



Finance Bulletin

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Economic Update

California continues to benefit from a steadily falling unemployment rate. Real estate markets are also improving and home building continued to recover. The U.S. Bureau of Economic Analysis released a new comprehensive benchmark for the national accounts, leading to an upward revision of \$560 billion in 2012 GDP for the nation.

LABOR MARKET CONDITIONS

■ California's unemployment rate fell to 8.5 percent in June, down 0.1 percent from May. The year-over-year drop of 2.1 percentage points was the second largest since the series began in 1976. However, the gap with the U.S. unemployment rate—7.4 percent in July—is still substantial.

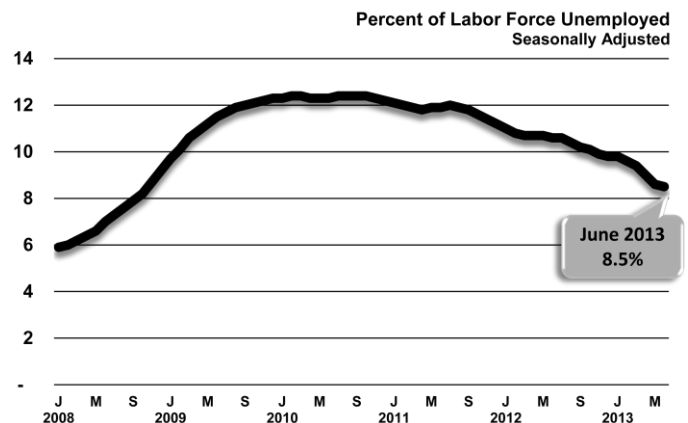
■ There were still 1.59 million unemployed Californians in June—a drop of 17,000 over the prior month, and 374,000 fewer than a year earlier. The year-over-year decrease was the largest on record.

■ Nonfarm payroll employment increased only 30,200 in June, and the number of jobs added in May was revised up by 6,000 to 16,800. June marked the 24th month of nonfarm employment growth. Nonfarm payroll employment rose by 253,900, or 1.8 percent, from June 2012 to June 2013.

■ Six major industry sectors added jobs in June. Trade, transportation, and utilities gained 13,200 jobs; educational and health services added 10,200; leisure and hospitality added 9,700; manufacturing added 2,600; and mining and logging 200. Notably, government added 8,600 jobs overall, led by local government with 5,500 and the federal level with 2,500. State government added 600 jobs.

■ Five major industry sectors lost jobs in June. Construction lost 1,700 jobs, information lost 2,300, and financial activities shed 2,500. Professional and business services dropped 3,300 jobs, while other services shrank by the most at 4,500.

Unemployment Rate Continued to Improve



BUILDING ACTIVITY

■ Home building continued to improve, with multi-family permits leading the way. Residential permits issued increased to a seasonally adjusted annual rate of 80,345 units in June. This was 9 percent higher than in May and 29 percent higher from a year earlier. On a year-over-year basis, single-family permits were up nearly 14 percent, while multi-family permits were up nearly 41 percent. Overall, new home permits rose during the first half of 2013 to an annualized average of 88,000 — 72 percent higher than the same period in 2012.

■ Nonresidential construction also continued to make progress. The value of permits issued in June rose 57 percent from a year earlier. For the first half of 2013, nonresidential permits were up 68 percent from the first half of 2012.

REAL ESTATE

■ Residential real estate markets were characterized by rising prices, increased sales, and tight inventories in June. Sales of existing, single-family detached homes decreased to a 414,950-unit seasonally adjusted annualized rate compared to the prior month.

■ The median price of existing, single-family homes sold in June was \$428,510, an increase of 33 percent from a year earlier. However, this is still 28 percent below the pre-crisis peak. The unsold inventory index of existing homes inched up to 2.9 months. The median number of days needed to sell a home remained low at 27.7 days, around half the amount of time needed in 2011.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for July was \$266 million below the 2013-14 Budget Act forecast of \$5.904 billion.

- Personal income tax revenues to the General Fund were \$127 million below the month's forecast of \$3.767 billion. Withholding receipts were \$195 million below the estimate of \$3.570 billion. Other receipts were \$86 million higher than the projected level of \$462 million. July is not a significant month for income tax estimated or final payments. Refunds issued in July were \$20 million above the anticipated \$198 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 \$2 million lower than the estimate of \$67 million.
- Sales and use tax receipts were \$123 million below the month's forecast of \$1.710 billion. July represents the final payment for second quarter taxable sales, which was due July 31.
- Corporation tax revenues for the month equaled the estimate of \$208 million. Prepayments were \$1 million above the forecast of \$213 million and other payments were \$4 million lower than the \$79 million that was anticipated. Total refunds for the month were \$4 million lower than the estimate of \$84 million.
- Insurance tax revenues were \$11 million above the \$9 million estimated for July. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$2 million below the \$44 million that was expected. "Other" revenues were \$25 million below the month's estimate of \$166 million.

2013-14 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	JULY 2013					2013-14 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$3,767	\$3,640	-\$127	-3.4%		\$3,767	\$3,640	-\$127	-3.4%
Sales & Use	1,710	1,587	-123	-7.2%		1,710	1,587	-123	-7.2%
Corporation	208	208	0	0.0%		208	208	0	0.0%
Insurance	9	20	11	122.2%		9	20	11	122.2%
Estate	0	0	0	0.0%		0	0	0	0.0%
Pooled Money Interest	3	1	-2	-66.7%		3	1	-2	-66.7%
Alcoholic Beverages	33	34	1	3.0%		33	34	1	3.0%
Tobacco	8	7	-1	-12.5%		8	7	-1	-12.5%
Vehicle License Fees	0	0	0	0.0%		0	0	0	0.0%
Other	166	141	-25	-15.1%		166	141	-25	-15.1%
Total	\$5,904	\$5,638	-\$266	-4.5%		\$5,904	\$5,638	-\$266	-4.5%

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 2013 May Revision updated for the 2013 Budget Act.