



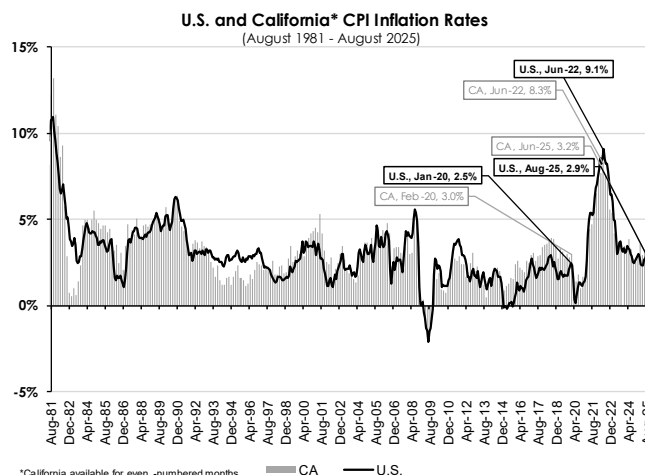
Finance Bulletin

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Economic Update

U.S. real GDP grew at a 3.3-percent seasonally adjusted annualized rate (SAAR) in the second quarter of 2025, revised up from 3 percent in the initial estimate, and rebounding from a 0.5-percent contraction in the first quarter. Growth in the second quarter continued to be driven by net exports, which contributed 5.0 percentage points as imports stabilized after subtracting 4.6 percentage points in the first quarter. The upward revision to overall growth was due mainly to fixed investment, whose contribution was revised up by 0.5 percentage point.

U.S. headline inflation accelerated from 2.7 percent year-over-year in July 2025 to 2.9 percent in August—its fastest pace since January 2025. Core inflation, which excludes food and energy, remained unchanged at 3.1 percent year-over-year—its highest rate since February 2025. The acceleration in headline inflation in August was driven by a relatively broad-based increase in consumer prices, including prices of food at home (groceries), alcoholic beverages, transportation, apparel, and fuel and utilities, as tariffs continue to push prices higher. Shelter inflation decelerated for the fourth consecutive month on a year-over-year basis from 3.7 percent in July to 3.6 percent in August, while gasoline prices declined in August for the fifteenth consecutive month.



LABOR MARKET CONDITIONS

- In August, the U.S. unemployment rate ticked up to 4.3 percent from 4.2 percent in July. Civilian unemployment increased by 148,000 persons (2.0 percent) due mainly to a 436,000-person (0.3 percent) increase in the labor force, the first gain since April, which exceeded the 288,000-person (0.2 percent) gain in household employment. The U.S. added 22,000 nonfarm payroll jobs in August, while payroll employment in June and July was revised down by a combined 21,000 jobs. U.S. nonfarm payroll job growth in August was driven by private educational and health services which added 46,000 jobs, followed by leisure and hospitality (+28,000 jobs), other services (+12,000 jobs) and trade, transportation and utilities (+2,000 jobs). Seven sectors lost jobs in August: professional and business services (-17,000 jobs), government (-16,000 jobs), manufacturing (-12,000 jobs), construction (-7,000 jobs), mining and logging (-6,000 jobs), information (-5,000 jobs), and financial activities (-3,000 jobs).
- California's unemployment rate remained unchanged at 5.5 percent in August as the number of unemployed persons increased by 5,700 persons (0.5 percent) and the number of employed Californians increased by 1,100 persons (0.01 percent). California's labor force grew by 6,600 persons (0.03 percent). The state added 3,800 nonfarm payroll jobs in August, and July's job gain was revised down from a gain of 15,000 jobs to a loss of 300 jobs. Six sectors added jobs in August led by private education and health services (+9,800 jobs), leisure and hospitality (+9,300 jobs), and information (+1,200 jobs), other services (+900 jobs), mining and logging (+100 jobs), and financial activities (+100 jobs). Five sectors lost jobs: government (-7,600 jobs), professional and business services (-5,300 jobs), construction (-2,500 jobs), manufacturing (-1,400 jobs), and trade, transportation, and utilities (-800 jobs).

BUILDING ACTIVITY

- Year-to-date through July, California permitted 97,400 housing units (SAAR), down 1.2 percent from June 2025 and down 6.6 percent from a year ago in July 2024. July year-to-date permits consisted of 57,700 single-family units (down 1.3 percent from June and down 5.4 percent year-over-year), and 39,600 multi-family units (down 1.2 percent from June and down 8.4 percent year-over-year).
- The statewide median sale price of existing single-family homes decreased to \$884,050 in July 2025, down 1.7 percent from \$899,790 in June 2025, and down 0.3 percent from \$886,560 in July 2024. Sales volume of existing single-family homes in California was 261,512 (SAAR) in July 2025, down 1.0 percent from June 2025, and down 4.1 percent from July 2024.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts were \$1.7 billion, or 12.8 percent, above the Budget Act forecast for August. This overage was due largely to higher receipts from personal income tax (up \$1.1 billion), other revenues (up \$326 million), and corporation tax (up \$286 million), offset partially by lower-than-expected pooled money investment account interest revenues (down \$55 million) and sales and use tax receipts (down \$27 million). There were no major payment due dates for non-withholding personal income tax and corporate income tax in August. Cumulatively since April, preliminary General Fund agency cash receipts are \$4.4 billion above projections. This includes an overage of \$2.7 billion attributed to cash collected during the 2024-25 fiscal year.

