California Department of Finance

Finance Bulletin

August 2026

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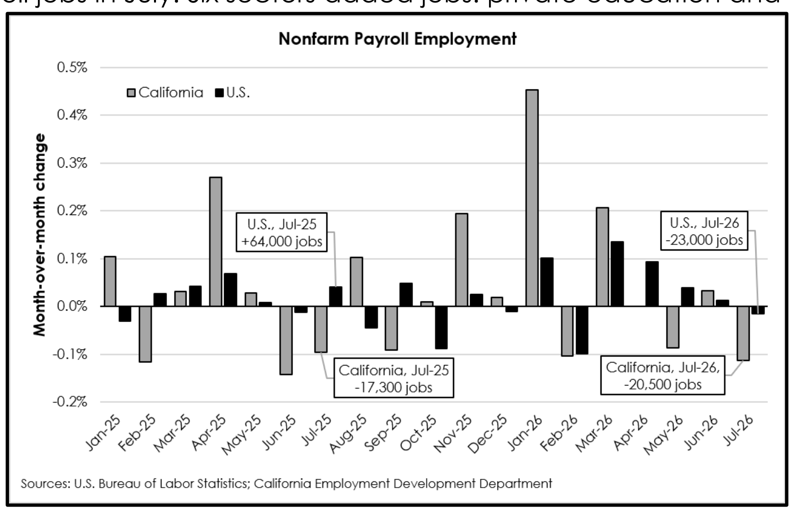
Economic Update

In the second estimate for the second quarter of 2026, U.S. real GDP grew at a 1.5-percent seasonally adjusted annualized rate (SAAR), unchanged from the initial estimate and down from 2.1 percent growth in the previous quarter. Second quarter U.S. GDP growth was driven mainly by consumption, which added 2.3 percentage points to growth, followed by private domestic investment (+0.5 percentage point), offset by drags from net exports (-1.1 percentage points) and government (-0.2 percentage point).

U.S. headline inflation decelerated 0.1 percentage point to 3.4 percent year-over-year in July 2026, but remained 0.7 percentage point higher than in July 2025. Year-over-year core inflation—which excludes food and energy—for the nation also decelerated from 2.6 percent in June to 2.5 percent in July. U.S. gasoline price inflation slowed from 26.7 percent in June to 24.6 percent in July. California headline inflation decelerated from 3.6 percent year-over-year in April 2026 to 3.4 percent in June, 0.4 percentage point higher than in June 2025. Year-over-year core inflation for the state also decelerated, from 2.7 percent in April 2026 to 2.5 percent in June. California gasoline price inflation slowed from 23.7 percent in April 2026 to 23.1 percent in June.

LABOR MARKET CONDITIONS

- In July, the U.S. unemployment rate fell for the second month in a row, declining by 0.1 percentage point to 4.1 percent. The U.S. labor force decreased by 264,000 persons (-0.2 percent) as the number of employed decreased by 87,000 persons (-0.1 percent) and the number of unemployed decreased by 178,000 persons (-2.5 percent). The nation lost 23,000 nonfarm payroll jobs in July. Six sectors added jobs: private education and health services (+25,000 jobs), construction (+22,000 jobs), professional and business services (+18,000 jobs), information (+11,000 jobs), other services (+9,000 jobs), and manufacturing (+5,000 jobs). Five sectors lost jobs: government (-53,000 jobs), leisure and hospitality (-40,000 jobs), financial activities (-14,000 jobs), trade, transportation, and utilities (-4,000 jobs), and mining and logging (-2,000 jobs).



Sources: U.S. Bureau of Labor Statistics; California Employment Development Department

- The unemployment rate in California also decreased by 0.1 percentage point to 5.1 percent in July 2026. The state's labor force fell by 70,300 persons (-0.4 percent), with civilian employment falling by 52,200 persons (-0.3 percent) and the number of unemployed Californians declining by 18,100 persons (-1.8 percent). The state lost 20,500 jobs in July. Seven sectors lost jobs: professional and business services (-15,300 jobs), leisure and hospitality (-7,400 jobs), financial activities (-3,600 jobs), information (-1,900 jobs), government (-1,400 jobs), manufacturing (-1,300 jobs), and mining and logging (-100 jobs). Four sectors added jobs: construction (+2,900 jobs), trade, transportation, and utilities (+2,800 jobs), other services (+2,700 jobs), and private education and health services (+2,100 jobs).

BUILDING ACTIVITY

- The statewide median sales price of existing single-family homes decreased to $887,680 in July 2026, down 1.9 percent from $904,640 in June 2026 but up 0.4 percent from $884,050 in June 2025. Sales volume of existing single-family homes in California decreased to 263,170 (SAAR) in July, down 6 percent from 279,880 in June 2026 but up 1.1 percent from 260,307 in July 2025.

