



Finance Bulletin

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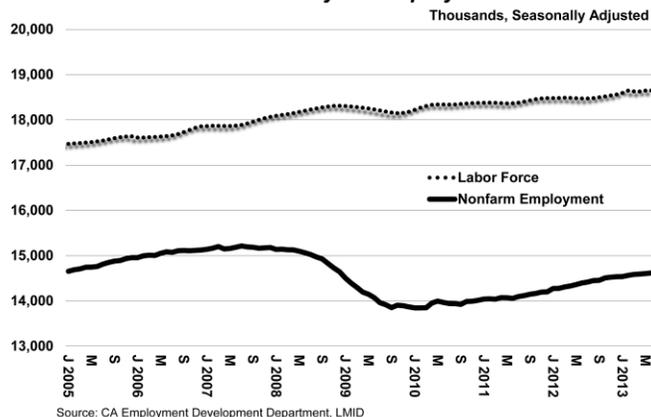
Economic Update

California experienced a slight uptick in the unemployment rate in July, ending 23 consecutive months of decline. However, the number of jobs continued to rise and the real estate market continued to improve.

LABOR MARKET CONDITIONS

- California's unemployment rate increased to 8.7 percent in July, a rise of 0.2 percentage point from June. The rise in the unemployment rate breaks the pattern of 23 consecutive months of decreases. However, the year-over-year drop of 1.9 percentage points is still one of the larger decreases on record.
- The number of unemployed Californians rose by 29,000 over the month, but has fallen 328,000 since July 2012. The number of employed Californians also dropped by 65,000 from June, but has risen by 468,000 year-over-year.
- The number of nonfarm payroll jobs increased by 38,100 in July – the 25th consecutive month of adding jobs. The number of jobs added in June was revised down to 12,500. The year-over-year growth was 236,400 jobs. Total private job growth was higher than total nonfarm, with 42,000 jobs added in July, and 245,600 since July 2012. This is because of the continuing loss of government jobs on a monthly (3,900) and year-over-year basis (9,200), which somewhat offsets private job growth.
- Most sectors continued to add jobs in July. Apart from government, only mining and logging (down 200) and construction (down 7,300) lost jobs. The loss of construction jobs is puzzling given the strong recovery in the housing sector, but there are anecdotal reports that projects are slowing as skilled construction workers are in short supply. However, construction is still up 17,800 jobs on a year-over-year basis. Financial activities were flat in July. On a month-over-month basis, professional and business services added 15,000 jobs, while trade, transportation, and utilities added 12,100 jobs. Educational and health services added 6,600 jobs, information added 6,100 jobs, and leisure and hospitality added 5,200 jobs. Manufacturing added 2,600 jobs, and other services added 1,900 – these are the only sectors adding jobs that have lost jobs on a year-over-year basis (down 3,600 and 800 respectively).

Labor Force and Nonfarm Payroll Employment



BUILDING ACTIVITY

- Home building slowed somewhat in July compared with June, to a seasonally adjusted rate of 71,000 units, evenly split between multi-family and single-family permits. The slowing was mostly due to a decrease in the number of units for multi-family permits, which had been growing at a stronger rate than single-family permits. The total reflects an increase of 18 percent from July 2012. Single-family permits were up 19 percent over July 2012, while multi-family permits were up 18 percent.
- Nonresidential construction also continued to progress. While the July value was about 15 percent lower than the average of the first half of 2013, the value of permits issued in July rose 84 percent from a year earlier.

REAL ESTATE

- Residential real estate markets continued to recover in July. Sales of existing, single-family detached homes rose to a seasonally adjusted annualized rate of 443,520 in July after averaging only around 420,000 in the first half of 2013.
- The median price of existing, single-family homes sold in July was \$433,760, an increase of \$96,700 from January 2013 and higher than July 2012. However, this remains 27 percent below the pre-recession peak. Existing home inventories continued to be low in July, with the unsold inventory index remaining unchanged from June's index of 2.9 months and the median number of days needed to sell a home remaining virtually unchanged at 27.8 days versus 27.7 days in June.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for August was \$19 million above the 2013-14 Budget Act forecast of \$6.256 billion. Year-to-date revenues are \$256 million below the expected \$12.161 billion.

- Personal income tax revenues to the General Fund were \$28 million below the month's forecast of \$3.773 billion. Withholding receipts were \$52 million below the estimate of \$3.606 billion. Other receipts were \$20 million higher than the projected level of \$426 million. Refunds issued in August were \$3 million below the anticipated \$191 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 August was \$1 million below the estimate of \$68 million. Year-to-date General Fund income tax revenues are \$166 million below estimate.
- Sales and use tax receipts were \$29 million below the month's forecast of \$1.852 billion. August cash includes the remaining portion of the final payment for the second quarter sales, which was due July 31. August receipts also include the first prepayment for third quarter sales. Year-to-date, the sales tax cash is \$153 million below forecast.
- Corporation tax revenues were \$28 million above the month's estimate of \$39 million. Prepayments were \$7 million above the forecast of \$70 million and other payments were \$36 million lower than the \$118 million that was anticipated. Total refunds for the month were \$56 million lower than the estimate of \$148 million. Year-to-date revenues are \$31 million above estimate.
- Insurance tax revenues were \$88 million above the month's estimate of \$354 million; August cash includes the third quarterly prepayment, which was due September 1. Year-to-date revenues are \$99 million above the forecasted \$363 million. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$7 million above the \$37 million that was expected. "Other" revenues were \$47 million below the month's estimate of \$201 million.

2013-14 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	AUGUST 2013					2013-14 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$3,773	\$3,745	-\$28	-0.7%		\$7,540	\$7,374	-\$166	-2.2%
Sales & Use	1,852	1,823	-29	-1.6%		3,563	3,410	-153	-4.3%
Corporation	39	67	28	71.8%		247	278	31	12.6%
Insurance	354	442	88	24.9%		363	462	99	27.3%
Estate	0	4	4	n/a		0	4	4	n/a
Pooled Money Interest	3	3	0	0.0%		6	4	-2	-33.3%
Alcoholic Beverages	26	29	3	11.5%		59	63	4	6.8%
Tobacco	8	8	0	0.0%		16	15	-1	-6.3%
Vehicle License Fees	0	0	0	0.0%		0	0	0	-100.0%
Other	201	154	-47	-23.4%		367	295	-72	-19.6%
Total	\$6,256	\$6,275	\$19	0.3%		\$12,161	\$11,905	-\$256	-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.