

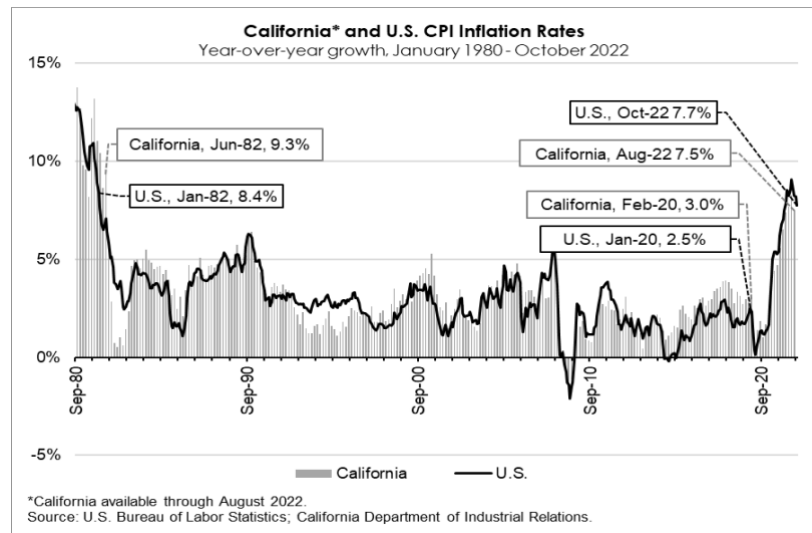


Finance Bulletin

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Economic Update

U.S. headline inflation decelerated for the fourth consecutive month to 7.7 percent year-over-year in October 2022, down 0.5 percent from September and the largest such decrease since July 2022. Core inflation—which excludes food and energy—decelerated to 6.3 percent year-over-year, down 0.3 percent from September. Transportation inflation, which includes gasoline, decelerated 1.4 percent to 11.2 percent while shelter inflation accelerated 0.3 percent to 6.9 percent from September.



LABOR MARKET CONDITIONS

- The U.S. unemployment rate increased 0.2 percentage point to 3.7 percent in October 2022. U.S. civilian employment decreased by 328,000 in October, while civilian unemployment increased by 306,000. During the month, the labor force decreased by 22,000 people in October, bringing the labor force participation rate down 0.1 percentage point to 62.2 percent. The U.S. added 261,000 nonfarm jobs in October 2022, following an average monthly gain of 423,000 for the first nine months of 2022. Ten of the eleven major sectors added jobs: educational and health services (79,000), professional and business services (39,000), leisure and hospitality (35,000), manufacturing (32,000), trade, transportation, and utilities (31,000), government (28,000), other services (9,000), information (4,000), financial activities (3,000), and construction (1,000). Mining and logging did not gain or lose any new jobs. U.S. nonfarm payroll employment was 0.5 percent above its February 2020 level in October 2022.
- Similar to the nation, California's unemployment rate also rose 0.2 percentage points to 4 percent in October 2022. California civilian unemployment increased by 35,400, civilian employment decreased by 40,500, and 5,100 people dropped out of the labor force. There were 230,900 (1.2 percent) fewer employed and around 256,900 (1.3 percent) fewer persons in the labor force in October 2022 than in February 2020. California added 56,700 nonfarm jobs in October 2022, driven by gains in educational and health services (16,800), professional and business services (16,400), and leisure and hospitality (13,500), followed by manufacturing (6,400), trade, transportation, and utilities (4,600), information (4,100), financial activities (3,600), and other services (100). Both government (-8,700) and construction (-100) lost jobs and as with the nation, mining and logging saw no change. As of October 2022, California had fully recovered all of the nearly 2.8 million nonfarm jobs lost in March and April 2020 at the peak of the COVID-19 Pandemic and was 30,800 jobs (0.2 percent) above its February 2020 level.

