



Finance Bulletin

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Economic Update

At the end of 2012, labor markets experienced a drop in nonfarm employment in December, though the unemployment rate held steady at 9.8 percent. Conversely, home price rose dramatically in the final months of 2012 amid weakening inventories of homes available for sale.

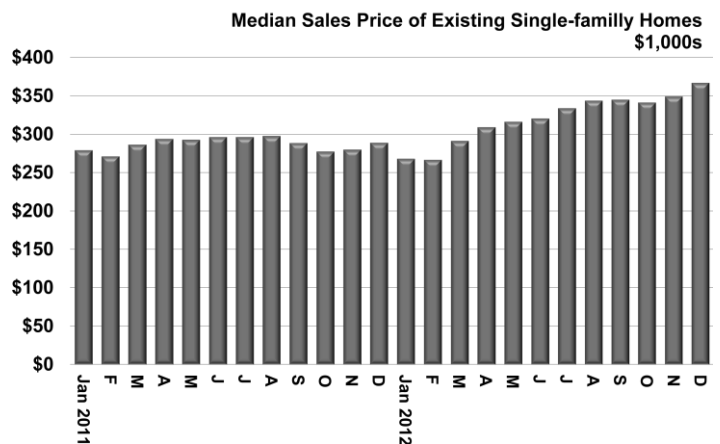
LABOR MARKET CONDITIONS

- The state lost 17,500 nonfarm jobs in December. On the upside, November's initially reported loss of 3,800 jobs was revised up to a gain of 6,100.
- California added 143,500 jobs in the first half of the year but only 82,400 in the second. The slowdown was driven by less growth in professional and business services, which was the job growth leader early in the year.
- Three industry sectors added jobs in December. Educational and health services added 9,200 jobs; construction, 4,100; and information, 3,500.
- A 16,800-job loss in retail trade employment accounted for much of the loss in December. Retail trade employment grew substantially in October and November—the strongest two-month increase on a record dating back to 1990. Over the final three months of the year, retail trade employment grew by 17,600 which was the strongest year-end quarter gain since 1994.
- Nonfarm payroll employment rose by 225,900 from December 2011 to December 2012. On a year-over-year basis, employment rose 60,700 in leisure and hospitality; 54,600 in educational and health services; 49,400 in trade, transportation, and utilities; 48,800 in professional and business services; 24,500 in construction; 21,100 in information; and 18,300 in financial activities.
- Over the year, employment fell by 31,500 in government; 11,400 in manufacturing; 8,400 in other services; and 200 in mining and logging.
- The unemployment rate was unchanged at 9.8 percent in December—down 1.4 percentage points from the end of 2011. Household employment increased by 73,700 in December and unemployment fell by 1,200. The number of people unemployed in December was 1,804,900, down 255,200 compared with December of last year.

REAL ESTATE

- Sales of existing, single-family detached homes totaled 522,510 units at a seasonally adjusted annualized rate in December. During 2012, unit sales were up 5.4 percent and the median price was up 11.7 percent from 2011.
- The median price of existing, single-family homes sold in December was \$366,930, up 27 percent from a year earlier—the tenth consecutive month with a year-over-year gain. During the last quarter of 2012, the median home sales price rose 25 percent from the same months of 2011.
- The California Association of Realtors' unsold inventory index fell to 2.6 months in December. In contrast, the median number of days needed to sell a home rose from 37.5 days to 38.1 days. While a month-over-month decrease, this still represents a substantial improvement from a year earlier.

Home Prices Gain at Close of 2012



MONTHLY CASH REPORT

Preliminary General Fund agency cash for January was \$5.099 billion above the 2013-14 Governor's Budget forecast of \$9.958 billion. Year-to-date revenues are \$5.112 billion above the forecast of \$49.950 billion.

- Personal income tax revenues to the General Fund were \$4.951 billion above the month's forecast of \$7.608 billion, likely the result of major tax law changes at the federal and state level having a significant impact in the timing of revenue receipts. At the state level, the surge was due in part to the Proposition 30 rate increase that was adopted by voters in November of 2012. Taxpayers likely paid a larger share of that additional liability in January, rather than waiting until April as forecast. In addition, the Governor's Budget forecast that taxpayers would accelerate income in 2012 since federal tax rates were widely expected to increase in 2013. It appears there may have been a larger shift in income from 2013 to 2012 than expected, which would be reflected in higher estimated payments made in January.
- Sales and use tax receipts were \$58 million below the month's forecast of \$2.186 billion. January cash represents the final payment for fourth quarter sales, which was due at the end of January, and a portion of this payment is received in early February. Year-to-date, the sales tax cash is \$59 million below forecast.
- Corporation tax revenues were \$53 million above the month's estimate of \$25 million. Prepayments were \$5 million above the forecast of \$182 million and other payments were \$21 million higher than the \$80 million that was anticipated. The month's refunds were \$27 million below the projected level of \$237 million. Year-to-date revenues are \$63 million above estimate.
- Insurance tax revenues were \$24 million above the net zero amount estimated for January. Revenues from the estate, alcoholic beverage, tobacco taxes, the vehicle license fee, and pooled money interest were equal to the month's forecast of \$44 million. "Other" revenues were \$129 million above the month's estimate of \$95 million.

2012-13 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	JANUARY 2013				2012-13 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$7,608	\$12,559	\$4,951	65.1%	\$33,769	\$38,718	\$4,949	14.7%
Sales & Use (a)	2,186	2,128	-58	-2.7%	11,772	11,713	-59	-0.5%
Corporation	25	78	53	212.0%	2,059	2,122	63	3.1%
Insurance	0	24	24	n/a	1,069	1,093	24	2.2%
Estate	0	0	0	0.0%	1	1	0	0.0%
Pooled Money Interest	3	1	-2	-66.7%	17	15	-2	-11.8%
Alcoholic Beverages	33	35	2	6.1%	192	194	2	1.0%
Tobacco	8	8	0	0.0%	56	56	0	0.0%
Vehicle License Fees	0	0	0	0.0%	5	5	0	0.0%
Other	95	224	129	135.8%	1,010	1,145	135	13.4%
Total	\$9,958	\$15,057	\$5,099	51.2%	\$49,950	\$55,062	\$5,112	10.2%

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 2013-14 Governor's Budget.