



Finance Bulletin

Michael Cohen, Director

Economic Update

California's personal income showed strong growth in the first half of 2014, with growth of 5 percent compared with the first half of 2013. The labor market had broad-based gains, though the unemployment rate remained at 7.4 percent. Home prices continue to increase.

LABOR MARKET CONDITIONS

- California's unemployment rate was unchanged at 7.4 percent in August while the U.S. unemployment rate dropped by 0.1 percent to 6.1 percent in August. California historically has had a higher unemployment rate. This difference increased toward the end of the recent recession, and started to narrow again in the first quarter of 2011.
- Total nonfarm payroll jobs increased by 44,200, following an upwardly revised 31,500 gain in July. Only two sectors lost jobs. The trade, transportation, and utilities sector was down 8,000, and information lost 300 jobs. Despite the low number of housing permits issued, construction gained 13,600 jobs, the highest gain of all sectors. Educational and health services added 12,200 jobs and professional and business services with 10,600 jobs, were also particularly strong. Other sectors that increased were government (6,500), leisure and hospitality (2,900), other services (2,800), financial activities (2,400), manufacturing (1,400), and mining and logging (100).



BUILDING ACTIVITY

- In August, residential permits were issued at a seasonally adjusted annual rate of 71,290 units—a decrease of 10.9 percent from July—with both single-family and multi-family units dropping. The total number of residential permits was down by 13.2 percent compared with August 2013.
- The rate of residential permits issued during the first eight months of 2014 was 82,000, slightly lower than the comparable rate of permits issued for all of 2013.
- The value of August nonresidential permits was up by 7.1 percent from July, and up by 29.9 percent from August of last year.

REAL ESTATE

- The median price of an existing single-family detached home was \$480,280 in August, 3.3 percent higher than in July and 8.9 percent higher than a year ago. Although the median price in August was still 19 percent lower than the pre-recession peak, the pace of price appreciation has been slowing.
- The number of homes sold in August dropped 1.2 percent from a revised 398,940 in July and was down 9.3 percent from a revised 434,910 in August 2013.
- In August, there was a 4-month supply of unsold homes compared with 3.1 months a year ago. A six- to seven-month supply is considered typical in a normal market. The median number of days to sell a home rose from 35.7 days in July to 39.2 in August.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for September was \$260 million above the 2014-15 Budget Act forecast of \$9.025 billion. Year-to-date revenues are \$324 million above the expected \$21.318 billion.

- Personal income tax revenues to the General Fund were \$357 million above the month's forecast of \$5.687 billion. Withholding receipts were \$302 million above the forecast of \$3.378 billion. Other receipts were \$92 million higher than the forecast of \$2.638 billion. Refunds issued in September were \$30 million above the forecasted \$227 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 \$6 million above the forecast of \$102 million. Year-to-date General Fund income tax revenues are \$597 million above forecast.
- Sales and use tax receipts were \$37 million below the month's forecast of \$1.908 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, the sales tax cash is \$553 million below forecast.
- Corporation tax revenues were \$145 million above the month's forecast of \$941 million. Prepayments were \$90 million above the forecast of \$838 million and other payments were \$57 million higher than the \$192 million forecast. Total refunds for the month were \$3 million higher than the forecast of \$89 million. Year-to-date revenues are \$402 million above forecast.
- Insurance tax revenues were \$206 million below the month's forecast of \$322 million. This is primarily the result of receiving revenue at the end of August that was expected at the beginning of September. Year-to-date insurance tax revenues are \$22 million above the forecasted \$566 million. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$1 million below the \$39 million that was forecast. "Other" revenues were \$3 million above the month's forecast of \$127 million.

2014-15 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	SEPTEMBER 2014				2014-15 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$5,687	\$6,045	\$357	6.3%	\$13,411	\$14,008	\$597	4.5%
Sales & Use	1,908	1,871	-37	-2.0%	5,752	5,199	-553	-9.6%
Corporation	941	1,086	145	15.4%	1,133	1,535	402	35.5%
Insurance	322	116	-206	-63.8%	566	588	22	3.8%
Estate	0	0	0	n/a	0	1	1	n/a
Pooled Money Interest	1	2	1	85.0%	4	4	0	-4.0%
Alcoholic Beverages	31	28	-2	-7.4%	94	93	-1	-0.9%
Tobacco	7	7	0	-6.3%	22	22	-1	-2.4%
Vehicle License Fees	0	0	0	n/a	0	0	0	0.0%
Other	127	130	3	2.2%	335	192	-143	-42.6%
Total	\$9,025	\$9,285	\$260	2.9%	\$21,318	\$21,642	\$324	1.5%

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 2014 Budget Act.