- Year-to-date through June 2026, 115,500 total housing units (SAAR) were permitted in California, down 3.1 percent from the year-to-date through May 2026, but up 17.1 percent from the first six months of 2025. The year-to-date through June consisted of 58,200 single-family units (down 1 percent from the year-to-date through May 2026 and down 0.5 percent from the first six months of 2025) and 57,300 multi-family units (down 5.2 percent from the year-to-date through May but up 42.8 percent year-over-year from the first six months of 2025).

Preliminary General Fund agency cash receipts were $7 million, or 0.1 percent, below the 2026 Budget Act forecast in July and were $821 million, or 0.8 percent, above forecast cumulatively since the forecast was completed in April. The small July shortfall was driven by lower personal income tax receipts of $420 million and lower pooled money interest of $215 million, largely offset by higher corporation tax receipts of $434 million, higher "Other revenue" receipts of $78 million, and higher sales and use tax receipts of $74 million. The lower pooled money interest was due to a delayed recording of receipts that is expected to be made up in August. The cumulative overage since April was due largely to higher corporation tax receipts of $1.4 billion and higher sales and use tax receipts of $484 million, partially offset by lower "Other revenue" of $712 million. July is not a particularly important month for personal and corporate income taxes as there are no major payment due dates within the month.

- Personal income tax cash receipts were $420 million, or 4.7 percent, below forecast in July and were $39 million, or 0.1 percent, below forecast cumulatively since the forecast was completed in April. The slight shortfall since April was due largely to lower other payments of $885 million and higher refunds of $775 million, mostly offset by higher withholding payments of $881 million, higher estimated payments of $411 million and higher final payments of $342 million.
- Corporation tax cash receipts were $434 million, or 42.7 percent, above forecast in July and were $1.4 billion, or 6.3 percent, above forecast cumulatively since the forecast was completed in April. The overage since April was due mainly to higher Pass-Through Entity Elective Tax (PTET) payments of $611 million, lower refunds of $464 million, and higher estimated of $201 million. Higher PTET payments increase corporation tax revenue but are later offset by higher PTET credit use against the personal income tax, making the net revenue impact largely neutral over time.
- Preliminary sales and use tax receipts were $74 million, or 5.1 percent, above forecast in July and were $484 million, or 4.4 percent, above forecast cumulatively since the forecast was completed in April. July is typically an inconsequential month for sales tax, despite containing the second quarter due date, as a significant share of sales tax receipts related to the final second quarter due date is typically recorded in August.

2026-27 Comparison of Actual and Forecast Agency General Fund Revenue
(Dollars in Millions)

	July 2026				2026-27 YEAR TO DATE			
Revenue Source	**Forecast**	**Actual**	**Difference**	**Percent Difference**	**Forecast**	**Actual**	**Difference**	**Percent Difference**
Personal Income	**$8,867**	**$8,447**	**-$420**	**-4.7%**	**$8,867**	**$8,447**	**-$420**	**-4.7%**
Withholding	8,564	8,190	-374	-4.4%	8,564	8,190	-374	-4.4%
Estimated Payments	391	590	199	50.8%	391	590	199	50.8%
Final Payments	311	336	25	8.0%	311	336	25	8.0%
Other Payments	479	218	-262	-54.6%	479	218	-262	-54.6%
Refunds	-701	-716	-15	2.2%	-701	-716	-15	2.2%
BHSF Transfer	-159	-151	8	-4.7%	-159	-151	8	-4.7%
Corporation	**$1,017**	**$1,451**	**$434**	**42.7%**	**$1,017**	**$1,451**	**$434**	**42.7%**
Estimated Payments	915	1,123	207	22.7%	915	1,123	207	22.7%
PTET Payments	121	185	65	53.5%	121	185	65	53.5%
Other Payments	325	287	-38	-11.6%	325	287	-38	-11.6%
Refunds	-344	-144	199	-58.0%	-344	-144	199	-58.0%
Sales & Use	**$1,467**	**$1,541**	**$74**	**5.1%**	**$1,467**	**$1,541**	**$74**	**5.1%**
Insurance	**$60**	**$84**	**$24**	**39.5%**	**$60**	**$84**	**$24**	**39.5%**
Pooled Money Interest	**$205**	**-$10**	**-$215**	**n/a**	**$205**	**-$10**	**-$215**	**n/a**
Alcohol	**$43**	**$61**	**$18**	**40.6%**	**$43**	**$61**	**$18**	**40.6%**
Tobacco	**$3**	**$3**	**$0**	**8.9%**	**$3**	**$3**	**$0**	**8.9%**
Other	**$89**	**$168**	**$78**	**87.6%**	**$89**	**$168**	**$78**	**87.6%**
Total	**$11,752**	**$11,745**	**-$7**	**-0.1%**	**$11,752**	**$11,745**	**-$7**	**-0.1%**

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. The personal income total includes Individual Shared Responsibility Penalty transfers. The forecast is from the 2026 Budget Act.