



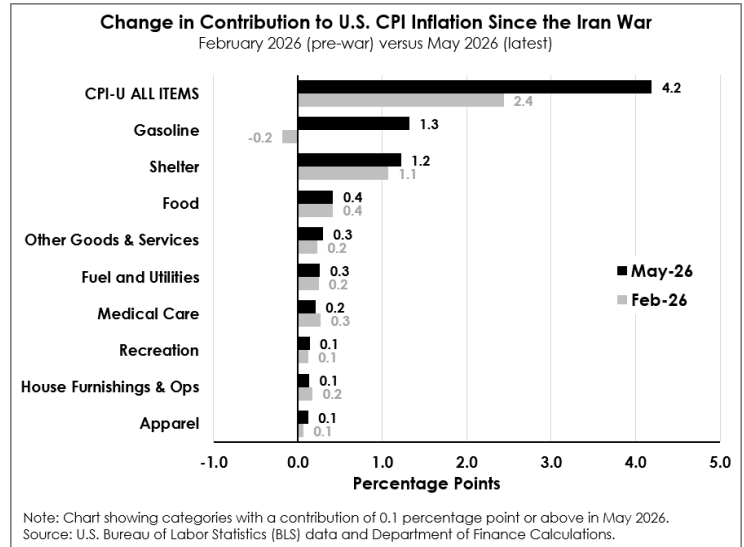
Finance Bulletin

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Economic Update

In the first quarter of 2026, U.S. real GDP growth was revised down from 2 percent to 1.6 percent on a seasonally adjusted annualized rate (SAAR) basis, according to the Bureau of Economic Analysis' second estimate. This follows a growth of 0.5 percent (SAAR) in the fourth quarter of 2025. The downward revision was driven mainly by the change in private inventories—the stock of goods that businesses hold for sale or production—and personal consumption expenditures, whose growth contributions were revised down by 0.3 percentage point and 0.1 percentage point, respectively.

U.S. headline inflation accelerated from 3.8 percent in April 2026 to 4.2 percent year-over-year in May, climbing above 4 percent for the first time since May 2023 and reflecting the ongoing impacts of the Iran war on gasoline prices. Core inflation—which excludes food and energy prices—accelerated slightly from 2.8 percent in April to 2.9 percent in May. Gasoline inflation continued its surge, accelerating from 28.4 percent in April to 40.5 percent in May, its fastest rate since 44 percent in July 2022. This is a continuation of the 18.9-percent spike in March, which followed three consecutive months of deflation from December 2025 to February 2026.



LABOR MARKET CONDITIONS

- The U.S. unemployment rate remained at 4.3 percent for the third month in a row in May. The number of employed increased by 149,000 persons (0.1 percent), the number of unemployed decreased by 66,000 persons (-0.9 percent), and the labor force increased by 83,000 persons (0.05 percent). The nation added 172,000 nonfarm payroll jobs in May. Eight sectors added jobs: leisure and hospitality (+70,000 jobs), government (+52,000 jobs), private education and health services (+40,000 jobs) construction (+17,000 jobs), manufacturing (+7,000 jobs), professional and business services (+6,000 jobs), mining and logging (+4,000 jobs), and other services (+3,000 jobs). The three other sectors lost jobs: financial activities (-22,000 jobs), trade, transportation, and utilities (-3,000 jobs), and information (-2,000 jobs).
- For the third month, the California unemployment rate remained at 5.3 percent in May. The number of employed Californians decreased by 44,100 persons (-0.2 percent), the number of unemployed Californians decreased by 8,800 persons (-0.8 percent), and the state's labor force decreased by 52,800 persons (-0.3 percent). The state gained 3,100 jobs in May, with six sectors adding jobs: private education and health services (+6,200 jobs), leisure and hospitality (+5,900 jobs), information (+2,400 jobs), government (+2,100 jobs), manufacturing (+1,200 jobs), and mining and logging (+300 jobs). The remaining five sectors lost jobs: professional and business services (-6,900 jobs), other services (-5,000 jobs), trade, transportation, and utilities (-2,400 jobs), financial activities (-600 jobs), and construction (-100 jobs).

