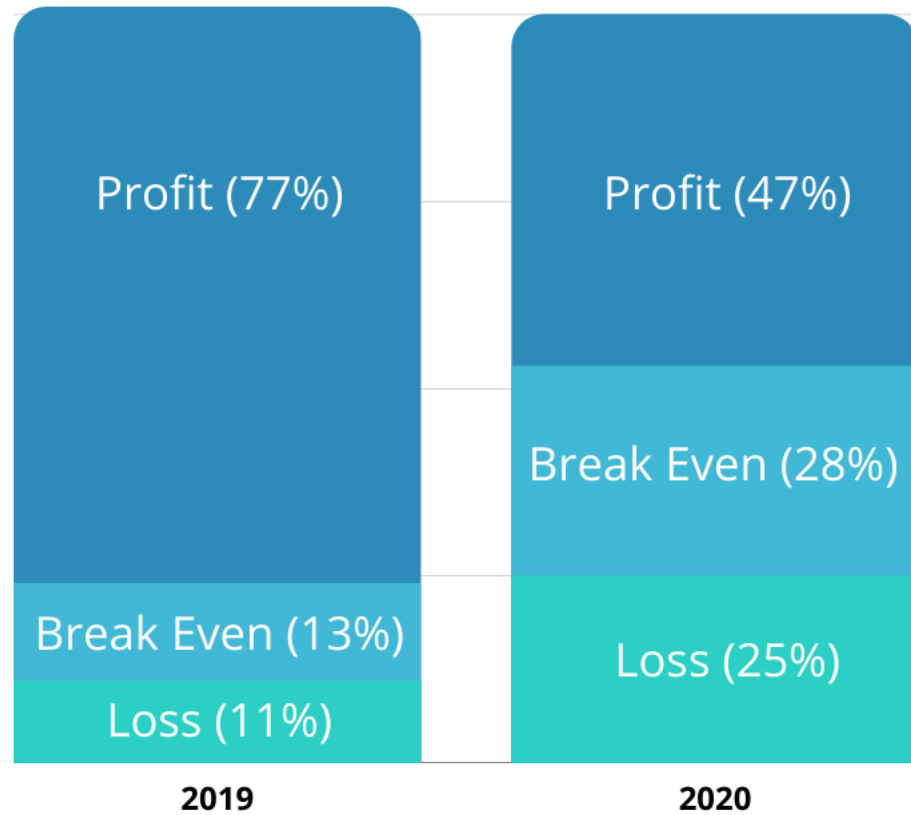
worked from home at least
sometimes in April

58%

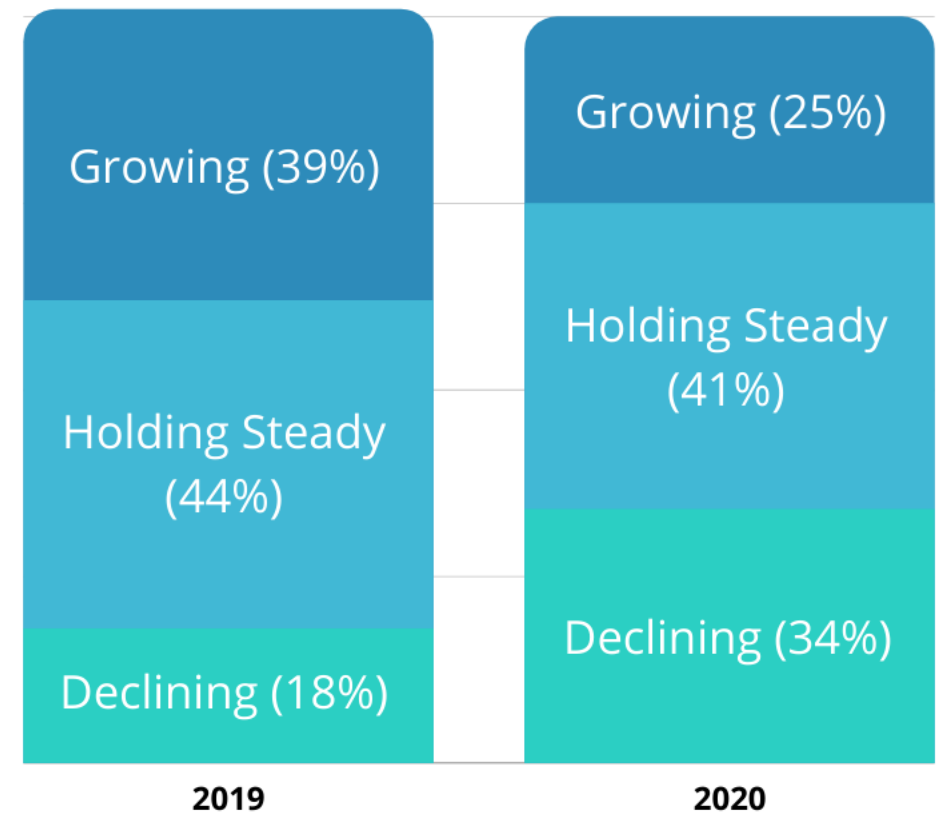
worked from home at least
sometimes in September

