



Finance Bulletin

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Economic Update

Both the U.S. and California are approaching pre-recession levels of unemployment. Labor force participation continues on a downward trend in both the U.S. and California as more of the population enters retirement. The initial estimate of U.S. real GDP growth was 1.5 percent in the third quarter, and consumer spending remained strong.

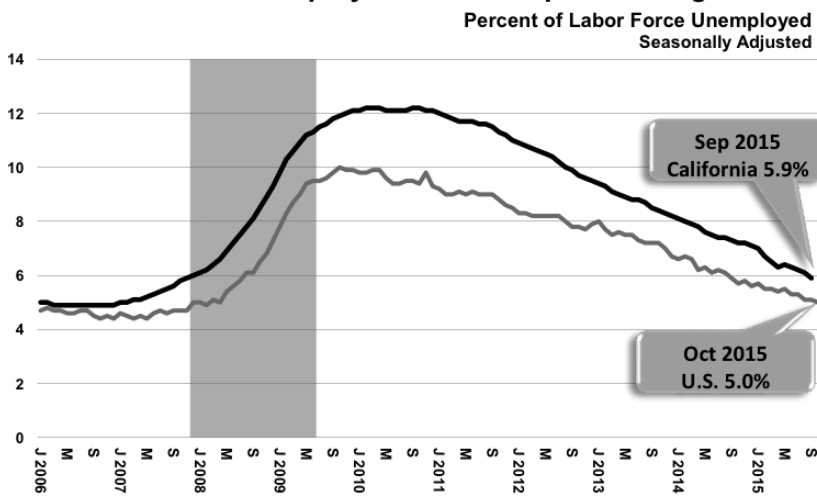
LABOR MARKET CONDITIONS

■ California's unemployment rate dropped by 0.2 percentage point to 5.9 percent in September while the U.S. unemployment rate remained at 5.1 percent in September then fell to 5 percent in October.

■ California added 8,200 nonfarm jobs in September following a 42,000-job gain in August. This was the state's smallest month-over-month gain since July 2011. Over that period, the average monthly gain has been 37,000. However, the nation added 271,000 nonfarm jobs in October after gaining 137,000 jobs in September.

■ Seven of the 11 major industry sectors added jobs. The largest job gains were in government (6,200) and information (4,900), followed by construction (2,100), professional and business services (1,200), leisure and hospitality (900), other services (600), and trade, transportation, and utilities (600). Financial activities lost 5,900—the largest job loss for this sector since July 2009. Other sectors that lost jobs include educational and health services (2,000), manufacturing (200), and mining and logging (200).

California-U.S. Unemployment Rate Gap Narrowing



Source: CA Employment Development Department, LMID

BUILDING ACTIVITY

■ California's residential permit activity rebounded in September after slowing in July and August, bringing the year-to-date average to 101,000 units. Residential permits were issued at a seasonally adjusted annual rate of 114,000 units in September—a 27-percent increase from August. The growth in multifamily permits outpaced the growth in single-family permits with about 60 percent of the permits issued for multifamily units. Residential permit valuation fell slightly by 0.8 percent while nonresidential permit valuation rose 10 percent from August.

REAL ESTATE

■ On a year-over-year basis, both sales and prices of existing single-family homes were up from September 2014. However, sales dipped by 1.5 percent from August while the statewide median price in September, at \$482,150, is 2.3 percent lower than the median price in August.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for October was \$391 million above the 2015-16 Budget Act forecast of \$6.953 billion, largely due to the early receipt of sales taxes. Year-to-date revenues are \$1.163 billion above the expected \$29.808 billion, including the early receipt of a \$300 million judgment payment that was initially expected in November.

- Personal income tax revenues to the General Fund were \$235 million above the month's forecast of \$4.882 billion. Withholding receipts were \$82 million below the forecast of \$4.404 billion. Other receipts were \$116 million higher than the forecast of \$1.411 billion. Refunds issued in October were \$206 million below the forecasted \$846 million. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in October was \$4 million above the forecast of \$87 million. Year-to-date General Fund income tax revenues are \$881 million above forecast.
- Sales and use tax receipts were \$201 million above the month's forecast of \$1.722 billion, which is mainly due to sales tax receipts expected in November shifting to October. October receipts represent a portion of the final payment for third-quarter taxable sales, which was due on November 2. Year-to-date, the sales tax cash is \$214 million above forecast.
- Corporation tax revenues were \$93 million below the month's forecast of \$268 million. Prepayments were \$27 million below the forecast of \$194 million and other payments were \$7 million higher than the \$194 million forecast. Total refunds for the month were \$74 million higher than the forecast of \$119 million. Year-to-date revenues are \$226 million below forecast.
- Insurance tax revenues were \$5 million above the month's estimate of \$15 million. Year-to-date insurance tax revenues are \$17 million above the forecasted \$609 million. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest and vehicle license fee came in \$2 million above the \$40 million that was expected. "Other" revenues were \$41 million above the month's estimate of \$26 million.

2015-16 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	OCTOBER 2015					2015-16 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$4,882	\$5,117	\$235	4.8%		\$19,521	\$20,401	\$881	4.5%
Sales & Use	1,722	1,923	201	11.7%		7,593	7,807	214	2.8%
Corporation	268	175	-93	-34.7%		1,656	1,429	-226	-13.7%
Insurance	15	20	5	35.6%		609	626	17	2.8%
Estate	0	0	0	n/a		0	1	1	n/a
Pooled Money Intere	3	1	-2	-62.0%		9	6	-3	-33.3%
Alcoholic Beverages	30	33	3	9.1%		125	121	-3	-2.7%
Tobacco	7	8	1	11.1%		29	29	1	2.8%
Vehicle License Fee	0	0	0	n/a		0	0	0	n/a
Other	26	67	41	154.4%		268	550	282	105.4%
Total	\$6,953	\$7,344	\$391	5.6%		\$29,808	\$30,971	\$1,163	3.9%

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller.

Totals may not add due to rounding. The forecast is from the 2015 Budget Act.