



Finance Bulletin

Michael Cohen, Director

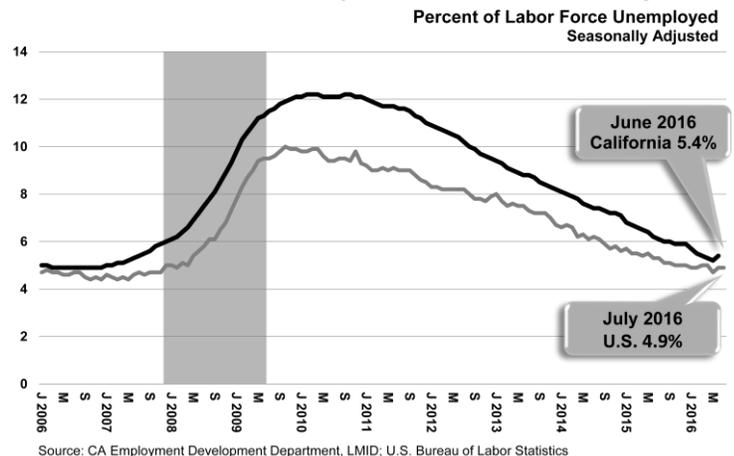
Economic Update

U.S. real GDP grew by an annual rate of 1.2 percent in the second quarter of 2016, slightly faster than 0.8 percent growth in the first quarter but slower than the 2.6 percent growth in 2015.

LABOR MARKET CONDITIONS

- California's unemployment rate increased by 0.2 percentage point to 5.4 percent in June, the first increase since September 2010. The nation's unemployment rate also increased by 0.2 percentage point to 4.9 percent in June and remained unchanged in July. The labor force for both continued to increase, with young workers in particular joining the labor market.
- California added 40,300 nonfarm jobs in June, following an upwardly revised gain of 27,500 jobs in May. This brings the monthly average job gain for the first half of 2016 to 30,900, only slightly slower than the 34,600 monthly average in the first half of 2015.
- Seven industry sectors added jobs and four lost jobs in June. The largest gain was in leisure and hospitality (14,900), followed by professional and business services (11,300), government (9,000), educational and health services (8,200), manufacturing (3,600), financial activities (2,800), and mining and logging (100). The sectors that lost jobs were trade, transportation and utilities (3,600), information (3,200), construction (2,100), and other services (700).

California-U.S. Unemployment Rate Gap Narrowing



BUILDING ACTIVITY

- Following the highest year-to-date residential construction permits of 117,000 units in May, housing permits decreased by 32.4 percent in June to an annualized total of 79,000 units. Permits for both single-family and multi-family units were down by 12.3 percent to 42,000 and 46.5 percent to 37,000 from May, respectively. The average for the first half of 2016 was 97,000, roughly the same as the first-half average for 2015 of 99,000. Nonresidential construction valuation fell by 7.4 percent in June to \$26.7 billion, but was up 3.5 percent from June 2015.

REAL ESTATE

- Sales of existing single-family homes increased by 10 percent since May to a seasonally adjusted annualized rate of 450,960 units, it was the highest month-over-month growth since January 2011. The 2016 six-month average home sales was 410,475 units.
- The statewide median price of existing single-family homes sold in June fell slightly by 0.1 percent to \$519,440, a 5.5 percent increase from a year ago, and about \$75,000 off the pre-recession peak of \$594,530 reached in May 2007.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for July was \$330 million below the 2016-17 Budget Act forecast of \$6.556 billion.

- Personal income tax revenues to the General Fund were \$278 million below the month's forecast of \$4.665 billion. Withholding receipts were \$247 million below the forecast of \$4.383 billion. Other receipts were \$68 million lower than the forecast of \$668 million. July is not a significant month for estimated or final income tax payments. Refunds issued in July were \$32 million lower than the forecasted \$303 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 July was \$5 million lower than the forecast of \$84 million.
- Sales and use tax receipts were \$22 million above the month's forecast of \$1.494 billion. July represents a portion of the final payment for second quarter taxable sales, which was due August 1.
- Corporation tax revenues were \$57 million below the month's forecast of \$277 million. Prepayments were \$90 million below the forecast of \$271 million and other payments were \$20 million higher than the \$86 million forecast. Total refunds for the month were \$14 million lower than the forecast of \$80 million.
- On net, revenues from insurance, estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fees were equal to the \$63 million forecast. "Other" revenues were \$16 million below the month's forecast of \$57 million.

2016-17 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	JULY 2016					2016-17 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$4,665	4,387	-\$278	-6.0%		\$4,665	\$4,387	-\$278	-6.0%
Sales & Use	1,494	1,516	22	1.5%		1,494	1,516	22	1.5%
Corporation	277	220	-57	-20.7%		277	220	-57	-20.7%
Insurance	17	15	-3	-14.7%		17	15	-3	-14.7%
Estate	0	0	0	0.0%		0	0	0	0.0%
Pooled Money Interest	2	3	1	26.4%		2	3	1	26.4%
Alcoholic Beverages	37	39	2	5.0%		37	39	2	5.0%
Tobacco	7	7	0	2.1%		7	7	0	2.1%
Other	57	41	-16	-28.3%		57	41	-16	-28.3%
Total	6,556	6,226	-330	-5.0%		6,556	6,226	-330	-5.0%

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 2016-17 Budget Act.