BUILDING ACTIVITY

- Year-to-date through September 2022, California permitted 122,000 units seasonally-adjusted annualized rate (SAAR), up 1.2 percent from August 2022 but down 2.3 percent from a year ago in September 2021. September permits consisted of 65,000 single-family units (down 1.6 percent from August, and also down 3.6 percent year over year) and 57,000 multi-family units (up 4.5 percent from August and also up 9.9 percent year over year).
- The statewide median price of existing single-family homes decreased to \$821,680 in September 2022, down 2.1 percent from August but up 1.6 percent from September 2021. Sales of existing single-family homes in California decreased to 305,680 units (SAAR) in September 2022, down 2.5 percent from August and down 30.2 percent from September 2021.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for October were \$7.055 billion, or 179 percent, above the 2022-23 Budget Act forecast of \$3.94 billion due to lower-than-assumed personal income tax refunds related to tax year 2021 from the Pass-Through Entity (PTE) elective tax. A substantial portion of this one-time revenue gain in October is a timing issue as unused PTE elective credits can be carried forward to subsequent years. For the fifth consecutive month, cash receipts related to tax year 2022, such as from withholding, continue to indicate considerable ongoing weakness.

- Personal income tax cash receipts to the General Fund for October were \$7.426 billion above the month's forecast of \$1.063 billion. Because the PTE elective tax is a new tax, there was limited information and no historical data on which to base assumptions concerning taxpayer behavior. Many taxpayers file their returns on extension in October and the Budget Act forecast assumed that around half of the 2021 PTE elective tax credits, or approximately \$7 billion, would be claimed and returned to taxpayers as refunds in October. However, this assumption did not materialize as refunds came in \$7.583 billion lower than the \$9.691-billion projection, leading to a one-time gain related to tax year 2021 that will be offset in future years when the unused PTE elective credits are used. October final payments, which also relate to tax year 2021, were \$712 million above forecast. October withholding receipts were below projections for the fifth consecutive month, falling \$575 million, or 7.4 percent, below forecast.
- Corporation tax cash receipts for October were \$209 million, or 54.2 percent, above the forecast of \$386 million, largely due to unanticipated PTE payments. October is not a significant month for the corporation tax.
- Sales and use tax cash receipts for October were \$633 million, or 28 percent, below forecast. However, lower revenues were due to the shifting of some payments from October to November, which likely will result in cash receipts exceeding projections in November. October included a portion of the final payment for third quarter taxable sales.

2022-23 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	OCTOBER 2022				2022-23 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$1,063	\$8,489	\$7,426	698.6%	\$30,292	\$33,012	\$2,720	9.0%
Withholding	7,758	7,183	-575	-7.4%	30,594	27,695	-2,899	-9.5%
Estimated Payments	564	428	-135	-24.0%	6,901	4,171	-2,731	-39.6%
Final Payments	1,891	2,603	712	37.7%	2,646	3,640	994	37.6%
Other Payments	598	546	-52	-8.7%	2,195	2,313	118	5.4%
Refunds	-9,691	-2,109	7,583	-78.2%	-11,353	-4,147	7,206	-63.5%
MHSF Transfer	-20	-152	-132	672.2%	-545	-591	-47	8.6%
Corporation	\$386	\$595	\$209	54.2%	\$3,997	\$4,299	\$302	7.6%
Estimated Payments	281	244	-37	-13.1%	2,991	2,774	-217	-7.3%
PTE Payments	0	273	273	n/a	0	989	989	0.0%
Other Payments	504	473	-31	-6.1%	1,794	1,657	-137	-7.6%
Refunds	-398	-395	3	-0.8%	-788	-1,121	-333	42.2%
Sales & Use	\$2,264	\$1,631	-\$633	-28.0%	\$10,827	\$9,914	-\$913	-8.4%
Insurance	\$53	\$43	-\$10	-18.6%	\$915	\$934	\$18	2.0%
Pooled Money Interest	\$32	\$118	\$86	266.9%	\$126	\$331	\$205	162.7%
Alcohol	\$37	\$39	\$2	6.2%	\$150	\$153	\$3	2.2%
Tobacco	\$4	\$4	\$0	10.0%	\$17	\$18	\$1	5.2%
Other	\$100	\$74	-\$26	-25.7%	\$561	\$501	-\$60	-10.8%
Total	\$3,940	\$10,995	\$7,055	179.1%	\$46,885	\$49,162	\$2,276	4.9%

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 2022 Budget Act.