



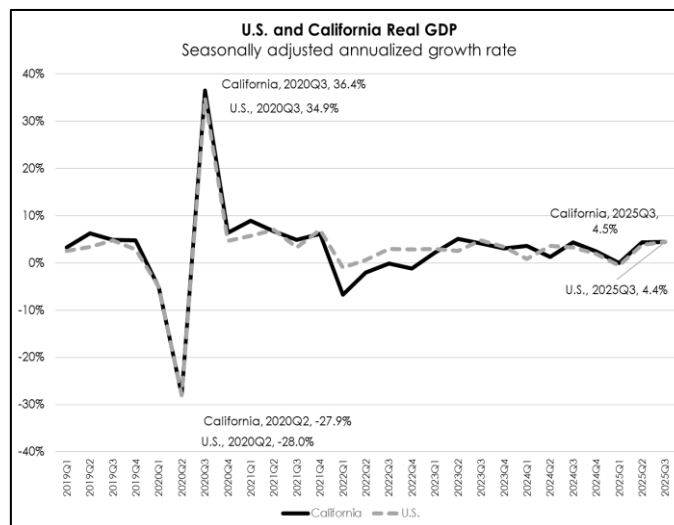
Finance Bulletin

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Economic Update

U.S. real GDP grew at a 4.4-percent seasonally adjusted annualized rate (SAAR) in the third quarter of 2025, following a growth of 3.8 percent in the second quarter. Growth was driven mainly by consumer spending, which contributed over 2.3 percentage points to overall GDP growth, followed by net exports (1.6 percentage points), government (0.4 percentage point), and fixed investment (0.2 percentage point). In contrast, inventory accumulation subtracted 0.1 percentage point from GDP growth.

California real GDP grew by 4.5 percent in the third quarter of 2025, a slight acceleration from the 4.3-percent growth in the second quarter of 2025 and the highest growth since the 5.1-percent growth in the second quarter of 2023. The state's real GDP growth in the third quarter was broad-based as nearly all sectors positively contributed to growth, with the exception of government (-0.3 percentage point) and construction (-0.1 percentage point). The information sector continued to be the main driver of growth in California, contributing 1.6 percentage points, followed by trade, transportation and utilities (0.9 percentage point), education and health services (0.6 percentage point), and manufacturing and professional and business services contributing 0.5 percentage point each.



LABOR MARKET CONDITIONS

- In January 2026, the U.S. unemployment rate decreased by 0.1 percentage point from the previous month to 4.3 percent as the number of employed increased by 528,000 persons (0.3 percent), the number of unemployed decreased by 141,000 persons (-1.9 percent), and the labor force increased by 387,000 persons (0.2 percent). The nation added 130,000 nonfarm payroll jobs with six sectors gaining jobs: education and health services (137,000 jobs), professional and business services (34,000 jobs), construction (33,000 jobs), other services (7,000 jobs), manufacturing (5,000 jobs), and leisure and hospitality (1,000 jobs). Five sectors lost jobs in January, led by government (-42,000 jobs), financial activities (-22,000 jobs), information (-12,000 jobs), trade, transportation and utilities (-9,000 jobs), and mining and logging (-2,000 jobs).
- California's unemployment rate decreased by 0.1 percentage point from the previous month to 5.5 percent in December 2025, due to a 29,000-person (0.1 percent) increase in the state's labor force and a 37,800-person (0.2 percent) increase in household employment, which caused the number of unemployed Californians to decrease by 8,800 persons (-0.8 percent). The state lost 1,700 jobs in December following a gain of 30,500 jobs in November. Five sectors added jobs in December, led by private education and health services which added 5,000 jobs, followed by government (4,500 jobs), leisure and hospitality (3,700 jobs), as well as mining and logging and manufacturing which each added 100 jobs. These gains were not enough to offset the losses in six sectors: construction (-5,000 jobs), professional and business services (-3,700 jobs), other services (-2,700 jobs), information (-1,700 jobs), financial activities (-1,100 jobs), and trade, transportation and utilities (-900 jobs).

BUILDING ACTIVITY

- In October 2025, 106,200 total units (SAAR) were permitted in California, bringing the year-to-date average to 101,000 units permitted in 2025, up 1.1 percent from the 99,800 units permitted in the same period in 2024. October's total units permitted consisted of 56,000 single-family units (down 9.5 percent from September 2025 and up 29.1 percent from October 2024) and 50,300 multi-family units (down 11.3 percent from September 2025 but up 112.2 percent from October 2024).
- The statewide median sale price of existing single-family homes decreased to \$850,680 in December 2025, down 0.2 percent from \$852,680 in November 2025 and down 1.2 percent from \$861,020 in December 2024. Sales volume of existing single-family homes in California was 288,551 (SAAR) in December 2025, up 0.3 percent from 287,688 (SAAR) in November 2025, and up 2 percent from 282,490 (SAAR) in December 2024.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts were \$3.4 billion, or 14.2 percent, above the Governor's Budget forecast in January and \$6.9 billion, or 5.4 percent, above the fiscal year-to-date forecast. The fiscal year-to-date overage was driven mainly by higher estimated payments and lower refunds for the personal income tax (contributing \$4.9 billion cumulatively) as well as higher Pass-Through Entity Elective Tax (PTET) payments and lower refunds for the corporation tax (contributing \$2.2 billion). Partly offsetting those overages were shortfalls of \$179 million in sales tax receipts and \$758 million in non-PTET corporation tax payments. The Governor's Budget monthly cashflows reflect cash results through November, therefore, fiscal year-to-date variances are primarily related to December and January, along with some small revisions to prior months.