Significantly fewer businesses expect to be profitable in 2020, but most expect to at least break even

Business Profitability Expectations



Business Sales Growth



Source: Connecticut Business and Industry Association Business Survey 2020

The Federal Paycheck Protection Program may have mitigated some of the pandemic's effects on businesses

64,629

Number of PPP loans received
by CT businesses

\$103,952

Average loan amount to
CT businesses

\$6.72 B

Total PPP loans awarded
to CT businesses

Economists found that **PPP significantly increased** companies' employment, financial health, and continuity in the short-term, but its medium-term effects are unknown.

Source: Has the Paycheck Protection Program Succeeded?; Hubbard and Strain

Source: Small Business Administration

The background of the slide is a photograph of the Michigan State Capitol building, featuring a prominent central dome and Gothic-style architecture. The image is overlaid with a semi-transparent teal color. Centered on this background is the text "Part IV: State Budget" in a large, white, bold, sans-serif font.

Part IV: State Budget

FY 21 General Fund Summary

In Millions of Dollars

Summary	FY 21
Budgeted Balance	166.2
Revenue	
Budgeted	20,252.5
<i>Consensus Adjustment</i>	
Withholding	(487.9)
Sales & Use Tax	(342.1)
Corporations	(313.8)
Estimates & Finals / Pass-Through Entity Tax	(371.9)
Volatility Cap	301.5
Other	(201.1)
Subtotal	(1,415.3)
Expenditures	
Budgeted	20,086.3
Rescissions, CRF & Hiring Savings	155.4
Lapses ¹	370.3
Deficiencies ¹	(131.1)
Subtotal	394.6
SURPLUS/(DEFICIT)	(854.5)

¹These represent cumulative lapses and deficiencies across all General Fund accounts in all agencies.

General Fund Fixed Cost Changes and Non-Fixed Cost Reductions

In Millions of Dollars

Category	FY 21	FY 22	FY 23	FY 24
January (Pre-Pandemic) Consensus Revenue	20,317.3	19,764.1	20,091.7	20,618.0
<i>Base Shift</i>	<i>(1,480.1)</i>	<i>(1,454.2)</i>	<i>(1,293.0)</i>	<i>(1,315.4)</i>
November Consensus Revenue	18,837.2	18,309.9	18,798.7	19,302.6
Previous Year Expenditure		19,691.7	18,309.9	18,798.7
Fixed Cost Growth		685.2	652.2	415.5
Non-Fixed Cost Expenditure Reductions		<i>(2,067.0)</i>	<i>(163.4)</i>	-
Subtotal - Expenditures	19,691.7	18,309.9	18,798.7	19,214.2
BALANCE	<i>(854.5)</i>	-	-	88.4
Unadjusted Balance	<i>(854.5)</i>	<i>(2,067.0)</i>	<i>(2,230.4)</i>	<i>(2,142.0)</i>