- Personal income tax cash receipts were \$1.1 billion, or 13.6 percent, above forecast in August and \$2.3 billion above forecast cumulatively since April. The August overage was due mostly to withholding receipts, which were \$908 million, or 11.9 percent, above forecast for the month and were \$1.7 billion above forecast cumulatively since April. Year-over-year withholding growth was 4.5 percent in August compared to a projected decline of 6.7 percent in the Budget Act forecast as strength in withholding collections, likely in part due to stock-based compensation, more than offset one fewer collection day in August compared to the prior year. Estimated, final, and other payments combined were \$131 million above forecast in August, while refunds were \$48 million below forecast.
- Corporation tax cash receipts were \$286 million, or 261.2 percent, above forecast in August and \$296 million above forecast cumulatively since April. The August overage was due primarily to lower refunds, which were \$208 million, or 47.5 percent, below forecast. Additionally, other payments and pass-through entity elective (PTET) payments were above forecast in August by \$57 million and \$50 million, respectively. August strength was slightly offset by lower estimated payments, which were \$28 million, or 12.4 percent, below forecast in August, but remained \$384 million above forecast cumulatively since April.
- Preliminary sales and use tax receipts were \$27 million, or 0.7 percent, below forecast in August, bringing the cumulative shortfall since April, including minor revisions to prior months, to \$169 million. August revenues include a portion of the final payment for the second quarter of 2025, which was due on July 31, and the first prepayment for the third quarter of 2025.
- Other revenues were \$326 million, or 359.5 percent, above forecast in August. Cumulatively since April, other revenues were \$1.8 billion above forecast, due primarily to higher federal cost recovery collections related to disasters in prior years.

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

| Revenue Source | AUGUST 2025 | | | | 2025-26 YEAR-TO-DATE | | | |
|------------------------------|-----------------|-----------------|----------------|--------------------|----------------------|-----------------|----------------|--------------------|
| | Forecast | Actual | Difference | Percent Difference | Forecast | Actual | Difference | Percent Difference |
| Personal Income | \$7,857 | \$8,928 | \$1,071 | 13.6% | \$16,064 | \$17,431 | \$1,367 | 8.5% |
| Withholding | 7,601 | 8,509 | 908 | 11.9% | 15,372 | 16,682 | 1,310 | 8.5% |
| Estimated Payments | 261 | 320 | 59 | 22.5% | 585 | 724 | 139 | 23.8% |
| Final Payments | 246 | 294 | 48 | 19.6% | 514 | 599 | 85 | 16.6% |
| Other Payments | 452 | 476 | 24 | 5.4% | 1,036 | 941 | -95 | -9.2% |
| Refunds | -550 | -502 | 48 | -8.8% | -1,123 | -1,177 | -53 | 4.7% |
| MHSF Transfer | -141 | -160 | -19 | 13.6% | -288 | -312 | -24.5 | 8.5% |
| Corporation | \$110 | \$396 | \$286 | 261.2% | \$1,443 | \$1,303 | -\$140 | -9.7% |
| Estimated Payments | 225 | 197 | -28 | -12.4% | 1,301 | 1,062 | -240 | -18.4% |
| PTET Payments | 77 | 127 | 50 | 64.7% | 193 | 258 | 65 | 33.7% |
| Other Payments | 245 | 301 | 57 | 23.1% | 576 | 645 | 69 | 12.0% |
| Refunds | -437 | -229 | 208 | -47.5% | -627 | -662 | -34 | 5.4% |
| Sales & Use | \$4,067 | \$4,040 | -\$27 | -0.7% | \$5,504 | \$5,427 | -\$77 | -1.4% |
| Insurance | \$767 | \$857 | \$89 | 11.6% | \$834 | \$937 | \$103 | 12.4% |
| Pooled Money Interest | \$291 | \$237 | -\$55 | -18.8% | \$492 | \$546 | \$54 | 11.0% |
| Alcohol | \$32 | \$30 | -\$2 | -7.1% | \$76 | \$79 | \$3 | 3.9% |
| Tobacco | \$3 | \$4 | \$0 | 14.7% | \$6 | \$6 | \$0 | 2.8% |
| Other | \$91 | \$417 | \$326 | 359.5% | \$187 | \$633 | \$446 | 239.1% |
| Total | \$13,218 | \$14,908 | \$1,689 | 12.8% | \$24,606 | \$26,363 | \$1,757 | 7.1% |

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 2025-26 Budget Act. General Fund agency cash receipts for the entire 2024-25 fiscal year were \$2.7 billion above the 2025-26 Budget Act forecast.