



Finance Bulletin

Michael Cohen, Director

Economic Update

California's labor market continues to strengthen and the housing market continues to improve. Job gains have been consistently strong on a year-over-year basis since 2012. Meanwhile, the median price of homes reached its highest level in almost eight years. The final estimate for the first quarter of 2015 U.S. real GDP was a negative 0.2 percent—a much smaller decrease than previously estimated.

LABOR MARKET CONDITIONS

- Although California added over 54,000 jobs, its unemployment rate inched up by 0.1 percentage point to 6.4 percent in May. This was the first increase in the state's unemployment rate since November 2010 and was driven mostly by more people joining the labor force. California's labor force participation rate increased by 0.2 percentage point to 62.5 percent, the highest since August 2013. The U.S. unemployment rate also increased by 0.1 percentage point to 5.5 percent in May, driven by higher labor force participation. However, the U.S. unemployment rate fell to 5.3 percent in June, due partly to reduced participation.
- California added 54,200 nonfarm jobs in May, following a downwardly revised 17,200-job gain in April. Five industry sectors gained jobs while six lost jobs, although the gains were large and the losses were small. The sector with the largest job gain was professional and business services (21,300), followed by educational and health services (15,700), leisure and hospitality (11,000), trade, transportation, and utility (8,600), and construction (6,100). Information had the most job loss (3,900), followed by government (1,500), other services (1,100), financial activities (1,000), mining and logging (700), and manufacturing (300).



BUILDING ACTIVITY

- In May, residential construction permits in California fell 15 percent from April to a seasonally adjusted annual pace of 85,000 units. Permits for single-family units dipped 7.8 percent to 45,000 units while multifamily permits dropped 22 percent to 40,000 units. For the first five months of 2015, residential permits averaged 101,000, up 18 percent from the same period in 2014. Meanwhile, the value of nonresidential construction dropped 3.9 percent in May compared with a year earlier.

REAL ESTATE

- Existing single-family home sales totaled 423,360 units at a seasonally adjusted annualized rate in May—down 1.1 percent from April but up 8.9 percent from May 2014. This was the fourth consecutive month to post a year-over-year increase in sales. The statewide median home price in May was \$485,830, up 0.8 percent from April and 4.4 percent from May 2014.
- According to a new housing market indicator measuring sales-to-list price ratio, homes statewide in general are selling below the list price, except in the San Francisco Bay Area where homes are selling above original asking prices due to limited supply.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for June was \$815 million above the 2015-16 Budget Act forecast of \$16.093 billion. Year-to-date revenues are \$732 million above the forecast of \$114.124 billion. June cash receipts represent the second estimated payment of 40 percent of liability due mid-month for personal income tax filers and calendar-year corporations.

- Personal income tax revenues to the General Fund were \$737 million above the month's forecast of \$10.232 billion. Withholding receipts were \$344 million above the forecast of \$3.774 billion. Other receipts were \$435 million higher than the forecast of \$6.936 billion. Refunds issued in June were \$30 million above the forecasted \$296 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 June was \$13 million higher than the forecast of \$183 million. Year-to-date General Fund income tax revenues are \$624 million above forecast.
- Sales and use tax receipts were \$35 million above the month's forecast of \$2.443 billion. June cash includes the second prepayment for second quarter taxable sales, which was due June 24, and covers taxable sales activity from May 1 to June 15. Year-to-date, sales tax revenues are \$40 million above forecast.
- Corporation tax revenues were \$1 million above the month's forecast of \$2.664 billion. Prepayments were \$136 million below the forecast of \$2.608 billion and other payments were \$93 million higher than the \$142 million forecast. Total refunds for the month were \$45 million lower than the forecast of \$87 million. Year-to-date revenues are \$9 million below forecast.
- Insurance tax revenues were \$43 million below the \$176 million estimated for June. Year-to-date revenues are \$36 million below the forecasted \$2.486 billion. Revenues from the estate, alcoholic beverage and tobacco taxes, and pooled money interest came in \$3 million above the \$41 million that was expected. "Other" revenues were \$82 million above the month's estimate of \$537 million.

2014-15 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	JUNE 2015				2014-15 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$10,232	10,968	\$737	7.2%	\$75,640	\$76,264	\$624	0.8%
Sales & Use	2,443	2,478	35	1.4%	23,815	23,855	40	0.2%
Corporation	2,664	2,665	1	0.0%	10,268	10,259	-9	-0.1%
Insurance	176	134	-43	-24.1%	2,486	2,450	-36	-1.5%
Estate	0	0	0	n/a	3	3	1	22.4%
Pooled Money Interest	4	5	1	16.2%	19	18	-1	-4.8%
Alcoholic Beverages	30	31	1	2.1%	354	356	2	0.6%
Tobacco	7	8	1	19.4%	85	88	2	2.5%
Vehicle License Fees	0	0	0	0.0%	0	0	0	0.0%
Other	537	619	82	15.3%	1,453	1,563	109	7.5%
Total	\$16,093	\$16,908	\$815	5.1%	\$114,124	\$114,855	\$732	0.6%

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 2015 Budget Act.