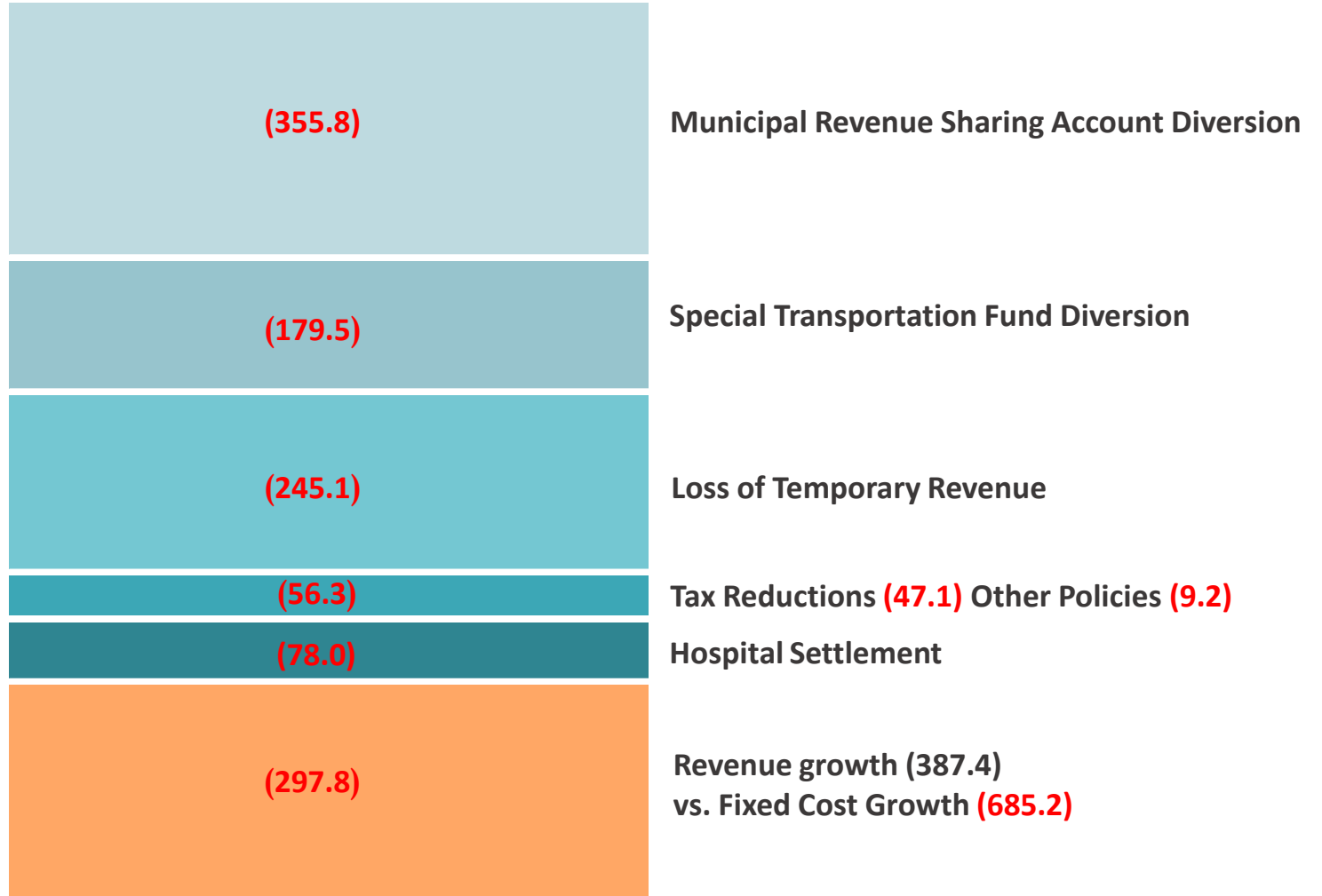
Projected Revenue Changes from FY 21 to FY 22

In Millions of Dollars

TOTAL
(1,212.5)

Revenue
Policy:
(914.7)

Structural
Imbalance:
(297.8)



Projected Deficits and Budget Reserve Fund Balances

In Millions of Dollars

Description	FY 21	FY 22	FY 23	FY 24
Budget Reserve Fund Balance at End of Year	3,012.9	2,158.4	91.4	-
Projected Deficits	(854.5)	(2,067.0)	(2,230.4)	(2,142.0)
Use of Budget Reserve Fund	854.5	2,067.0	91.4	-
Revised Deficits	-	-	(2,139.0)	(2,142.0)
Budget Reserve Fund Balance at End of Year	2,158.4	91.4	-	-

Questions?

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