- Personal income tax cash receipts were \$3.1 billion, or 16.6 percent, above forecast in January and \$4.7 billion, or 5.6 percent, above the fiscal year-to-date forecast. This was due mainly to estimated payments, which were \$3 billion, or 31.3 percent, above forecast in January and \$3.9 billion, or 20.7 percent, above the fiscal year-to-date forecast. January is an important month for personal income tax collections as it includes the fourth quarter estimated payment deadline. Refunds were below the fiscal year-to-date forecast by \$1 billion, or 14.2 percent. Withholding receipts were \$49 million, or 0.5 percent, below forecast in January but remained \$68 million above the fiscal year-to-date forecast.
- Corporation tax cash receipts were \$244 million, or 10 percent, above forecast in January and \$1.5 billion, or 7.5 percent, above the fiscal year-to-date forecast. The fiscal year-to-date overage was driven by higher PTET payments which were \$1.8 billion above forecast cumulatively through January due to a large overage in PTET payments in December. While there is no due date, many taxpayers make PTET payments prior to the end of the calendar year to receive a federal tax deduction. PTET payments increase corporation tax revenue but are later offset by higher PTET credit use against the personal income tax, making the net impact on revenues largely neutral. Refunds were \$393 million, or 10.4 percent, lower than the fiscal year-to-date forecast. Estimated payments were \$637 million below the fiscal year-to-date forecast, driven by a shortfall of \$794 million in December when most corporations' fourth quarter estimated payments were due.
- Preliminary sales and use tax receipts were \$236 million, or 12.2 percent, below forecast in January and \$179 million, or 0.9 percent, below the fiscal year-to-date forecast.
- Other revenues were \$167 million, or 92.5 percent, above forecast in January and \$838 million, or 72.3 percent, above the fiscal year-to-date forecast due to higher federal cost recovery collections.

2025-26 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

| Revenue Source | January 2026 | | | | | 2025-26 YEAR-TO-DATE | | | |
|------------------------------|-----------------|-----------------|----------------|--------------------|--|----------------------|------------------|----------------|--------------------|
| | Forecast | Actual | Difference | Percent Difference | | Forecast | Actual | Difference | Percent Difference |
| Personal Income | \$18,884 | \$22,022 | \$3,138 | 16.6% | | \$83,492 | \$88,203 | \$4,712 | 5.6% |
| Withholding | 9,609 | 9,559 | -49 | -0.5% | | 63,947 | 64,015 | 68 | 0.1% |
| Estimated Payments | 9,497 | 12,473 | 2,976 | 31.3% | | 18,749 | 22,624 | 3,875 | 20.7% |
| Final Payments | 276 | 155 | -121 | -43.8% | | 5,781 | 5,669 | -112 | -1.9% |
| Other Payments | 692 | 649 | -44 | -6.3% | | 3,906 | 3,837 | -68 | -1.8% |
| Refunds | -848 | -416 | 433 | -51.0% | | -7,303 | -6,266 | 1,037 | -14.2% |
| MHSF Transfer | -338 | -395 | -56 | 16.6% | | -1,496 | -1,580 | -84 | 5.6% |
| Corporation | \$2,428 | \$2,672 | \$244 | 10.0% | | \$19,389 | \$20,852 | \$1,463 | 7.5% |
| Estimated Payments | 1,008 | 1,165 | 157 | 15.6% | | 9,471 | 8,833 | -637 | -6.7% |
| PTET Payments | 1,285 | 1,423 | 139 | 10.8% | | 10,346 | 12,175 | 1,829 | 17.7% |
| Other Payments | 399 | 339 | -60 | -15.1% | | 3,345 | 3,224 | -121 | -3.6% |
| Refunds | -263 | -255 | 9 | -3.2% | | -3,772 | -3,380 | 393 | -10.4% |
| Sales & Use | \$1,940 | \$1,704 | -\$236 | -12.2% | | \$19,116 | \$18,937 | -\$179 | -0.9% |
| Insurance | \$49 | \$87 | \$37 | 75.2% | | \$2,169 | \$2,186 | \$17 | 0.8% |
| Pooled Money Interest | \$231 | \$242 | \$10 | 4.4% | | \$1,810 | \$1,829 | \$20 | 1.1% |
| Alcohol | \$45 | \$59 | \$14 | 31.7% | | \$260 | \$263 | \$3 | 1.2% |
| Tobacco | \$3 | \$3 | \$0 | -2.0% | | \$22 | \$21 | \$0 | -2.1% |
| Other | \$181 | \$348 | \$167 | 92.5% | | \$1,160 | \$1,998 | \$838 | 72.3% |
| Total | \$23,762 | \$27,137 | \$3,374 | 14.2% | | \$127,417 | \$134,291 | \$6,873 | 5.4% |

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 2026-27 Governor's Budget.