



# Finance Bulletin

Michael Cohen, Director

## Economic Update

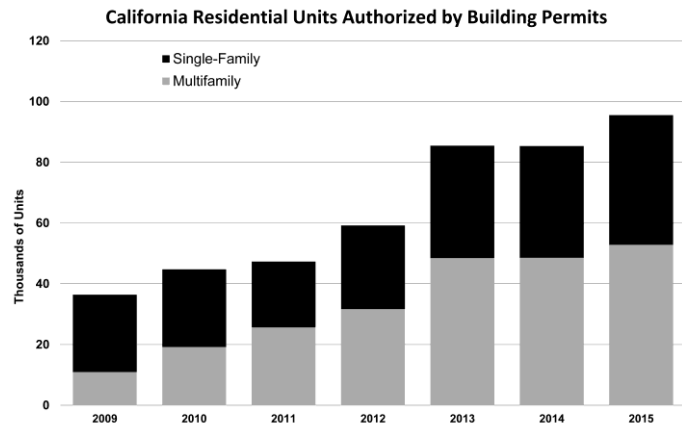
Labor market conditions in California and the U.S. improved further in 2015 while overall inflation remained low. California home building activity picked up pace in 2015 after an essentially flat 2014, while home sales ramped up in 2015 after slowing in the prior two years. U.S. real Gross Domestic Product increased 2.4 percent in 2015, matching the growth in 2014.

### LABOR MARKET CONDITIONS

- California added 60,400 jobs in December after adding just 7,200 jobs in November.
- All major industry sectors, except mining and logging, gained jobs in December. The largest gains were in professional and business service (15,800) and construction (11,200). The other growth sectors included trade, transportation, and utilities (7,700), leisure and hospitality (6,800), information (5,000), financial activities (3,900), government (3,700), other services (2,700), educational and health services (2,100), and manufacturing (1,600). Mining and logging lost 100 jobs.
- Over 2015, California gained 459,400 nonfarm jobs—on par with the state’s job gains over each of the three prior years. California’s job growth rate of 2.9 percent exceeded the U.S. growth rate of 1.9 percent. Since 2012, the state has consistently gained jobs at a faster rate than the nation as a whole.
- California’s unemployment rate increased to 5.8 percent while the U.S. unemployment rate remained unchanged at 5.0 percent in December before falling to 4.9 percent in January. Over 2015, the California and U.S. unemployment rates dropped by 1.3 and 0.6 percentage points, respectively.

### BUILDING ACTIVITY

- Residential permit issuance fell by 20 percent in December to a seasonally adjusted annual pace of 75,300 units. Permits for single-family and multifamily units dropped by 10 percent and 27 percent, respectively. Meanwhile, residential valuation grew by 5 percent while nonresidential valuation dropped by 4.8 percent in December.
- Residential building increased in 2015 by 12 percent compared to 2014, with a total of 96,000 units composed of nearly equal shares of single-family and multifamily units.
- The value of nonresidential permits rose by 17 percent to \$24.8 billion.



Source: CA Construction Industry Research Board, CA Homebuilding Foundation

### REAL ESTATE

- Sales of existing single-family homes totaled 405,530 units at a seasonally adjusted annualized rate in December. During 2015, unit sales increased by 6.4 percent and the median price rose 6.2 percent.
- The median price of existing single-family homes sold in December was \$489,310, up by 8 percent from a year earlier. The median price has been rising steadily for 46 consecutive months on a year-over-year basis.

## MONTHLY CASH REPORT

Preliminary General Fund agency cash for January was \$148 million below the 2016-17 Governor's Budget forecast of \$13.178 billion. Year-to-date revenues are \$193 million below the forecasted \$65.48 billion.

- Personal income tax revenues to the General Fund were \$172 million below the month's forecast of \$10.655 billion. Withholding receipts were \$70 million below the estimate of \$5.664 billion. Other receipts were \$237 million below the forecast of \$5.778 billion. Refunds issued in January were \$131 million below the forecasted \$596 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 November was \$3 million below the forecast of \$191 million. Year-to-date General Fund personal income tax revenues are \$161 million below forecast.
- Sales and use tax revenues were \$222 million below the month's forecast of \$2.196 billion. January receipts include a portion of the final payment for fourth quarter sales, which was due on February 1. Early February receipts indicate that a large portion of this shortfall will be made up in February. Year-to-date, sales tax revenues are \$237 million below forecast.
- Corporation tax revenues were \$203 million above the month's forecast of \$200 million. Prepayments were \$35 million above the forecast of \$276 million and other payments were \$63 million higher than the \$102 million forecast. Total refunds for the month were \$104 million lower than the forecast of \$178 million. Year-to-date revenues are \$148 million above forecast.
- Insurance tax revenues were \$2 million above the month's estimate of \$13 million. Year-to-date insurance tax revenues are \$1 million below the forecasted \$1.231 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$5 million above the \$48 million forecast. "Other" revenues were \$36 million above the month's forecast of \$67 million.

### 2015-16 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	JANUARY 2016				2015-16 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$10,655	\$10,482	-\$172	-1.6%	\$45,432	\$45,272	-\$161	-0.4%
Sales & Use	2,196	1,974	-222	-10.1%	14,297	14,060	-237	-1.7%
Corporation	200	403	203	101.2%	3,469	3,617	148	4.3%
Insurance	13	15	2	18.5%	1,231	1,230	-1	-0.1%
Estate	0	0	0	n/a	1	1	0	21.5%
Pooled Money Interest	3	4	1	30.4%	13	15	2	13.8%
Alcoholic Beverages	38	40	3	7.0%	225	228	2	1.1%
Tobacco	7	8	1	12.7%	51	52	1	2.2%
Vehicle License Fees	0	0	0	n/a	0	0	0	30.8%
Other	67	104	36	53.9%	761	812	51	6.7%
<b>Total</b>	<b>\$13,178</b>	<b>\$13,030</b>	<b>-\$148</b>	<b>-1.1%</b>	<b>\$65,480</b>	<b>\$65,286</b>	<b>-\$193</b>	<b>-0.3%</b>

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 2016-17 Governor's Budget