



Finance Bulletin

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Economic Update

Economic indicators continue to point to a slow recovery, but the impact of the federal government shutdown appears to be relatively contained.

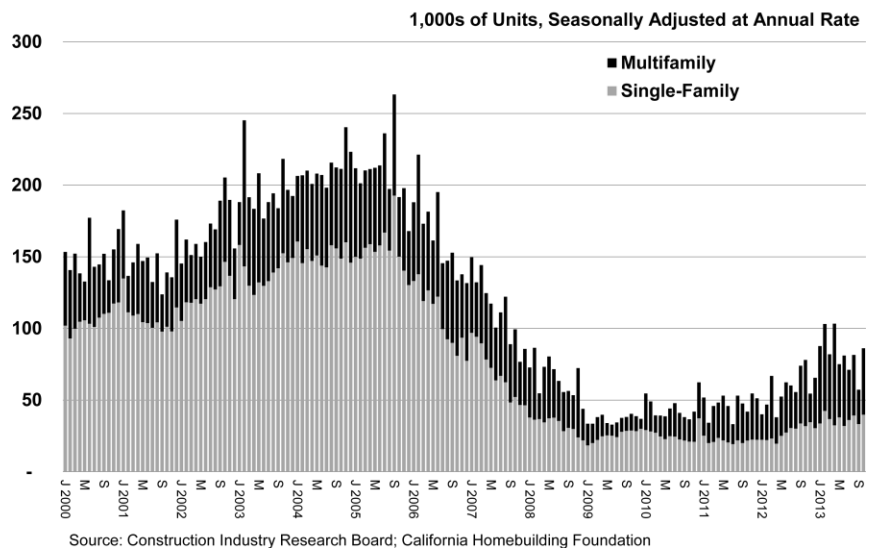
LABOR MARKET CONDITIONS

- The California unemployment rate dropped to 8.7 percent in September and stayed at that level in October. This was down 0.2 percentage point from the August level of 8.9 percent. In comparison, the U.S. unemployment rate in October rose by 0.1 percentage point to 7.3 percent as a result of the federal shutdown. The size of the shutdown effect for California is unclear. Although federal workers were supposed to be classified as unemployed, there was some inconsistency in how their status was recorded. Given the 241,500 federal workers in California in October 2013, the fact that the unemployment rate did not rise in October is positive.
- California lost 2,900 non-farm payroll jobs in September, but gained 39,800 in October. The September loss broke a streak of 26 months of job gains. The loss was due partly to large and anomalous losses in educational services (10,600), which may be due to seasonal adjustment factors, as the sector gained 4,800 in August and 9,600 in October. Absent this, overall jobs would have risen. The October gains were widespread, with only manufacturing and financial services losing jobs. Retail gained 13,600 jobs, perhaps reflecting an early start in the holiday season.

BUILDING ACTIVITY

- Residential construction permits rebounded in October, after slowing in September. Total residential permits were issued at a seasonally adjusted annual rate of 86,149 units in October. Multifamily permits continue to make up a significant share of the total. During the first ten months of 2013, residential permits were up 44.2 percent from the same months of 2012.
- A drop in office and industrial construction led to a modest decline in nonresidential building permits in October. During the first ten months of 2013 nonresidential permits were up 83.3 percent from the same months of 2012.

California Residential Construction Permits



REAL ESTATE

- Sales of existing homes declined for the third straight month in October to a seasonally adjusted annualized rate of 401,170 units, down 2.7 percent from September and down 11.1 percent from October 2012—the biggest year-over-year drop since May 2011. The median price of existing, single-family detached homes sold in October fell slightly to \$427,290; however, this represents a 25.3-percent increase from a year earlier, marking the 16th consecutive month of double-digit annual gains.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for November was \$121 million above the 2013-14 Budget Act forecast of \$5.341 billion. Year-to-date revenues are \$627 million above the expected \$31.456 billion.

- Personal income tax revenues to the General Fund were \$15 million below the month's forecast of \$3.081 billion. Withholding receipts were \$274 million above the estimate of \$3.055 billion. Other receipts were at the projected level of \$463 million. Refunds issued in November were \$289 million above the anticipated \$381 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 at the estimate of \$55 million. Year-to-date General Fund income tax revenues are \$665 million above estimate.
- Sales and use tax receipts were \$13 million below the month's forecast of \$1.805 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, the sales tax cash is \$13 million below forecast.
- Corporation tax revenues were \$6 million below the month's estimate of -\$76 million. Prepayments were \$6 million above the forecast of \$72 million and other payments were \$14 million lower than the \$99 million that was anticipated. Total refunds for the month were \$2 million lower than the estimate of \$247 million. Year-to-date revenues are \$134 million below estimate.
- Insurance tax revenues were \$100 million above the month's estimate of \$313 million. Since fourth quarter insurance prepayments were due December 1, and some payments are received a day or two prior to the due date, most of the \$100 million gain is likely due to timing and could be offset in December. Year-to-date insurance tax revenues are \$110 million above the forecasted \$876 million. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$2 million above the \$39 million that was expected. "Other" revenues were \$53 million above the month's estimate of \$179 million.

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

Revenue Source	NOVEMBER 2013				2013-14 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$3,081	\$3,066	-\$15	-0.5%	\$19,228	\$19,893	\$665	3.5%
Sales & Use	1,805	1,792	-13	-0.7%	9,168	9,155	-13	-0.1%
Corporation	-76	-82	-6	7.9%	1,243	1,109	-134	-10.8%
Insurance	313	413	100	31.9%	876	986	110	12.6%
Estate	0	0	0	0.0%	0	4	4	n/a
Pooled Money Interest	3	2	-1	-33.3%	14	9	-5	-35.7%
Alcoholic Beverages	28	31	3	10.7%	144	152	8	5.6%
Tobacco	8	8	0	0.0%	39	38	-1	-2.6%
Vehicle License Fees	0	0	0	0.0%	0	0	0	0.0%
Other	179	232	53	29.6%	744	737	-7	-0.9%
Total	\$5,341	\$5,462	\$121	2.3%	\$31,456	\$32,083	\$627	2.0%

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.