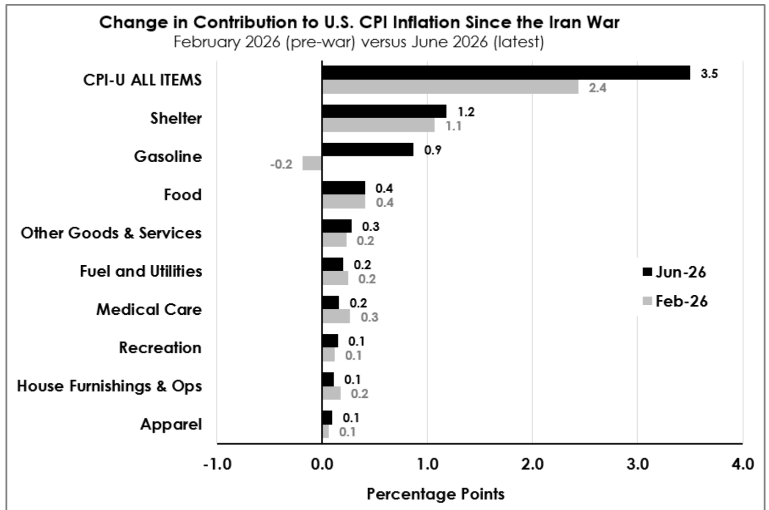
California Department of Finance

Finance Bulletin

July 2026

Joe Stephenshaw, Director

Economic Update



Note: Chart showing categories with a contribution of 0.1 percentage point or above in June 2026.
Source: U.S. Bureau of Labor Statistics (BLS) data and Department of Finance Calculations.

In the first quarter of 2026, California real GDP grew by 3.7 percent on a seasonally adjusted annualized rate (SAAR) basis—faster than the U.S. real GDP growth of 2.1 percent in the same quarter. This follows 2025 annual GDP growth of 2.5 percent for California and 2.1 percent for the U.S.

U.S. headline inflation decelerated from 4.2 percent year-over-year in May 2026 to 3.5 percent in June, driven by a significant slowing in gasoline inflation. Core inflation—which excludes food and energy prices—also decelerated from 2.9 percent in May to 2.6 percent in June. Gasoline prices declined 9.7 percent month-over-month. Year-over-year gasoline inflation slowed for the first time since the Iran war started at the end of February, from 40.5 percent in May to 26.7 percent in June. Outside of gasoline, fuel and utilities had the largest deceleration, with inflation cooling from 6 percent to 4.6 percent. Inflation for apparel as well as education and communication—two categories particularly vulnerable to tariffs—slowed by 0.9 percentage point each.

Labor Market Conditions

- In June 2026, the U.S. unemployment rate fell 0.1 percentage point from 4.3 percent in May 2026 to 4.2 percent. The U.S. labor force decreased by 720,000 persons (-0.4 percent) as the number of employed decreased by 507,000 persons (-0.3 percent) and the number of unemployed decreased by 213,000 persons (-2.9 percent). The nation added 57,000 nonfarm payroll jobs in June. Six sectors added jobs: private education and health services (+69,000 jobs), professional and business services (+36,000 jobs), construction (+11,000 jobs), government (+8,000 jobs), other services (+8,000 jobs), and manufacturing (+3,000 jobs). Three sectors lost jobs: leisure and hospitality (-61,000 jobs), information (-9,000 jobs), mining and logging (-4,000 jobs), and trade, transportation, and utilities (-4,000 jobs). The number of jobs in the financial activities sector was unchanged.
- The California unemployment rate also declined by 0.1 percentage point from 5.3 percent in May to 5.2 percent in June 2026. The state's labor force decreased by 48,700 persons (-0.2 percent) as the number of employed Californians decreased by 34,800 persons (-0.2 percent) and the number of unemployed Californians decreased by 13,800 persons (-1.3 percent). The state lost 2,900 jobs in June as job losses in eight sectors outweighed the job gains in the only three sectors that added jobs: private education and health services (+15,500 jobs), leisure and hospitality (+1,100 jobs), and information (+200 jobs). The other eight sectors lost jobs: government (-7,600 jobs), construction (-4,100 jobs), trade, transportation, and utilities (-2,800 jobs), professional and business services (-2,200 jobs), manufacturing (-1,400 jobs), financial activities (-800 jobs), other services (-700 jobs), and mining and logging (-100 jobs).

Building Activity

- The statewide median sales price of existing single-family homes decreased to $904,640 in June 2026, down 2.8 percent from $930,260 in May 2026 but up 0.4 percent from $901,310 in June 2025. Sales volume of existing single-family homes in California increased to 279,880 (SAAR) in the month, up 4.1 percent from 268,810 in May 2026 and up 6 percent from 264,160 in June 2025.
- Year-to-date through May 2026, 119,300 total housing units (SAAR) were permitted in California, down 0.3 percent from the year-to-date through April 2026, but up 19.9 percent from the same period in 2025. This year-to-date total consisted of 58,800 single-family units (down 3.8 percent from the year-to-date through April 2026 and down 4.4 percent from the first five months of 2025) and 60,400 multi-family units (up 3.5 percent from the year-to-date through April and up 59.4 percent year-over-year from the first five months of 2025).

