



Finance Bulletin

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Economic Update

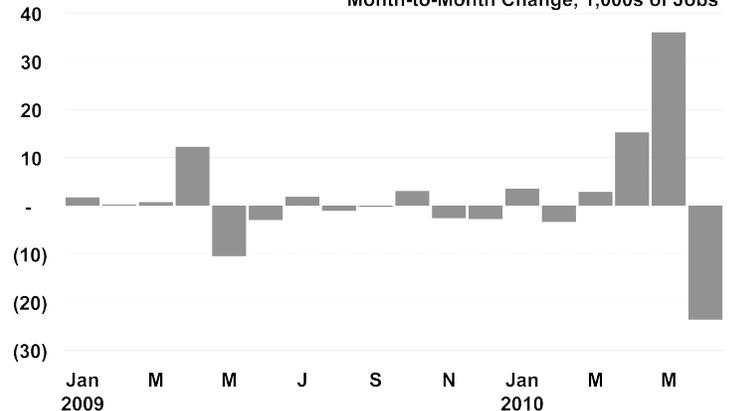
2010 began with better news than 2009 did, but there were no signs of a robust recovery. Housing markets and construction activity appear to have bottomed out. Labor market conditions, though improved, were disappointing. There were offsetting job losses and gains in January and February. The unemployment rate remained elevated in February.

LABOR MARKET CONDITIONS

- California [lost 27,600 nonfarm jobs in June](#) 2010. However, this was mainly due to the drawdown of temporary U.S. Census workers. Private sector employment increased by 1,300 in June. ([Source: EDD](#))
- Six of 11 major industry sectors grew in June. Manufacturing added 7,300 jobs; trade, transportation, and utilities, 5,600; professional and business services, 1,500; education and health services, 800; and mining and logging, 600; and leisure and hospitality, 400.
- Among the sectors shedding jobs in June, government dropped 28,900 jobs (federal government employment fell 23,700). Construction lost 8,500 jobs; other services, 4,500; financial activities, 1,700; and information, 200.
- Nonfarm payroll employment fell by 186,100 from June 2009 to June 2010. On a year-over-year basis, employment rose 21,900 in education and health services; 5,500 in professional and business services; and 3,000 in information.
- Over the year, employment fell by 74,400 in construction; 55,200 in trade, transportation, and utilities; 28,500 in manufacturing; 17,700 in financial activities; 16,300 in leisure and hospitality; 13,200 in government; 11,000 in other services; and 200 in mining and logging.
- During the first six months of 2010, California gained 71,100 nonfarm jobs. Since the national recession began in December 2007, California has lost 1,300,000 industry jobs.
- The state's unemployment rate fell to 12.3 percent in June. The drop from 12.4 percent in May was the third consecutive month-over-month improvement. The number of people unemployed in California was 2,244,453—down 30,800 over the month, but still up 132,400 from one year earlier.

Census Jobs Come and Go

Federal Government Employment in California
Month-to-Month Change, 1,000s of Jobs



BUILDING ACTIVITY

- The pace of home building accelerated in June, jumping up 16 percent from May. Residential permits were issued at a seasonally adjusted annual rate of 43,500 units, up over 29 percent from a year earlier. Single-family permits were down 9.6 percent, while permitting in the more volatile multi-family sector was up 144 percent.
- New home permitting during the first half of 2010 was up 23.6 percent from the same months of 2009. However, this is still down nearly 80 percent from the pace set during the first half of 2005.
- Nonresidential construction permitting was up 7.3 percent in June from a year earlier—the first substantial year-over-year gain since June 2008. However, for the first six months of 2010 as a whole, nonresidential permitting was still down 3.4 percent from the same months of 2009.

