



Finance Bulletin

Michael Cohen, Director

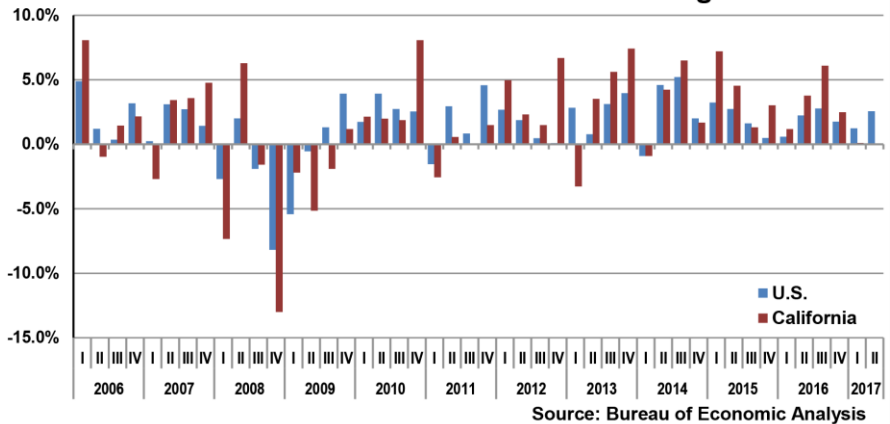
Economic Update

U.S. real GDP grew by 2.6 percent in the second quarter of 2017, following 1.2-percent growth in the first quarter. California's real GDP rose by 0.1 percent in the first quarter of 2017, following 2.9-percent annual growth in 2016.

LABOR MARKET CONDITIONS

- California's unemployment rate held steady at 4.7 percent in June, only 0.3 percentage point higher than the U.S. The U.S. unemployment rate fell by 0.1 percentage point to 4.3 percent in July. California's labor force participation rate fell by 0.1 percentage point to a new record low of 61.9 percent in June.
- California lost 1,400 nonfarm jobs in June after gaining 24,800 jobs in May. With the loss of 17,600 jobs in April, the average job gain in the second quarter was 1,900 per month. An average of 10,900 jobs per month were added in the first half of 2017, lower than the 35,100 average pace in the first half of 2012 through 2016. Year-over-year job growth in June was 1.6 percent, the same as U.S. growth.
- Six industry sectors added jobs while five lost jobs in June. Job gains were led by professional and business services (9,100) and construction (8,100). Other growth sectors were financial activities (2,500), leisure and hospitality (1,200), mining and logging (300), and educational and health services (300). Job losses were led by government (8,800) largely in local government education, information (8,100), and manufacturing (5,000), followed by other services (800), and trade, transportation, and utilities (200).

Real Gross Domestic Product (GDP)
Quarter-to-Quarter Annualized Change



BUILDING ACTIVITY

- Housing permits rose by 65 percent from a year ago in June to a seasonally adjusted annual rate of 146,000 units, bringing the first half of 2017 average to 109,000, higher than the 99,000 units in the first half of 2016. Single-family permits increased by 33.5 percent from a year ago to 60,000 units. Multifamily permits rose by 97.4 percent from a year ago to 86,000 units in June — the highest level since February 2003.
- Residential valuation also rose by 39 percent from a year ago in June to an annualized rate of \$38.7 billion. Compared to the first half of 2016, residential valuation increased by \$3.2 billion in the first half of 2017. Nonresidential valuation rose by 12.7 percent from a year ago to an annualized rate of \$31.6 billion. Nonresidential valuation in the first half of 2017 was down by \$0.4 billion from the same period last year.

REAL ESTATE

- The statewide median home sales price was \$555,150 in June, up by 0.9 percent from a month earlier and 7.0 percent from a year ago. The year-over-year median home price growth was 6.3 percent for the first half of 2017, higher than the 5.6 percent and 6.1 percent in the first half of 2016 and 2015, respectively.
- The number of existing single-family homes sold in California on an annualized basis was 443,150 in June, 3.3 percent higher than in May and 2.4 percent higher than a year ago. The first-half year growth from the first half of 2016 averaged at 3.3 percent over the same period a year ago.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for July was \$190 million above the 2017-18 Budget Act forecast of \$6.944 billion.

- Personal income tax revenues to the General Fund were \$34 million above the month's forecast of \$4.654 billion. Withholding receipts were \$16 million below the forecast of \$4.388 billion. Other receipts were \$24 million higher than the forecast of \$631 million. July is not a significant month for estimated or final income tax payments. Refunds issued in July were \$27 million lower than the forecasted \$282 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 \$1 million higher than the forecast of \$83 million.
- Sales and use tax receipts were \$136 million above the month's forecast of \$1.875 billion. July includes the final payment for second quarter taxable sales, which was due July 31.
- Corporation tax cash receipts were \$1 million below the month's forecast of \$345 million. Prepayments were \$52 million above the forecast of \$253 million and other payments were \$18 million lower than the \$168 million forecast. Total refunds for the month were \$34 million above the forecast of \$76 million.
- Insurance tax cash receipts were \$5 million above the month's forecast of \$14 million. Cash receipts from estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fees were \$10 million above the month's forecast of \$46 million. "Other" revenues were \$6 million above the month's forecast of \$10 million.

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

(Dollars in Millions)

| Revenue Source | JULY 2017 | | | | | 2017-18 YEAR-TO-DATE | | | |
|-----------------------|----------------|----------------|--------------|----------------|--|----------------------|----------------|--------------|----------------|
| | Forecast | Actual | Change | Percent Change | | Forecast | Actual | Change | Percent Change |
| Personal Income | \$4,654 | \$4,688 | \$34 | 0.7% | | \$4,654 | \$4,688 | \$34 | 0.7% |
| Sales & Use | 1,875 | 2,011 | 136 | 7.3% | | 1,875 | 2,011 | 136 | 7.3% |
| Corporation | 345 | 344 | -1 | -0.2% | | 345 | 344 | -1 | -0.2% |
| Insurance | 14 | 19 | 5 | 37.3% | | 14 | 19 | 5 | 37.3% |
| Estate | 0 | 0 | 0 | 0.0% | | 0 | 0 | 0 | 0.0% |
| Pooled Money Interest | 4 | 5 | 1 | 31.9% | | 4 | 5 | 1 | 31.9% |
| Alcoholic Beverages | 37 | 44 | 7 | 19.5% | | 37 | 44 | 7 | 19.5% |
| Tobacco | 6 | 7 | 1 | 19.1% | | 6 | 7 | 1 | 19.1% |
| Other | 10 | 17 | 6 | 61.5% | | 10 | 17 | 6 | 61.5% |
| Total | \$6,944 | \$7,134 | \$190 | 2.7% | | \$6,944 | \$7,134 | \$190 | 2.7% |

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 2017-18 Budget Act.