Preliminary General Fund agency cash receipts were $665 million, or 1.8 percent, above the 2026 Budget Act forecast in June and $828 million, or 0.3 percent, above the forecast for the 2025-26 fiscal year. The Budget Act includes $375 million in additional corporation tax revenue in June compared to the 2026-27 May Revision forecast. The overall overage in June was due largely to higher corporation tax receipts of $896 million, sales and use tax receipts of $129 million, and personal income tax receipts of $107 million, partially offset by lower "Other revenue" of $398 million. The overage for the entire 2025-26 fiscal year was due largely to higher corporation tax receipts of $920 million, higher sales and use tax receipts of $410 million, and higher personal income tax receipts of $381 million, partially offset by lower "Other revenue" of $790 million. June is an important month because it contains the second quarter due date for estimated payments for both the personal income and corporation taxes, as well as the prepayment for the Pass-Through Entity Elective Tax (PTET).

- Personal income tax cash receipts were $107 million, or 0.6 percent, above forecast in June and $381 million, or 0.2 percent, above the forecast for the entire fiscal year. The fiscal year overage was due largely to withholding, which was $1.255 billion above forecast due to a large overage in May, and higher estimated and final payments, which were $212 million and $317 million above forecast, respectively. This was partially offset by lower other payments of $623 million and higher refunds of $760 million.
- Corporation tax cash receipts were $896 million, or 6.8 percent, above forecast in June and $920 million, or 1.9 percent, above the forecast for the entire fiscal year. The fiscal year overage was due largely to PTET payments, which were $546 million above forecast, refunds which were $265 million lower than projected, and other payments, which were $115 million above forecast. Higher PTET payments, which comprised most of the $920 million overage for the entire fiscal year, 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 $129 million, or 3.6 percent, above forecast in June and $410 million, or 1.2 percent, above the forecast for the entire fiscal year. Strength in sales tax in May and June was likely due in part to the inflationary impacts of the Iran war.
- "Other revenue" was $398 million, or 22.7 percent, below forecast in June and $790 million, or 17.9 percent, below the forecast for the entire fiscal year.

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

	June 2026				2025-26 YEAR-TO-DATE			
Revenue Source	**Forecast**	**Actual**	**Difference**	**Percent Difference**	**Forecast**	**Actual**	**Difference**	**Percent Difference**
Personal Income	**$17,997**	**$18,104**	**$107**	**0.6%**	**$152,937**	**$153,318**	**$381**	**0.2%**
Withholding	8,889	8,927	38	0.4%	111,169	112,424	1,255	1.1%
Estimated Payments	8,910	9,087	177	2.0%	36,092	36,304	212	0.6%
Final Payments	275	319	44	16.0%	15,828	16,145	317	2.0%
Other Payments	922	913	-9	-1.0%	17,040	16,417	-623	-3.7%
Refunds	-653	-790	-137	21.0%	-24,172	-24,932	-760	3.1%
MHSF Transfer	-322	-324	-2	0.6%	-2,740	-2,747	-7	0.2%
Corporation	**$13,110**	**$14,006**	**$896**	**6.8%**	**$47,201**	**$48,121**	**$920**	**1.9%**
Estimated Payments	5,370	5,453	82	1.5%	18,275	18,269	-6	0.0%
PTET Payments	7,491	8,107	616	8.2%	23,688	24,234	546	2.3%
Other Payments	467	665	198	42.4%	10,051	10,166	115	1.1%
Refunds	-219	-219	-1	0.2%	-4,813	-4,548	265	-5.5%
Sales & Use	**$3,624**	**$3,753**	**$129**	**3.6%**	**$35,615**	**$36,026**	**$410**	**1.2%**
Insurance	**$220**	**$207**	**-$14**	**-6.1%**	**$4,510**	**$4,496**	**-$14**	**-0.3%**
Pooled Money Interest	**$198**	**$143**	**-$55**	**-27.7%**	**$2,928**	**$2,854**	**-$74**	**-2.5%**
Alcohol	**$27**	**$25**	**-$1**	**-4.6%**	**$413**	**$409**	**-$5**	**-1.1%**
Tobacco	**$2.9**	**$3.1**	**$0.2**	**7.9%**	**$35.4**	**$35.7**	**$0.4**	**1.0%**
Other	**$1,753**	**$1,355**	**-$398**	**-22.7%**	**$4,422**	**$3,632**	**-$790**	**-17.9%**
Total	**$36,932**	**$37,597**	**$665**	**1.8%**	**$248,064**	**$248,892**	**$828**	**0.3%**

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.