REAL ESTATE

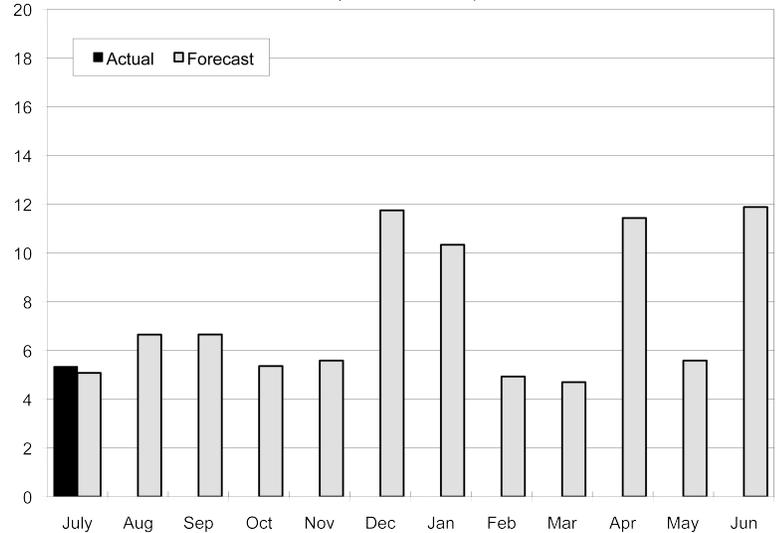
- Both existing home sales and prices softened in June after posting strong gains in May. Sales of existing, single-family detached homes totaled 492,800 units at a seasonally adjusted annualized rate in June, an 11 percent drop from May.
- The median price of existing, single-family homes sold in June was \$312,000, a drop from May, but still up 13.6 percent from a year earlier.
- The unsold inventory index inched up to 4.8 months. The median number of days needed to sell a home rose to 43.3 days, a 2.3-percent improvement from a year earlier. (Source: [California Association of Realtors](#)).

MONTHLY CASH REPORT

Preliminary General Fund agency cash for July was \$257 million above the 2010-11 May Revision forecast of \$5.077 billion.

- Personal income tax revenues to the General Fund were \$49 million below the month's forecast of \$3.112 billion. Withholding receipts were \$82 million lower than the projected level of \$3.02 billion. Other receipts met the forecast of \$360 million and refunds came in \$32 million under the estimate of \$212 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 July was \$1 million below the month's estimate of \$56 million.
- Sales and use tax receipts were \$212 million above the month's forecast of \$1.445 billion. July represents the final payment for second quarter taxable sales, which was due on August 2. Since the due date fell in August this year, a significant portion of this payment is received in early August. Based on an analysis of the first several days of August cash, it appears that a substantial portion of the July gain is due to timing as early August receipts were modestly below projection. A more complete picture of second quarter sales will be available in mid-August, when all of the second quarter receipts have been processed.
- Corporation tax revenues were \$85 million above the month's estimate of \$229 million. Prepayments were \$139 million higher than the forecast of \$149 million and other payments were \$40 million below the \$125 million that was expected. Refunds were \$14 million over the projected level of \$45 million.
- Vehicle License Fee General Fund revenues reported in July were \$3 million below the estimate of \$132 million.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes came in \$7 million higher than the \$47 million that was expected. Receipts from pooled money interest income and "other" revenues were \$5 million above the forecast of \$112 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	JULY 2010				2010-11 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$3,112	\$3,063	-\$49	-1.6%	\$3,112	\$3,063	-\$49	-1.6%
Sales & Use	1,445	1,657	212	14.7%	1,445	1,657	212	14.7%
Corporation	229	314	85	37.1%	229	314	85	37.1%
Insurance	4	11	7	175.0%	4	11	7	175.0%
Estate	0	0	0	0.0%	0	0	0	0.0%
Pooled Money Interest	4	0	-4	-100.0%	4	0	-4	-100.0%
Alcoholic Beverages	34	35	1	2.9%	34	35	1	2.9%
Tobacco	9	8	-1	-11.1%	9	8	-1	-11.1%
Vehicle License Fees	132	129	-3	-2.3%	132	129	-3	-2.3%
Other	108	117	9	8.3%	108	117	9	8.3%
Total	\$5,077	\$5,334	\$257	5.1%	\$5,077	\$5,334	\$257	5.1%

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 2010 May Revision.