



Finance Bulletin

Ana J. Matosantos, Director

Economic Update

Economic readings for August indicate that the economy has improved—but is in an anemic recovery. The latest labor market news was disappointing. The unemployment rate ticked up, nonfarm employment declined, and July’s loss was made worse by revisions. Construction activity slowed in August. Real estate markets showed some life, however, with both sales and prices improving.

LABOR MARKET CONDITIONS

- California [lost 33,500 nonfarm jobs in August 2010](#), with only about 7,000 accounted for by disappearing Census jobs, which means that private sector employment fell by 24,300. California’s drop accounted for an outsized share of the national job losses in August (54,000). ([Source: EDD](#))
- Furthermore, the job loss for July was increased from 9,400 to 22,900. After this month’s revisions, private sector employment dropped by 300 in July, instead of increasing by 13,700 as estimated in the original July report.
- Only two of the state’s major industry sectors made gains in August: professional and business services added 300 jobs; and mining and logging, 200.
- The other nine major sectors lost jobs. Government lost 9,200 jobs; trade, transportation, and utilities, 8,600; construction, 3,900; manufacturing, 3,800; financial activities, 3,700; information, 2,800; education and health services, 1,400; other services, 500; and leisure and hospitality, 100.
- Nonfarm payroll employment fell by 113,100 from August 2009 to August 2010, a 0.8-percent drop. Employment rose 38,700 in professional and business services; 22,200 in educational and health services; and 600 in mining and logging. Over the year, employment fell by 47,700 in government; 44,700 in construction; 39,500 in trade, transportation, and utilities; 21,400 in manufacturing; 13,200 in financial activities; 6,200 in leisure and hospitality; and 1,900 in other services. There was no change in employment in information over the year.
- The state’s unemployment rate in August rose a tenth of a percent to 12.4 percent after declining or holding steady for the last 4 months. The national unemployment rate also rose a tenth of a percent in August—to 9.6 percent.

BUILDING ACTIVITY

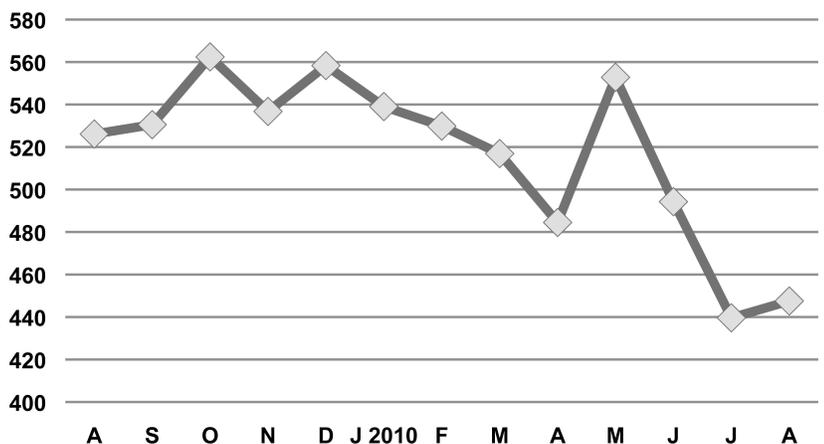
- Construction activity slid in August with slowdowns in both residential and nonresidential sectors. However, both did better in comparison to August 2009. Residential permits were issued at a seasonally adjusted annual rate of 42,648 units, up over 10 percent from a year earlier. Single-family permits were down 22 percent, but multi-family permitting was up 102 percent. New home permitting during the first eight months of 2010 was up 26 percent from the same months of 2009.
- Nonresidential construction permitting rose 14 percent in August from a year earlier. For the first eight months of 2010 as a whole, nonresidential permitting was up 0.7 percent from the same months of 2009.

REAL ESTATE

- Real estate market readings improved in August. Sales of existing, single-family detached homes totaled 447,530 units at a seasonally adjusted annualized rate in August. The median price of homes sold in August was \$318,660, up 8.6 percent from a year earlier.
- Other indicators show more slack in the existing home market. The unsold inventory index inched up to 6.1 months. The median number of days needed to sell a home also rose, to 47.1 days, a 35-percent increase from a year earlier. ([Source: California Association of Realtors](#))

