



Finance Bulletin

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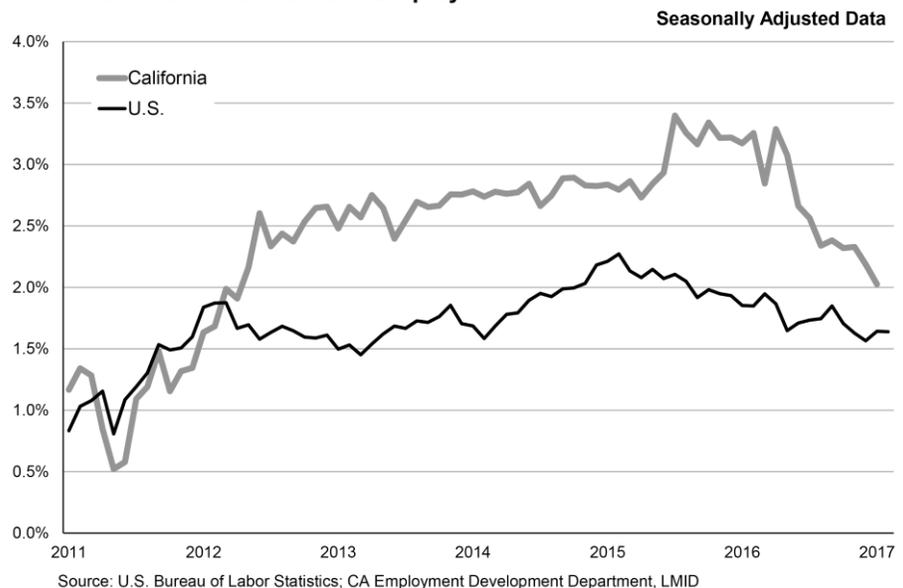
Economic Update

U.S. consumer price inflation rose 2.5 percent in January from a year ago, the fastest year-over-year growth since early 2012. Employment in California and the nation continued to grow, albeit more slowly than in 2016.

LABOR MARKET CONDITIONS

- California's unemployment rate fell by 0.1 percentage point to 5.1 percent in January, only 0.2 percentage point higher than the pre-recession low of 4.9 percent in December 2006. The U.S. unemployment rate rose by 0.1 percentage point to 4.8 percent in January before falling back to 4.7 percent in February.
- The labor force participation rate held steady at 62.2 percent in California in January. It rose by 0.2 percentage point to 62.9 percent for the U.S., before rising again by 0.1 percentage point in February.
- California added 9,700 jobs in January, well below the monthly average gain of 30,000 jobs in 2016. Seven sectors gained jobs while four lost jobs. Educational and health services gained the most (19,800), followed by professional and business services (12,500), information (7,200), financial activities (1,700), government (900), other services (400), and manufacturing (200). The sector losing the most jobs was trade, transportation and utilities (down 21,100), followed by construction (6,900), leisure and hospitality (4,700), and mining and logging (300).
- California's year-over-year job growth was 2.0 percent in January, higher than the 1.6 percent in the U.S. but significantly slower than the 2.7-percent monthly average in 2016.
- The benchmark revision showed that over the course of 2016, California's labor force participation rate rose by 0.1 percentage point to 62.2 percent while the U.S. held steady at 62.7 percent.

Year-Over-Year Percent Change
California and U.S. Nonfarm Employment



BUILDING ACTIVITY

- California added 82,000 housing permits in January at a seasonally adjusted annualized rate, lower than the 100,000 total permits in 2016. In January, 46,000 units were single-family and 35,000 units were multi-family. Both numbers were down from a month ago by 21.3 percent and 37.8 percent, respectively.
- Nonresidential valuation was also down by 4.3 percent to \$26.1 billion on a seasonally adjusted annualized basis in January from a month ago, and lower than the \$26.7 billion total nonresidential valuation in 2016.

REAL ESTATE

- Sales of existing single-family homes in California rose in January, with sales volume up from both the previous month and year by 2.1 percent and 4.4 percent respectively to a seasonally adjusted annualized rate of 420,100 units, slightly higher than the monthly average of 418,570 units in 2016.
- The statewide median home price in January fell by 3.8 percent from last month to a seasonally-adjusted \$489,580 in January. Although the price was still 4.8 percent higher from a year ago, the January price was lower than the 2016 average of \$501,560.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for February was \$256 million below the 2017-18 Governor's Budget forecast of \$5.186 billion. Year-to-date revenues are \$253 million below the forecast of \$73.664 billion.

- Personal income tax revenues to the General Fund were \$50 million below the month's forecast of \$2.811 billion. Withholding receipts were \$220 million above the forecast of \$4.628 billion. However, refunds issued in February were \$252 million higher than the forecast of \$2.294 billion. Other receipts were \$20 million below the forecast of \$527 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 February was \$1 million below the forecast of \$50 million. Year-to-date General Fund income tax revenues are \$259 million below forecast.
- Sales and use tax receipts were \$166 million below the month's forecast of \$1.973 billion. February cash includes a portion of the final payment for fourth quarter 2016 sales, as well as the first prepayment for the first quarter 2017 sales. Year-to-date revenues are \$226 million below forecast.
- Corporation tax revenues were \$77 million below the month's forecast of \$259 million. Prepayments were \$6 million below the forecast of \$110 million and other payments were \$102 million lower than the \$238 million forecast. Total refunds for the month were \$31 million below the forecast of \$90 million. Year-to-date revenues are \$106 million above forecast.
- Insurance tax revenues were \$1 million below the month's estimate of \$29 million. Year-to-date insurance tax revenues are \$20 million above forecast. Revenues from the estate, alcoholic beverage, tobacco, and pooled money interest taxes were \$2 million above the month's forecast and are up \$4 million year-to-date. "Other" revenues were \$36 million above the month's forecast of \$82 million and are up \$103 million year-to-date.

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

(Dollars in Millions)

Revenue Source	FEBRUARY 2017					2016-17 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$2,811	\$2,761	-\$50	-1.8%		\$50,752	\$50,492	-\$259	-0.5%
Sales & Use	1,973	1,807	-166	-8.4%		17,119	16,893	-226	-1.3%
Corporation	259	182	-77	-29.6%		3,723	3,829	106	2.8%
Insurance	29	28	-1	-0.8%		1,223	1,243	20	1.6%
Estate	0	0	0	0.0%		0	1	0	38.2%
Pooled Money Interest	3	4	1	23.5%		35	35	1	2.0%
Alcoholic Beverages	23	24	1	3.2%		253	256	3	1.0%
Tobacco	6	6	0	-4.4%		56	56	1	1.0%
Other	82	117	36	43.9%		503	606	103	20.4%
Total	\$5,186	\$4,930	-\$256	-4.9%		\$73,664	\$73,411	-\$253	-0.3%

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 2017-18 Governor's Budget.