



Finance Bulletin

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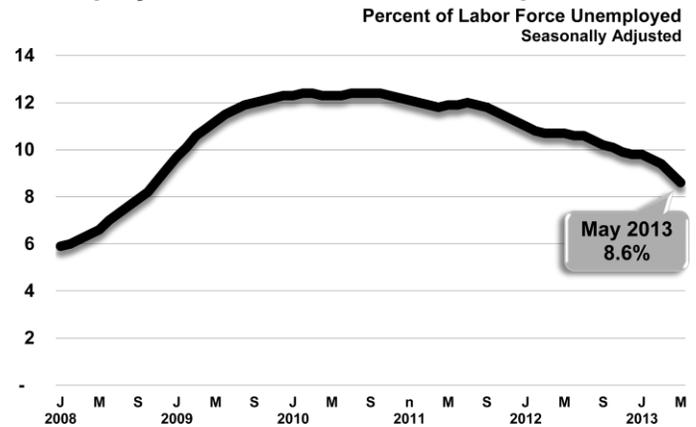
Economic Update

California approached midyear 2013 with moderating employment gains and a steadily falling unemployment rate. Real estate markets were also improving and home building improved fitfully. Preliminary estimates show that personal income dropped 1.8 percent in the first quarter of 2013 from the fourth quarter of 2012, reflecting in part the expiration of the payroll tax holiday and the acceleration of income from 2013 into 2012.

LABOR MARKET CONDITIONS

- California's unemployment rate fell to 8.6 percent in May, the second straight record-setting drop after April's decrease of 0.4 percentage point to 9.0 percent. The year-over-year drop of 2.1 percentage points was the second largest since the series began in 1976. The gap with the U.S. unemployment rate—7.6 percent in May—has narrowed.
- While there were still 1.6 million unemployed Californians in May, it represented a drop of 64,800 over the month, and 364,300 fewer than a year earlier.
- Nonfarm payroll employment increased by 10,800 in May and the number of jobs added in April was revised down by 500 to 9,900. This is well off the average monthly gain of over 27,000 in 2012. Nonfarm payroll employment rose by 252,100, or 1.8 percent, from May 2012 to May 2013.
- Seven major industry sectors added jobs. Leisure and hospitality lead the way, adding 9,000 jobs. Notably, manufacturing added 900 jobs, and government added 8,400 jobs due to gains in federal and local government employment. Elsewhere, professional and business services added 5,200 jobs; educational and health services, 5,200; trade, transportation, and utilities, 5,100; financial activities, 3,600; and manufacturing, 900.
- Four major industry sectors lost jobs in May, led by information which shed 15,100 jobs. Construction lost 8,500 jobs, which may represent a shift in the seasonal pattern due to strong hiring in an unusually dry April. Other services employment fell 2,400; and mining and logging, 600.

Unemployment Rate Continued to Improve



BUILDING ACTIVITY

- Home building continued to improve amid month-to-month alternating gains and losses indicative of a gradual recovery. After a brisk acceleration in April, residential permits issued slowed to a seasonally adjusted annual rate of 73,456 units in May. This was, though, still up over 40 percent from a year earlier. Single-family permits were up nearly 49 percent, while multi-family permits were up over 32 percent.
- New home permits rose during the first five months of 2013 to a level nearly 88 percent higher from the same months of 2012.
- Nonresidential construction also continued to make progress. The value of permits issued in May rose almost 60 percent from a year earlier. For the first five months of 2012 as a whole, nonresidential permits were up 71 percent from the same months of 2012.

REAL ESTATE

- Residential real estate markets were characterized by rising prices, increased sales and tight inventories in May. Sales of existing, single-family detached homes increased to a 431,370-unit seasonally adjusted annualized rate at—the third consecutive month-over-month increase.
- The median price of existing, single-family homes sold in May was \$417,350, an increase of nearly 32 percent from a year earlier. Existing home inventories continued to erode in May. The unsold inventory index inched down to 2.6 months. The median number of days needed to sell a home also improved, falling to 27.1 days—the lowest level since May 2005.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for June was \$1.137 billion above the 2013-14 Budget Act forecast of \$11.960 billion. Year-to-date revenues are \$2.099 billion above the forecast of \$98.637 billion. June cash receipts represent the second estimated payment of 40 percent of liability due mid-month for personal income tax filers and calendar-year corporations.

- Personal income tax revenues to the General Fund were \$581 million above the month's forecast of \$7.474 billion. Withholding receipts were \$40 million below the estimate of \$3.298 billion and the second quarterly payment for the 2013 tax year came in \$556 million above the projected level of \$4.222 billion. Other receipts were \$56 million higher than the projected level of \$359 million. Refunds issued in June were \$18 million below the anticipated \$271 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 June was \$10 million higher than the estimate of \$134 million. Year-to-date General Fund income tax revenues are \$1.145 billion above estimate.
- Sales and use tax receipts were \$180 million above the month's forecast of \$2.046 billion. June cash includes the second prepayment for second quarter taxable sales, which was due June 24, and covers taxable sales activity from May 1 to June 15. Year-to-date, sales tax revenues are \$297 million above forecast.
- Corporation tax revenues were \$387 million above the month's estimate of \$1.739 billion. Prepayments were \$354 million above the forecast of \$1.703 billion and other payments were \$80 million lower than the \$234 million that was anticipated. Total refunds for the month were \$113 million lower than the estimate of \$199 million. Year-to-date revenues are \$399 million above estimate.
- Insurance tax revenues were \$122 million below the \$205 million estimated for June. The \$122 million shortfall was due in part to timing of payments made between May and June because of the June 1 quarterly prepayment due date. Year-to-date revenues are \$93 million above the forecasted \$2.156 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$7 million above the \$41 million that was expected. "Other" revenues were \$104 million above the month's estimate of \$455 million.

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

Revenue Source	JUNE 2013				2012-13 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$7,474	8,055	\$581	7.8%	\$66,056	\$67,201	\$1,145	1.7%
Sales & Use	2,046	2,226	180	8.8%	20,578	20,875	297	1.4%
Corporation	1,739	2,126	387	22.3%	7,214	7,613	399	5.5%
Insurance	205	83	-122	-59.5%	2,156	2,249	93	4.3%
Estate	0	0	0	0.0%	2	2	0	0.0%
Pooled Money Interest	4	4	0	0.0%	25	25	0	0.0%
Alcoholic Beverages	28	36	8	28.6%	324	334	10	3.1%
Tobacco	8	8	0	0.0%	91	91	0	0.0%
Vehicle License Fees	1	0	-1	-100.0%	7	7	0	0.0%
Other	455	559	104	22.9%	2,184	2,339	155	7.1%
Total	\$11,960	\$13,097	\$1,137	9.5%	\$98,637	\$100,736	\$2,099	2.1%

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.