



# Finance Bulletin

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## Economic Update

Job growth has been uneven in California, but payrolls have added 24,400 jobs on average June through August. California's merchandise exports during the first seven months of this year totaled \$97.6 billion, a 5.9-percent increase from the same months last year. U.S. real GDP grew at a 3.0-percent annual rate in the second quarter, revised up from the initial estimate of 2.6 percent.

### LABOR MARKET CONDITIONS

- California's unemployment rate rose by 0.1 percentage point to 4.8 percent in July, and another 0.3 percentage point in August to 5.1 percent. These were the first increases since September 2010, and the first back-to-back increases since the end of 2009. The U.S. unemployment rate fell by 0.1 percentage point to 4.3 percent before rising to 4.4 percent in August. California's labor force participation rate was unchanged in July and August, remaining at the historic low of 61.9 percent, while the U.S. rate stayed at 62.9 percent in August.
- California nonfarm payrolls lost 8,200 jobs in August, following a gain of 84,500 jobs in July and a loss of 3,200 in June. This brings the year-to-date monthly job growth to 17,500, well below the almost 30,000 job gains per month in 2016. Year-over-year job growth has also slowed to closer to U.S. levels of around 1.5 percent.



- Over the three months ending in August, nine of the 11 major industry sectors gained jobs on average. The largest monthly average job gains were in educational and health services (6,400), construction (4,900), and other services (4,100). Other sectors that gained jobs on average include professional and business services (2,800), trade, transportation, and utilities (2,600), leisure and hospitality (1,900), financial activities (1,300), government (500), and manufacturing (300). Information lost 300 jobs on average while mining and logging lost 100.

### BUILDING ACTIVITY

- California residential permits totaled 120,000 units on a seasonally adjusted annualized basis in July, the fifth consecutive month with more than 100,000 permits issued. While down 13 percent from the previous month, it was up 38.6 percent from the prior year. The July permits include 58,000 for single-family housing and 62,000 for multifamily housing. Residential permits averaged 110,000 in the first seven months of 2017 compared to 98,000 for the same period last year.
- The annualized value of nonresidential permits in July was \$24.3 billion. For the first seven months of 2017, nonresidential valuation was down 2.2 percent from the same period last year.

### REAL ESTATE

- California existing home sales totaled 427,630 in August on a seasonally adjusted annualized rate, up 1.5 percent from July and 1.3 percent from August 2016. The statewide median home price in August was \$565,330, the highest in a decade, up 2.9 percent from July and 7.2 percent from August 2016. All California counties have a median price above \$200,000, and only 10 of 58 counties have a median price lower or equal to the U.S. median price of \$258,300.

## Economic Update

Preliminary General Fund agency cash for August was \$281 million above the 2017-18 Budget Act forecast of \$7.593 billion. Revenues for the first two months of the fiscal year are \$476 million above the expected \$14.537 billion.

- Personal income tax revenues to the General Fund were \$109 million above the monthly forecast of \$5.092 billion. Withholding receipts were \$115 million above the forecast of \$4.845 billion. Other receipts were \$36 million higher than the forecast of \$664 million. Refunds issued in August were \$41 million higher than the expected \$326 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 August was \$2 million higher than the forecast of \$91 million. Revenues for the first two months of the fiscal year are \$143 million above forecast.
- Sales and use tax receipts were \$108 million above the monthly forecast of \$1.902 billion. August cash includes a portion of the final payment for the second quarter sales, which was due July 31. August receipts also include the first prepayment for third quarter sales. The sales tax cash is \$242 million above forecast for the first two months of the fiscal year.
- Corporation tax revenues were \$84 million above the monthly forecast of \$25 million. Prepayments were \$27 million above the forecast of \$81 million and other payments were \$5 million higher than the \$104 million forecast. Total refunds for the month were \$52 million lower than the forecast of \$160 million. Revenues for the first two months of the fiscal year are \$89 million above forecast.
- Insurance tax revenues were \$63 million below the monthly forecast of \$483 million. Revenues for the first two months of the fiscal year are \$58 million below forecast. Revenues from estate, alcoholic beverage, tobacco taxes, and pooled money interest were \$4 million above the \$42 million forecast and are up \$13 million for the first two months of the fiscal year. "Other" revenues were \$39 million above the monthly forecast of \$50 million and are up \$46 million for the first two months of the fiscal year.

### 2017-18 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	AUGUST 2017				Percent Change	2017-18 YEAR-TO-DATE		
	Forecast	Actual	Change	Change		Forecast	Actual	Change
Personal Income	\$5,092	\$5,200	\$109	2.1%		\$9,745	\$9,889	\$143
Sales & Use	1,902	2,010	108	5.7%		3,777	4,019	242
Corporation	25	110	84	334.8%		370	459	89
Insurance	483	420	-63	-13.1%		497	439	-58
Estate	0	0	0	n/a		0	0	0
Pooled Money Interest	7	12	5	79.8%		11	17	6
Alcoholic Beverages	30	28	-1	-3.9%		66	72	6
Tobacco	6	5	-1	-11.7%		11	12	0
Other	50	89	39	79.5%		60	105	46
<b>Total</b>	<b>\$7,593</b>	<b>\$7,874</b>	<b>\$281</b>	<b>3.7%</b>		<b>\$14,537</b>	<b>\$15,013</b>	<b>\$476</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 2017-18 Budget Act.