



Finance Bulletin

Ana J. Matosantos, Director

Economic Update

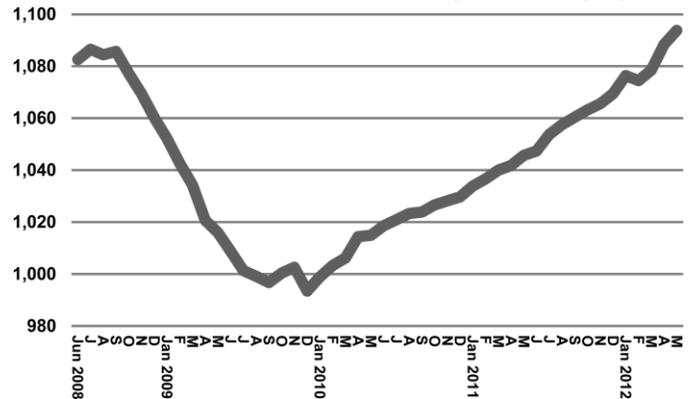
California gained jobs in May — a very positive development in light of the job loss first reported for April. In May, the state added 33,900 jobs and April’s initially reported loss of 4,200 jobs was revised up to a gain of 1,300 jobs—a 5,500-job swing. The state is still in the midst of a slow, steady recovery with modest employment growth. The state continued to add jobs in its high-paying specialties.

LABOR MARKET CONDITIONS

- Industry job gains in May were led by the leisure and hospitality sector, which added 13,200 jobs. This includes the accommodation and food service subsector, which, based on resurgent tourism and business travel, has essentially recovered all of the jobs lost during the recession.
- In May, professional and business services posted strong job gains—adding 10,500 jobs and rising 4.1 percent over the year. The high-wage professional, scientific & technical services subsector again led this growth, and in April was the first private industry subsector to regain all of the jobs lost during the recession.
- Even though financial activities has been recovering slowly—rising 1,100 in May—job growth in its real estate rental and leasing subsector has been accelerating, reflecting recent improvements in real estate activity driven by investor activity and rising demand and supply of rental properties.
- Other job gains in May included education and health services (10,500), manufacturing (3,000), construction (2,600), information (1,000), and mining and logging (200). Only three industry sectors lost jobs in May. Government dropped 3,300 jobs, as did trade, transportation and utilities. Other Services lost 1,600 jobs.
- California’s private sector is leading the recovery in employment. Private employment during the first five months of 2012 was up 1.9 percent over the same months of 2011, while government employment dropped 1.8 percent.
- The state’s unemployment rate dropped to 10.8 percent in May, with employment growth outpacing labor force growth. The number of employed Californians rose 25,000—the eleventh consecutive increase—and the number of unemployed fell 12,500.

Professional Jobs Recovered

Professional, scientific, and technical services employment
1,000s, of jobs, Seasonally Adjusted



REAL ESTATE

- Real estate markets may have begun a turnaround. In May, California home prices posted their third consecutive year-over-year gain and the statewide median price rose above \$300,000 for the first time since October 2010. The pace of existing home sales in May was the strongest since February 2009.
- Sales of existing, single-family detached homes totaled 572,260 units at a seasonally adjusted annualized rate in May, a 21.5 percent increase from a year earlier. The median price of existing, single-family homes sold in May was \$312,110, up 6.6 percent from a year earlier.
- Inventory measures also improved dramatically in May. The unsold inventory index fell to 3.5 months, the lowest inventory reading since December 2005. The median number of days needed to sell a home also fell to 46.6 days, a 10.4 percent improvement from a year earlier.

Monthly Cash Report

Preliminary General Fund agency cash for May was \$176 million below the 2012-13 May Revision forecast of \$5.445 billion. The shortfall in May tax receipts was due primarily to one-time Corporation Tax refunds of \$307 million. Without these one-time refunds, tax receipts would have been \$131 million over forecast, and year-to-date revenues would have been \$214 million over forecast. Factoring in the one-time Corporation Tax refunds, year-to-date revenues, which include revisions to prior months, are \$93 million below the estimate of \$72.599 billion.

- Personal income tax revenues to the General Fund were \$53 million above the month's forecast of \$3.070 billion. Withholding receipts were \$87 million above the estimate of \$3.326 billion and other receipts were \$49 million lower than the projected level of \$564 million. Refunds issued in May were \$9 million below the anticipated \$758 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 \$6 million below the estimate of \$62 million. Year-to-date General Fund income tax revenues are \$67 million above estimate.
 - Sales and use tax receipts were \$109 million below the month's forecast of \$1.705 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, the sales tax cash is \$52 million below expectations.
 - Corporation tax revenues were \$300 million below the month's estimate of \$253 million. The shortfall in net Corporation Tax receipts in May was due entirely to one-time refunds. Total refunds for the month were \$315 million higher than the estimate of \$81 million. Approximately \$307 million of the month's refunds were one-time in nature. They were made as the result of the resolution of disputed issues covering several prior tax years. Without these one-time refunds, Corporation Tax receipts would have been \$7 million higher than forecast. Prepayments were \$19 million above the forecast of \$184 million and other payments were \$4 million lower than the \$149 million that was anticipated. Year-to-date revenues are \$289 million below estimate.
 - Insurance tax revenues were \$106 million above the month's estimate of \$213 million. The \$106 million gain is likely due to timing and could be offset in June. Year-to-date insurance tax revenues are \$102 million above the forecasted \$1.906 billion.
- Revenues from the estate, alcoholic beverage, tobacco taxes, the vehicle license fee, and pooled money interest were \$10 million above the month's forecast of \$34 million. "Other" revenues were \$64 million above the month's estimate of \$170 million.

2011-12 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	MAY 2012				2011-12 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$3,070	\$3,123	\$53	1.7%	\$43,725	\$43,792	\$67	0.2%
Sales & Use	1,705	\$1,596	-109	-6.4%	18,240	18,188	-52	-0.3%
Corporation	253	-47	-300	-118.6%	6,398	6,109	-289	-4.5%
Insurance	213	319	106	49.8%	1,906	2,008	102	5.4%
Estate	0	0	0	0.0%	1	2	1	100.0%
Pooled Money Interest	1	2	1	100.0%	20	21	1	5.0%
Alcoholic Beverages	25	31	6	24.0%	306	315	9	2.9%
Tobacco	7	9	2	28.6%	87	90	3	3.4%
Vehicle License Fees	1	2	1	100.0%	69	70	1	1.4%
Other	170	234	64	37.6%	1,847	1,911	64	3.5%
Total	\$5,445	\$5,269	-\$176	-3.2%	\$72,599	\$72,506	-\$93	-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 2012 May Revision.

The forecast for "other" revenues reflects actual cash for July through April.