



Finance Bulletin

Michael Cohen, Director

Economic Update

The U.S. unemployment rate fell by 0.2 percentage point to 4.2 percent in September, accompanied by a higher labor force participation rate. U.S. real GDP growth for the second quarter was 3.1 percent at an annual rate, following growth of 1.2 percent in the first quarter. California's personal income grew by 3.4 percent in the second quarter compared with 2.9 percent for U.S. personal income.

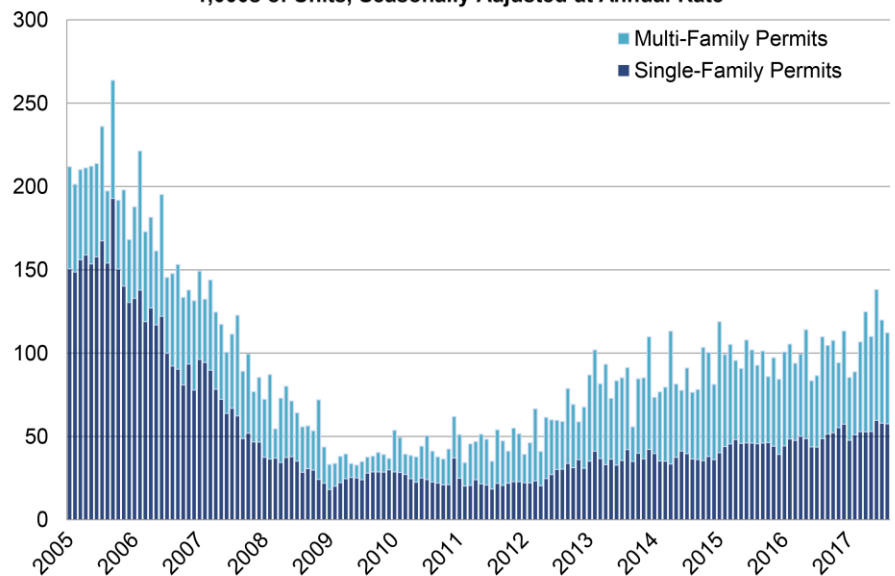
PERSONAL INCOME

- The nominal levels of personal income in California were revised higher for all quarters going back to 2014, and annual 2016 personal income was higher by around \$18 billion, up around 0.8 percent from the previous estimate. The personal income growth rate in 2014 was revised up from 6.2 percent to 6.7 percent, with an upward revision from 6.4 percent to 7.4 percent for 2015. The growth rate for 2016 was revised down to 3.7 percent from 4.3 percent.
- California's total personal income grew by 3.4 percent on a year-over-year basis in the second quarter after increasing 4.1 percent in the first quarter, while U.S. total personal income increased by 2.9 percent in the second quarter following a 3.2-percent growth in the first quarter.

BUILDING ACTIVITIES

- In 2015, more than half of the California households dedicated 30 percent or more of their monthly gross income to housing, and about half of these households dedicated 50 percent or more to housing.
- In 2015, California's shelter inflation (including both rents and the homeowner's equivalent) rose 4.2 percent while overall inflation excluding shelter fell 0.1 percent. Between 2005 and 2015, California's shelter inflation increased 28.9 percent while overall inflation excluding shelter rose 19.9 percent.
- California residential permits totaled 112,000 units on a seasonally adjusted annualized basis in August, the sixth consecutive month with more than 100,000 permits issued. This brought the year-to-date average to 111,000 units, the highest since 2008 over the same period.
- Total permits were up 2.2 percent from a year ago, with 58,000 for single-family housing and 55,000 for multifamily housing.
- The annualized value of nonresidential permits in August was \$23.6 billion, down 2.8 percent from a month ago and up 2.4 percent from a year ago.
- The state is expected to add around 340,000 residents in 2017. According to Census data, between 2005 and 2015, California added 328 units for each 1,000 new residents. The rest of the U.S. added 423 units per 1,000 new residents during the same time period.

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



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

MONTHLY CASH REPORT

Preliminary General Fund agency cash for September was \$190 million above the 2017-18 Budget Act forecast of \$10.645 billion. Year-to-date revenues are \$666 million above the expected \$25.181 billion.

- Personal income tax revenues to the General Fund were \$9 million above the month's forecast of \$7.622 billion. Withholding receipts were \$75 million above the forecast of \$4.689 billion. Other receipts were \$38 million lower than the forecast of \$3.354 billion. Refunds issued in September were \$29 million above the forecasted \$284 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 September was equal to the expected \$137 million. Year-to-date General Fund income tax revenues are \$152 million above forecast.
- Sales and use tax receipts were \$5 million above the month's forecast of \$1.898 billion. September represents the second prepayment for third quarter taxable sales. Year-to-date revenues are \$247 million above forecast.
- Corporation tax revenues were \$125 million above the month's forecast of \$931 million. Prepayments were \$36 million above the forecast of \$957 million and other payments were \$101 million higher than the \$124 million forecast. Total refunds for the month were \$12 million higher than the forecast of \$149 million. Year-to-date revenues are \$214 million above forecast.
- Insurance tax revenues were \$42 million above the month's forecast of \$113 million. Year-to-date insurance tax revenues are \$16 million below the forecasted \$610 million. Revenues from the estate, alcoholic beverage, tobacco taxes, and pooled money interest came in \$4 million above the month's forecast of \$49 million, and are up \$17 million year-to-date. "Other" revenues were \$6 million above the month's forecast of \$31 million, and are up \$52 million year-to-date.

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

(Dollars in Millions)

Revenue Source	SEPTEMBER 2017					2017-18 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$7,622	\$7,631	\$9	0.1%		\$17,367	\$17,519	\$152	0.9%
Sales & Use	1,898	1,903	5	0.3%		5,675	5,922	247	4.4%
Corporation	931	1,056	125	13.4%		1,301	1,515	214	16.4%
Insurance	113	155	42	37.2%		610	594	-16	-2.6%
Estate	0	0	0	n/a		0	0	0	n/a
Pooled Money Interest	11	13	2	17.9%		22	30	9	38.9%
Alcoholic Beverages	32	33	1	3.0%		99	106	7	7.1%
Tobacco	5	6	1	10.9%		17	18	1	5.7%
Other	31	37	6	19.1%		91	142	52	56.8%
Total	\$10,645	\$10,835	\$190	1.8%	 	\$25,181	\$25,848	\$666	2.6%

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 2017-18 Budget Act.