BUILDING ACTIVITY

- The statewide median sales price of existing single-family homes increased to \$914,810 in April 2026, up 2.9 percent from \$889,190 in March 2026 and up 0.4 percent from \$911,400 in April 2025. Sales volume of existing single-family homes in California increased to 275,580 (SAAR) in the month, up 3.9 percent from 265,320 in March and up 4.1 percent from 264,810 April 2025.
- Year-to-date through April 2026, 119,600 total housing units (SAAR) were permitted in California, down 4 percent from the year-to-date through March 2026, but up 22.6 percent from the same period in 2025. This year-to-date total consisted of 61,200 single-family units (up 1.9 percent from the year-to-date through March but down 4.7 percent from a year ago) and 58,400 multi-family units (down 9.5 percent from the year-to-date through March, but up 75.3 percent year-over-year from a year ago).

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts were \$162 million, or 0.1 percent, above the May Revision fiscal year-to-date forecast, and were \$813 million, or 5.6 percent, above the forecast in May. The fiscal year-to-date overage was due largely to higher sales and use tax receipts of \$279 million and higher personal income receipts of \$274 million that were partially offset by lower "Other revenues" of \$392 million. The May Revision forecast was finalized in mid-April; therefore, the fiscal year-to-date variance in this report reflects variance from April and May.

- Personal income tax cash receipts were \$274 million, or 0.2 percent, above the fiscal year-to-date forecast, and were \$970 million, or 13.1 percent, above the forecast in May. The fiscal year-to-date overage was due entirely to withholding (\$1.2 billion, or 1.2 percent, above forecast), partially offset by lower non-withholding payments—estimated, final, and other payments—of \$306 million and higher refunds of \$623 million.
- Corporation tax cash receipts were \$24 million, or 0.1 percent, above the fiscal year-to-date forecast, and were \$21 million, or 1.6 percent, below the forecast in May. The fiscal year-to-date overage was driven by lower refunds of \$265 million, partially offset by lower payments of \$241 million.
- Preliminary sales and use tax receipts were \$279 million, or 0.9 percent, above the fiscal year-to-date forecast. May receipts include cash from the final payment from the first quarter of 2026 and the first prepayment from the second quarter of 2026.
- Other revenues were \$392 million, or 14.7 percent, below the fiscal year-to-date forecast because of the timing of a deposit to the State Controller's Office that was projected in May but is now expected to be received in a later month.

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

Revenue Source	May 2026				Percent Difference	2025-26 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference		Forecast	Actual	Difference	Percent Difference
Personal Income	\$7,423	\$8,392	\$970	13.1%	\$134,940	\$135,214	\$274	0.2%	
Withholding	7,541	8,758	1,217	16.1%	102,280	103,497	1,217	1.2%	
Estimated Payments	347	354	7	2.1%	27,182	27,217	35	0.1%	
Final Payments	509	613	104	20.4%	15,553	15,826	273	1.8%	
Other Payments	765	589	-176	-23.0%	16,118	15,504	-614	-3.8%	
Refunds	-1,526	-1,682	-156	10.2%	-23,519	-24,143	-623	2.7%	
MHSF Transfer	-133	-150	-17	13.1%	-2,417	-2,422	-5	0.2%	
Corporation	\$1,301	\$1,280	-\$21	-1.6%	\$34,091	\$34,115	\$24	0.1%	
Estimated Payments	479	426	-53	-11.0%	12,905	12,817	-88	-0.7%	
PTET Payments	396	302	-94	-23.8%	16,197	16,127	-70	-0.4%	
Other Payments	800	721	-79	-9.9%	9,584	9,501	-83	-0.9%	
Refunds	-375	-170	205	-54.7%	-4,595	-4,330	265	-5.8%	
Sales & Use	\$4,299	\$4,579	\$279	6.5%	\$31,992	\$32,271	\$279	0.9%	
Insurance	\$793	\$793	-\$1	-0.1%	\$4,290	\$4,289	-\$1	0.0%	
Pooled Money Interest	\$194	\$174	-\$19	-10.0%	\$2,730	\$2,711	-\$19	-0.7%	
Alcohol	\$29	\$26	-\$3	-11.4%	\$386	\$383	-\$3	-0.9%	
Tobacco	\$2.9	\$3.0	\$0	5.1%	\$32.5	\$32.6	\$0	0.4%	
Other	\$461	\$69	-\$392	-85.0%	\$2,670	\$2,278	-\$392	-14.7%	
Total	\$14,503	\$15,315	\$813	5.6%	\$211,131	\$211,293	\$162	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 2026-27 May Revision.