Volatile Home Sales

Existing Single-Family Home Sales
1,000s of units, SAAR

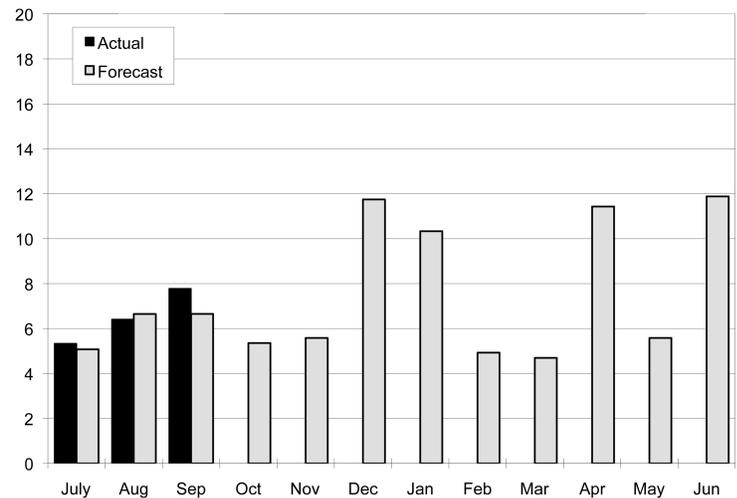


Monthly Cash Report

Preliminary General Fund agency cash for September was \$1.126 billion above the May Revision forecast of \$6.653 billion. Year-to-date revenues are \$1.146 billion above the estimated \$18.378 billion.

- Personal income tax revenues to the General Fund were \$729 million higher than the \$3.322 billion forecast for the month. Withholding receipts were \$35 million below the projected level of \$2.907 billion and estimated payments came in \$751 million above the estimated \$373 million. Beginning in 2010, under Personal Income Tax Law and Corporation Tax Law, the number of required estimated payments was reduced from four to three. The third estimated payment, which was due in September, is no longer required yet many taxpayers still made a payment. We believe that this increase in estimated payments will be largely offset by lower estimated payments in December and January. Other receipts for September were \$9 million above the forecast of \$302 million, and refunds came in \$17 million below the forecast of \$200 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 September was \$13 million above the forecast of \$60 million. Year-to-date General Fund income tax revenues are \$796 million above forecast.
- Sales and use tax receipts were \$18 million below the month's forecast of \$2.103 billion. September represents the second prepayment for third quarter taxable sales. A more complete picture of third quarter sales activity will be available when final payments for the quarter are received in late October and early November. Year-to-date sales tax cash revenues are \$15 million below forecast.
- Corporation tax revenues were \$372 million above the estimate of \$822 million. Prepayments were \$339 million higher than the estimate of \$719 million. The requirements for estimated payments, referred to under the personal income tax, also apply to business entities under Corporation Tax Law. The increase in September prepayments will largely be offset by lower prepayments in December. Other payments were \$8 million above the projected \$176 million, and refunds came in \$25 million below the estimated \$73 million. Year-to-date corporation tax revenues are \$314 million above the estimate of \$1.180 billion.
- Total Vehicle License Fee General Fund revenue reported in September was \$4 million above the forecast of \$115 million. Year-to-date revenues are \$5 million below forecast.
- Revenues from the insurance tax were \$124 million above the month's estimate of \$106 million, which largely offset the prior month's shortfall, as expected. Estate, alcoholic beverage, tobacco taxes, and pooled money interest income came in \$5 million below the month's estimate of \$44 million. Other revenues were \$80 million below the month's estimate of \$141 million.

**General Fund Agency Cash
2010-11 May Revision Forecast**
(Dollars in Billions)



2010-11 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	SEPTEMBER 2010				2010-11 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$3,322	\$4,051	\$729	21.9%	\$9,380	\$10,176	\$796	8.5%
Sales & Use	2,103	2,085	-18	-0.9%	6,423	6,408	-15	-0.2%
Corporation	822	1,194	372	45.3%	1,180	1,494	314	26.6%
Insurance	106	230	124	117.0%	473	517	44	9.3%
Estate	0	0	0	0.0%	0	1	1	n/a
Pooled Money Interest	4	4	0	0.0%	12	6	-6	-50.0%
Alcoholic Beverages	31	27	-4	-12.9%	93	86	-7	-7.5%
Tobacco	9	8	-1	-11.1%	27	24	-3	-11.1%
Vehicle License Fees	115	119	4	3.5%	381	376	-5	-1.3%
Other	141	61	-80	-56.7%	409	436	27	6.6%
Total	\$6,653	\$7,779	\$1,126	16.9%	\$18,378	\$19,524	\$1,146	6.2%

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 2010 May Revision.