



Finance Bulletin

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Economic Update

California real GDP rose by 2.1 percent in the second quarter of 2017, following 0.6-percent growth in the first quarter on an annualized basis. In comparison, U.S. real GDP rose by 3.3 percent in the third quarter, 3.1 percent in the second quarter, and 1.2 percent in the first quarter. Consumer prices overall increased in October from a year ago by 3.0 percent in California and 2.0 in the nation, with housing costs as the main driver, up 4.5 percent in California and 3.2 percent in the nation.

LABOR MARKET CONDITIONS

- California's seasonally adjusted unemployment rate fell by 0.2 percentage point to 4.9 percent in October 2017. While this rate equaled the pre-recession low from March to December 2006, it remained 0.2 percentage point higher than the 4.7 percent in May and June of this year. The U.S. unemployment rate decreased 0.1 percentage point to 4.1 percent in October and held steady in November, remaining at a 17-year low.
- The state's labor force expanded for the third consecutive month, rising an average 73,000 persons over the three months ending in October. California's labor force participation rate in October rose 0.1 percentage point to 62.4 percent—the state's highest participation rate since November 2014. The nation's labor force participation rate fell 0.4 percentage point to 62.7 percent in October and was unchanged in November.
- California gained 31,700 non-farm jobs in October, following September's 50,300-job increase. Although there were job losses in April, June, and August, the state's average monthly job gain year-to-date is 22,000 jobs.
- Six of the eleven major industry sectors added jobs, four lost jobs, and one had no change in employment. Leisure and hospitality (15,300) added the most, followed by educational and health services (8,500), and government (4,800). Other growth sectors include trade, transportation, and utilities (2,700), financial activities (2,500), and construction (1,900). The sectors that lost the most jobs were other services (1,900) and information (1,700), followed by professional and business services (300) (driven by the 5,200-job loss in the administrative, support and waste subsector) and manufacturing (100). Employment in mining and logging was unchanged.

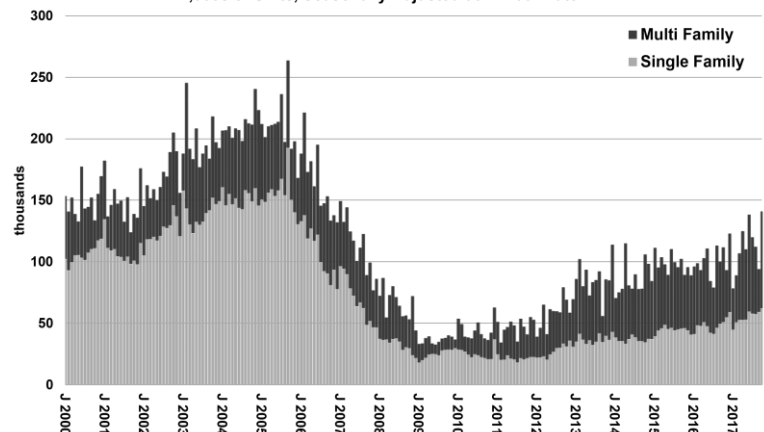
BUILDING ACTIVITY

- California housing permits jumped to their highest level since March 2007 with 141,000 permits issued in October 2017 on a seasonally adjusted annualized basis. Multifamily housing permits led the gains, rising 127 percent to 79,000 units, while single-family housing permits rose 4.9 percent to 62,000 units. Through the first ten months of 2017, California housing permits averaged 112,000 units, 11.4 percent above last year's year average.
- Nonresidential valuation also gained in October to an annualized rate of \$29.3 billion with the year-to-date average at \$27.9 billion, 1.9 percent above last year's average.

REAL ESTATE

- California's existing single-family home sales in October rose 0.8 percent from September to a seasonally adjusted annualized rate of 431,020 units, 3.4 percent below last year's sales volume.
- October's statewide median home price was \$546,430, down 1.6 percent from September but up 6.1 percent from October 2016. In comparison, the U.S. median home price in October was \$247,000. The gap between U.S. and California home prices has widened from 7 percent in 1970 to more than 120 percent in October 2017.

California Residential Units Authorized by Building Permits
1,000s of Units, Seasonally Adjusted at Annual Rate



Source: Construction Industry Research Board; California Homebuilding Foundation; Department of Finance

MONTHLY CASH REPORT

Preliminary General Fund agency cash for November was \$85 million below the 2017-18 Budget Act forecast of \$7.294 billion. Year-to-date revenues are \$588 million above the forecast of \$40.489 billion.

- Personal income tax revenues to the General Fund were \$86 million below the month's forecast of \$4.857 billion. Withholding receipts were \$3 million above the estimate of \$4.806 billion. Other receipts were \$57 million above the forecast of \$666 million. Refunds issued in November were \$148 million above the forecasted \$528 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 November was \$2 million below the forecast of \$87 million. Year-to-date General Fund income tax revenues are \$6 million below forecast.
- Sales and use tax receipts were \$48 million below the month's forecast of \$2.003 billion. November cash includes a portion of the final payment for third quarter sales, as well as the first prepayment for fourth quarter sales. Year-to-date sales tax revenues are \$321 million above forecast.
- Corporation tax revenues were projected at -\$108 million, but instead were -\$20 million for a net gain of \$88 million. Prepayments were \$11 million above the forecast of \$98 million and other payments were \$48 million lower than the \$224 million forecast. Total refunds for the month were \$125 million lower than the forecast of \$430 million. Year-to-date revenues are \$227 million above forecast.
- Insurance tax revenues were \$59 million below the month's forecast of \$451 million. Year-to-date insurance tax revenues are \$70 million below the forecast of \$1.078 billion. Revenues from alcoholic beverage, tobacco, and pooled money interest taxes came in \$1 million above the \$44 million forecast and are up \$33 million year-to-date. "Other" revenues were \$19 million above the month's forecast of \$47 million and are up \$84 million year-to-date.

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

(Dollars in Millions)

Revenue Source	NOVEMBER 2017					2017-18 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$4,857	\$4,771	-\$86	-1.8%		\$27,544	\$27,538	-\$6	0.0%
Sales & Use	2,003	1,955	-48	-2.4%		9,926	10,247	321	3.2%
Corporation	-108	-20	88	81.5%		1,557	1,784	227	14.6%
Insurance	451	392	-59	-13.1%		1,078	1,008	-70	-6.5%
Estate	0	0	0	n/a		0	0	0	n/a
Pooled Money Interest	7	8	1	12.8%		33	56	23	68.2%
Alcoholic Beverages	32	32	0	0.4%		163	172	9	5.8%
Tobacco	5	5	0	-1.9%		28	29	1	2.4%
Other	47	66	19	40.3%		160	244	84	52.1%
Total	\$7,294	\$7,208	-\$85	-1.2%		\$40,489	\$41,077	\$588	1.5%

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.