



Finance Bulletin

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Economic Update

California became the 5th largest economy in the world in 2017, just behind Germany and ahead of the United Kingdom, with \$2.75 trillion in gross domestic product. In real terms, California's growth was 3 percent for the year, compared to 2.3 percent for the U.S. U.S. real GDP in the first quarter of 2018 grew by an annualized 2.2 percent, down from the initial estimate of 2.3 percent.

LABOR MARKET CONDITIONS

- The state's unemployment rate held steady at its record low level of 4.2 percent in May while labor force participation rate fell to 62.0 percent in May. In comparison, the U.S. unemployment rate dropped to 3.8 percent in May, matching April 2000 as the lowest unemployment reading since 1969, while labor force participation rate fell to 62.7 percent in May.
- California gained 5,500 nonfarm jobs in May following a 25,600-job gain in April. Of the eleven major industry sectors, four added jobs, six lost jobs, and one reported no change in May. The largest job gain was in leisure and hospitality (7,900), followed by professional and business services (2,500), information (2,200), and other services (300). Job losses occurred in construction (2,900), trade, transportation, and utilities (1,800), educational and health services (1,100), financial activities (800), government (700), and mining and logging (100). Manufacturing reported no change. The year-over-year job growth was 1.8 percent in California and 1.6 percent in the nation.

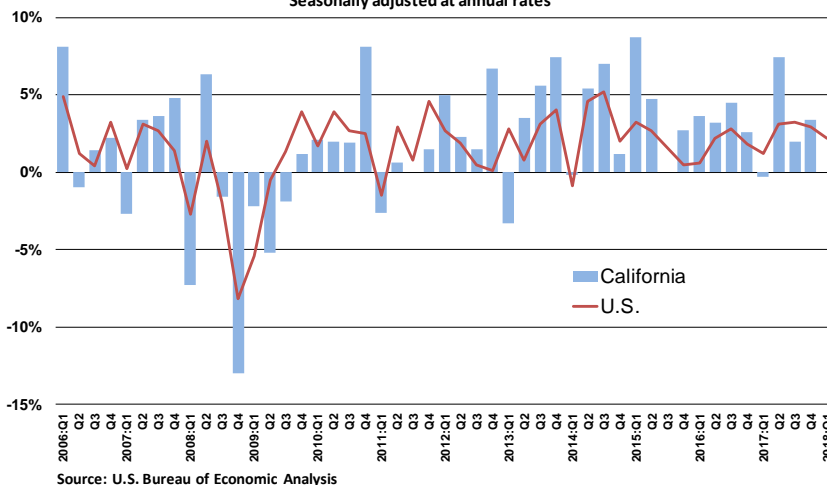
BUILDING ACTIVITY

- Residential building permits in California were issued at a seasonally adjusted annualized rate of 117,000 in April following 120,000 on average in the prior three months. The total permits issued in April were split equally between single-family and multifamily units. Nonresidential annualized valuation in April was \$29 billion following \$33 billion on average in the previous three months.

REAL ESTATE

- California sales of existing, single-family homes totaled 416,790 units at a seasonally adjusted annualized rate in April, up 2.2 percent from a year earlier. The statewide median price of existing, single family homes sold in April was \$584,460, an increase of 8.6 percent from a year earlier and near the pre-recession peak price of \$594,530 reached in May 2007. Mortgage rates for a 30-year fixed-rate loan averaged 4.47 percent in April, up from 4.44 percent in March and from 4.05 percent in April 2017.

Real Gross Domestic Product
Percent change from preceding period
Seasonally adjusted at annual rates



MONTHLY CASH REPORT

Preliminary General Fund agency cash for May was \$27 million above the 2018-19 May Revision forecast of \$7.903 billion. Year-to-date revenues, which include revisions to prior months, are \$65 million below the forecast of \$116.729 billion.

- Personal income tax revenues to the General Fund were \$516 million above the month's forecast of \$4.388 billion. Withholding receipts were \$275 million above the forecast of \$4.759 billion. Other receipts were \$99 million higher than the forecast of \$807 million. Refunds issued in May were \$151 million below the forecast of \$1.1 billion. 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 \$9 million higher than the forecast of \$79 million. Year-to-date General Fund income tax revenues are \$411 million above forecast.
- Sales and use tax receipts were \$392 million below the month's forecast of \$ 2.354 billion, reflecting both weakness and timing issues. 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.
- Corporation tax revenues were \$92 million below the month's forecast of \$650 million. Estimated payments were \$1 million above the forecast of \$306 million, and other payments were \$86 million lower than the \$400 million forecast. Total refunds for the month were \$8 million above the forecast of \$56 million. Year-to-date revenues are \$80 million below forecast.
- Insurance tax revenues were \$31 million below the month's estimate of \$458 million. Year-to-date insurance tax revenues were \$31 million below the expected \$2.457 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, and pooled money interest was \$15 million above the month's forecast of \$36 million and are up \$15 million year-to-date. "Other" revenues were \$12 million above the month's forecast of \$17 million.

2017-18 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	MAY 2018					2017-18 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$4,388	\$4,904	\$516	11.8%		\$80,411	\$80,821	\$411	0.5%
Sales & Use	2,354	\$1,962	-392	-16.7%		23,363	22,971	-392	-1.7%
Corporation	650	557	-92	-14.2%		9,358	9,279	-80	-0.9%
Insurance	458	427	-31	-6.7%		2,457	2,426	-31	-1.3%
Estate	0	0	0	n/a		1	1	0	3.8%
Pooled Money Interest	9	15	5	57.2%		142	147	5	3.7%
Alcoholic Beverages	22	30	8	36.9%		343	351	8	2.3%
Tobacco	5	6	1	22.0%		61	62	1	1.9%
Other	17	29	12	73.5%		593	605	12	2.1%
Total	\$7,903	\$7,930	\$27	0.3%		\$116,729	\$116,663	-\$65	-0.1%

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 2018-19 May Revision.