



Finance Bulletin

Ana J. Matosantos, Director

Economic Update

For the California economy, 2012 got off to a slow start. Employment indicators were contradictory—a small loss of nonfarm jobs, but the unemployment rate improved. Construction activity slowed, as did the real estate market.

LABOR MARKET CONDITIONS

- The labor market report for January was positive news. The unemployment rate dropped. Nonfarm employment fell, when one looks at the details underneath the headline number, the picture looks better.
- California's unemployment rate fell 0.3-percentage point to 10.9 percent in January—the first time the rate has been below 11.0 percent since April 2009. The rate fell by 1.2 percentage points over the year. The January rate was 1.5 percentage points lower than its recessionary high of 12.4 percent in July-October 2010.
- In January, the number of employed Californians rose by 27,800 (and by 307,200 over the year). The number of unemployed Californians fell by 40,600 (by 203,200 over the year).
- California nonfarm payrolls fell by 5,200 jobs in January—the first month-over-month loss after five consecutive job gains totaling 185,500.
- Private payrolls grew by 2,600. The government sector suffered an unusually large drop in federal employment and a loss in local government (mainly local education) employment. Private sector job growth accelerated over the last several months, adding 21,700 jobs per month on average since June 2011.
- Six major industry sectors gained jobs and five lost. The largest gains were in trade, transportation, and utilities (14,400), driven by a very large gain in retail trade employment. Other gains in January included construction (8,900), professional and business services (7,500), leisure and hospitality (2,400), manufacturing (1,700), and mining and logging (500).
- January's losses were led by an unusually large 22,900-job decline in information—the largest one-month drop on a record dating back to 1990. Other losses in January included government (7,800), educational and health services (7,300), other services (1,500), and financial activities (1,100).

BUILDING ACTIVITY

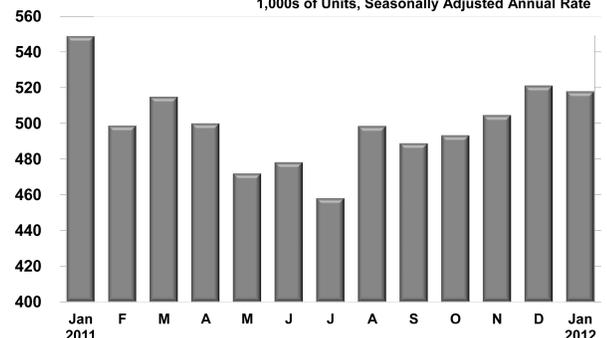
- Home building slowed sharply in January, with the pace of permitting falling 24 percent from December—the second consecutive month-over-month slowdown. In January, residential permits were issued at a seasonally adjusted annual rate of 40,230 units, down over 23 percent from a year earlier.
- Single-family permits were down 18.2 percent, while multi-family permitting was down 29 percent.
- Nonresidential building slowed slightly from December, but was up over 2 percent on a year-over-year basis.
- For the four months ending with January 2012, nonresidential permitting grew over 21 percent from the same months a year earlier. Nearly half of this growth came from alterations and additions.

REAL ESTATE

- Residential real estate conditions softened at the beginning of 2012. Sales of existing, single-family detached homes in January totaled 517,740 units at a seasonally adjusted annualized rate in January, slowing 5.7 percent from January 2011.
- The median price of existing, single-family homes sold in January slid to \$268,280, down 3.9 percent from a year earlier, due to an increase in distressed home sales.
- California's unsold inventory index ratcheted up to 5.5 months in January, from 4.1 months in December 2011. Likewise, the median number of days needed to sell a home rose to 61.9 days, up nearly 3 days from December.

Home Sales Off to a Slow Start

Sales of Existing Single-family Homes
1,000s of Units, Seasonally Adjusted Annual Rate



Monthly Cash Report

Preliminary General Fund agency cash for February was \$22 million below the 2012-13 Governor's Budget forecast of \$3.254 billion. Year-to-date revenues are \$676 million below forecast.

- Personal income tax revenues to the General Fund were \$17 million above the month's forecast of \$1.433 billion. Withholding receipts were \$224 million above the estimate of \$3.254 billion and other receipts were \$49 million above the forecast of \$301 million. The gain in receipts was substantially offset by refunds, which came in \$253 million higher than the \$2.099 billion that was expected. 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 February was \$2 million above the estimate of \$24 million. Year-to-date General Fund income tax revenues are \$615 million below estimate.
- Sales and use tax receipts were \$43 million below the month's forecast of \$1.493 billion. February cash includes the remaining portion of the final payment for fourth quarter 2011 sales, which was due at the end of January, as well as the first prepayment for first quarter 2012 sales. Year-to-date, the sales tax cash is \$7 million below forecast.
- Corporation tax revenues were \$23 million below the month's estimate of \$133 million. Prepayments were \$26 million below the forecast of \$125 million and other payments were \$6 million above the \$91 million that was expected. Refunds were \$3 million higher than the estimate of \$83 million. Year-to-date revenues are \$173 million below estimate.
- Insurance tax revenues were \$22 million above the month's estimate of -\$1 million, primarily due to the revised timeline for issuing refunds resulting from a Board of Equalization (BOE) decision in the *California Automobile Insurance Company* case (December 12, 2006). The forecast assumed that \$27 million of refunds attributable to the BOE decision would be issued this month. However, recent information indicates that refunds will be delayed. March and April are more significant months for this tax as both 2012 quarterly prepayments and 2011 final returns are due on April 1. Year-to-date insurance tax revenues are \$38 million above the forecasted \$1.046 billion. Adjusting for the delayed refunds, year-to-date revenues would be \$9 million below forecast.
- Revenues from the estate, alcoholic beverage, tobacco taxes, the vehicle license fee, and pooled money interest came in \$1 million below the \$33 million that was expected. "Other" revenues were \$6 million above the month's estimate of \$163 million.

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

(Dollars in Millions)

Revenue Source	FEBRUARY 2012				2011-12 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$1,433	\$1,450	\$17	1.2%	\$31,534	\$30,919	-\$615	-2.0%
Sales & Use (See text above)	1,493	1,450	-43	-2.9%	13,352	13,345	-7	-0.1%
Corporation	133	110	-23	-17.3%	3,523	3,350	-173	-4.9%
Insurance	-1	21	22	-2200.0%	1,046	1,084	38	3.6%
Estate	0	1	1	n/a	0	1	1	n/a
Pooled Money Interest	2	0	-2	-100.0%	18	14	-4	-22.2%
Alcoholic Beverages	20	22	2	10.0%	225	231	6	2.7%
Tobacco	7	7	0	0.0%	65	66	1	1.5%
Vehicle License Fees	4	2	-2	-50.0%	68	64	-4	-5.9%
Other	163	169	6	3.7%	1,355	1,436	81	6.0%
Total	\$3,254	\$3,232	-\$22	-0.7%	\$51,186	\$50,510	-\$676	-1.3%

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 2012-13 Governor's Budget.