



Finance Bulletin

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Economic Update

California construction and real estate conditions were improving at the end of 2012. Home building in the final months of the year had improved substantially from a year earlier. The market for existing homes also improved at the end of 2012, but slowed somewhat in January 2013.

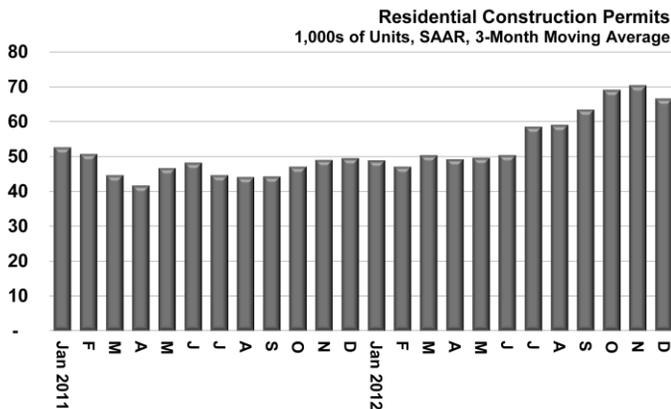
CONSTRUCTION

- 2012 ended with a general acceleration of residential and nonresidential construction activity.
- In December, residential permits were issued at a seasonally adjusted annual rate of 64,322 units, a nearly 28-percent increase from a year earlier. Single-family permits rose 36.5 percent, while multi-family permitting was up 20.7 percent.
- The pace of new home permitting during 2012 as a whole was up 23.6 percent from 2011.
- After slowing at mid-year, nonresidential construction accelerated at the close of 2012. The pace of nonresidential permitting rose 9.1 percent in December 2012 from a year earlier.
- The year-end growth was led by rising office and industrial construction.
- In spite of the growth at the end of 2012, for the year as a whole, the value of nonresidential permitting slowed 10.4 percent from 2011.

REAL ESTATE

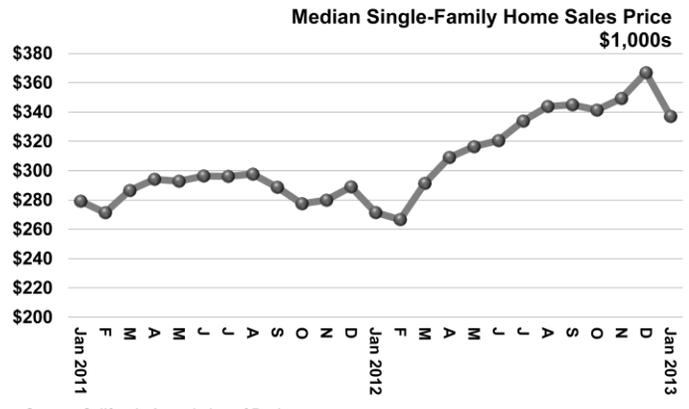
- Real estate conditions improved markedly during the final months of 2012, with healthy increases in home sales and prices. Unfortunately, some of these gains were taken back in January 2013.
- In the fourth quarter of 2012, the pace of single-family detached home sales grew 4.7 percent compared to the same period of 2011. The median price of homes sold at the end of 2012 rose 25 percent from a year earlier.
- In January, sales of existing homes totaled 491,720 units at a seasonally adjusted annualized rate—a 6-percent slowdown from December.
- Even though the median price of existing homes sold in January (\$337,040) dropped 8.1 percent from December, it was still up 24 percent from a year earlier.
- Home inventory indicators were mixed in January. The California Association of Realtors' unsold inventory index rose to 3.5 months in January. In contrast, the median number of days needed to sell a home dropped to 36.6 days.
- Despite January's mixed results, both inventory measures improved substantially over the year. In January 2012, the unsold inventory stood at 5.8 months and the median number of days needed to sell a home was 59.6.

Home Building Accelerates at Close of 2012



Source: California Homebuilding Foundation

Solid Gains for Home Prices in 2012



Source: California Association of Realtors

Preliminary General Fund agency cash for February was \$322 million below the 2013-14 Governor's Budget forecast of \$3.963 billion. Year-to-date revenues are \$4.772 billion above the forecast of \$53.914 billion.

- Personal income tax revenues to the General Fund were \$429 million below the month's forecast of \$2.072 billion. Withholding receipts were \$187 million below the estimate of \$3.6 billion and other receipts were \$81 million higher than the projected level of \$348 million. Refunds issued in February were \$331 million above the anticipated \$1.838 billion, at least partially as a result of the late start to the tax filing season due to late-enacted federal actions. 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 February was \$8 million below the estimate of \$37 million. Year-to-date General Fund income tax revenues are \$4.498 billion above estimate.
- Sales and use tax receipts were \$29 million above the month's forecast of \$1.620 billion. February cash includes the remaining portion of the final payment for fourth quarter 2012 sales, which was due at the end of January, as well as the first prepayment for the first quarter 2013 sales. Year-to-date, the sales tax cash is \$30 million below forecast.
- Corporation tax revenues were \$25 million above the month's estimate of \$118 million. Prepayments were \$6 million below the forecast of \$110 million and other payments were \$19 million higher than the \$103 million that was anticipated. The month's refunds were \$13 million below the projected level of \$95 million. Year-to-date revenues are \$92 million above estimate.
- Insurance tax revenues were \$24 million above the -\$2 million estimated for February. Year-to-date revenues are \$48 million above forecast. Revenues from the estate, alcoholic beverage, tobacco taxes, the vehicle license fee, and pooled money interest were \$2 million above the month's forecast of \$29 million. "Other" revenues were \$27 million above the month's estimate of \$126 million.

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

(Dollars in Millions)

| Revenue Source | FEBRUARY 2013 | | | | 2012-13 YEAR-TO-DATE | | | |
|-----------------------|----------------|----------------|---------------|----------------|----------------------|-----------------|----------------|----------------|
| | Forecast | Actual | Change | Percent Change | Forecast | Actual | Change | Percent Change |
| Personal Income | \$2,072 | \$1,643 | -\$429 | -20.7% | \$35,841 | \$40,339 | \$4,498 | 12.5% |
| Sales & Use | 1,620 | 1,649 | 29 | 1.8% | 13,393 | 13,362 | -30 | -0.2% |
| Corporation | 118 | 143 | 25 | 21.2% | 2,177 | 2,269 | 92 | 4.2% |
| Insurance | -2 | 22 | 24 | -1200.0% | 1,067 | 1,115 | 48 | 4.5% |
| Estate | 0 | 1 | 1 | n/a | 1 | 2 | 1 | 100.0% |
| Pooled Money Interest | 1 | 1 | 0 | 0.0% | 18 | 16 | -2 | -11.1% |
| Alcoholic Beverages | 21 | 23 | 2 | 9.5% | 213 | 217 | 4 | 1.9% |
| Tobacco | 7 | 6 | -1 | -14.3% | 63 | 62 | -1 | -1.6% |
| Vehicle License Fees | 0 | 0 | 0 | 0.0% | 5 | 5 | 0 | 0.0% |
| Other | 126 | 153 | 27 | 21.4% | 1,136 | 1,298 | 162 | 14.3% |
| Total | \$3,963 | \$3,641 | -\$322 | -8.1% | \$53,914 | \$58,685 | \$4,772 | 8.9% |

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.