



Finance Bulletin

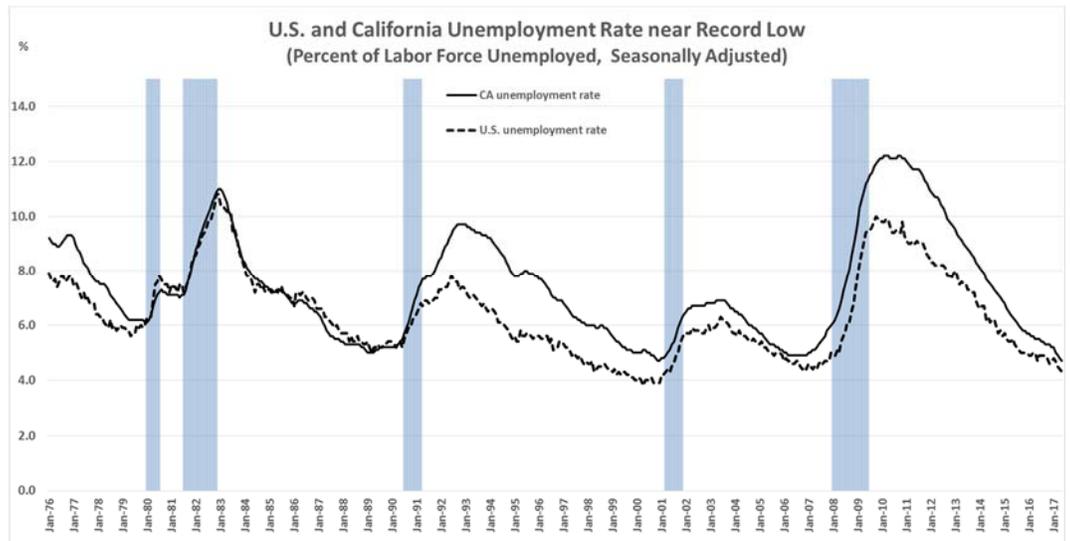
Michael Cohen, Director

Economic Update

U.S. real GDP grew by an annualized 1.2 percent in the first quarter of 2017, revised up from the first estimate of 0.7 percent. California's economy in 2016 was the sixth largest economy in the world as measured by GDP, just behind the United Kingdom and ahead of France.

LABOR MARKET CONDITIONS

■ California's unemployment rate fell by 0.1 percentage point to 4.7 percent in May, below the pre-recession low of 4.9 percent in December 2006 and tying with the historic low of 4.7 percent in November-December 2000. The U.S. unemployment rate also fell by 0.1 percentage point to 4.3 percent in May. California's labor force participation rate reached a new low of 62.0 percent.



■ Following a loss of 17,600 nonfarm payroll jobs in April (revised downward), California gained the same amount of jobs in May. Eight sectors gained jobs while three lost jobs. The largest gain was in government with 12,300 jobs, mostly from local government (11,100). Other sectors that gained jobs include information (9,600), trade, transportation, and utility (3,100), other services (1,800), financial activities (1,700), educational and health services (500), construction (300), and manufacturing (100). Leisure and hospitality lost 9,700 jobs in May, followed by professional and business services (1,700), and mining and logging (400). The professional and business services sector has been losing jobs for the past four months. California's year-over-year job growth was 1.5 percent in May, lower than the 1.6 percent in the U.S.

BUILDING ACTIVITY

■ Residential building permits rebounded to 133,000 units in April (seasonally adjusted and annualized), the highest level since March 2007, bringing the year-to-date average to 100,000 units. Among the total permits issued in April, 53,000 were for single-family units and 79,000 were for multi-family units. Total permits were up from a month and a year ago by 27.9 percent and 28.0 percent, respectively. Nonresidential construction valuation was also up from a month and a year ago by 36.9 percent and 24.5 percent, respectively, to an annualized rate of \$36.5 billion.

REAL ESTATE

■ Home sales volume totaled 406,300 in April on a seasonally adjusted annualized rate, down 2.4 percent from March and down 1.7 percent from a year ago. The statewide median home price in April was \$536,750, up 3.7 percent from March, and up 5.4 percent from April 2016.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for May was \$160 million above the 2017-18 May Revision forecast of \$7.750 billion. Year-to-date revenues, which include revisions to prior months, are \$197 million above the forecast of \$105.719 billion.

- Personal income tax revenues to the General Fund were \$53 million below the month's forecast of \$4.315 billion. Withholding receipts were \$118 million above the forecast of \$4.406 billion. Other receipts were \$168 million higher than the forecast of \$789 million. Refunds issued in May were \$340 million above the forecast of \$804 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 May was \$1 million lower than the forecast of \$77 million. Year-to-date General Fund income tax revenues are \$25 million below forecast.
- Sales and use tax receipts were \$133 million above the month's forecast of \$2.468 billion. May cash includes the remaining portion of the final payment for first quarter taxable sales, which was due April 30, as well as the first prepayment for second quarter sales and use tax liabilities. Year-to-date, sales tax revenues are \$133 million above forecast.
- Corporation tax revenues were \$46 million above the month's forecast of \$480 million. Prepayments were \$112 million above the forecast of \$182 million and other payments were \$87 million lower than the \$366 million forecast. Total refunds for the month were \$22 million below the forecast of \$68 million. Year-to-date revenues are \$50 million above forecast.
- Insurance tax revenues were \$30 million below the month's estimate of \$438 million. Year-to-date insurance tax revenues are \$31 million below the expected \$2.374 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, and pooled money interest came in \$3 million below the month's forecast of \$40 million and are up \$3 million year-to-date. "Other" revenues were \$67 million above the month's forecast of \$9 million and are also up \$67 million year-to-date.

2016-17 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	MAY 2017				2016-17 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$4,315	\$4,262	-\$53	-1.2%	\$71,792	\$71,767	-\$25	0.0%
Sales & Use	2,468	\$2,601	133	5.4%	22,700	22,833	133	0.6%
Corporation	480	526	46	9.6%	7,661	7,710	50	0.7%
Insurance	438	408	-30	-6.9%	2,374	2,343	-31	-1.3%
Estate	0	0	0	n/a	1	1	0	1.2%
Pooled Money Interest	3	6	3	87.8%	55	58	3	5.2%
Alcoholic Beverages	31	29	-3	-8.1%	343	342	-2	-0.5%
Tobacco	5	2	-3	-56.7%	74	76	2	2.7%
Other	9	76	67	706.0%	719	786	67	9.3%
Total	\$7,750	\$7,910	\$160	2.1%	\$105,719	\$105,916	\$197	0.2%

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 2017-18 May Revision.