



# Finance Bulletin

Joe Stephenshaw, Director

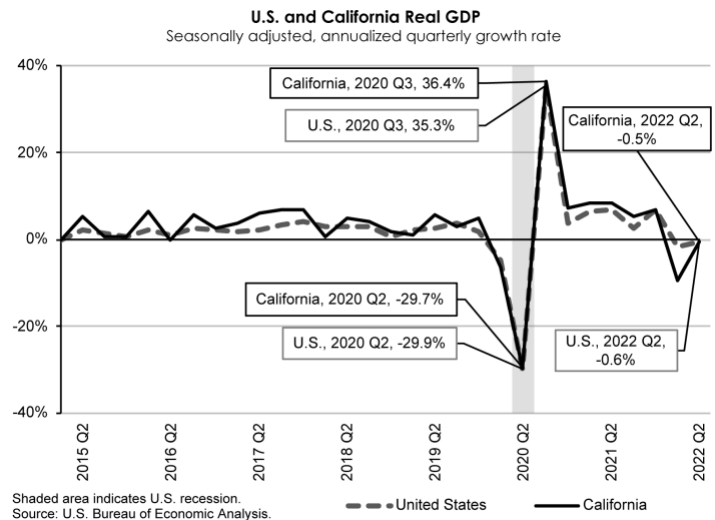
## Economic Update

The U.S. unemployment rate decreased 0.2 percentage point to 3.5 percent in September 2022, matching its 50-year low in July. U.S. civilian employment decreased by 204,000 in September and surpassed February 2020 levels, while civilian unemployment decreased by 261,000 persons. The labor force decreased by 57,000 participants in September, following a gain of nearly 800,000 in August, and the labor force participation rate contracted by 0.1 percentage point to 62.3 percent. The labor force participation rate was still 1.1 percentage points below the February 2020 rate of 63.4 percent, despite 70,000 more employed and 106,000 (0.1 percent) more persons in the labor force in September 2022.

The U.S. added 263,000 jobs in September, following an average monthly gain of 439,000 from January through August 2022. Nine of the eleven major industry sectors added jobs: educational and health services (90,000), leisure and hospitality (83,000), professional and business services (46,000), manufacturing (22,000), construction (19,000), other services (17,000), information (13,000), trade, transportation and utilities (3,000) and mining and logging (3,000). Financial activities and government lost 8,000 and 25,000 jobs respectively. U.S. nonfarm payroll employment was 0.3 percent above its February 2020 level in September 2022.

## U.S. INFLATION AND CALIFORNIA GDP

- U.S. headline inflation decelerated slightly to 8.2 percent year-over-year in September 2022, down from 8.3 percent in August. Core inflation—which excludes the more volatile categories of food and energy—accelerated to 6.6 percent year-over-year from 6.3 percent in August. Transportation inflation, which includes gasoline, decelerated to 12.6 percent in September from 13.4 percent in August, while shelter inflation increased to 6.6 percent from 6.2 percent in August. Year-to-date, U.S. headline inflation averaged 8.3 percent, up from 4 percent over the same period last year. U.S. core inflation averaged 6.2 percent year-to-date, up from 3.1 percent over the same period in 2021.



- California real GDP contracted at a 0.5-percent seasonally adjusted annualized rate (SAAR) in the second quarter of 2022, following a contraction of 9.5 percent (revised) in the first quarter, as wages and salaries (including bonuses and options) declined from an unusually high level in the fourth quarter of 2021 to a more steady level in the first quarter of 2022. U.S. real GDP contracted by 1.6 percent in the first quarter followed by a contraction of 0.6 percent in the second quarter. Despite the two quarters of contraction, California's real GDP has grown 3.4 percent from the fourth quarter of 2019 (just before the COVID -19 Pandemic) to the second quarter of 2022, while U.S. real GDP has grown at a similar rate of 3.5 percent over the same period.

## BUILDING ACTIVITY

- Through August 2022, California permitted 121,000 units (SAAR), up 1.9 percent from July and also up 0.8 percent from August 2021. August 2022 permits consisted of 66,000 single-family units (the same as July but down 1.8 percent year over year) and 55,000 multi-family units (up 4.2 percent from July and also up 4.1 percent year over year).
- The statewide median price of existing single-family homes increased to \$839,460 in August 2022, up 0.7 percent from July and also up 1.4 percent from August 2021. Sales of existing single-family homes in California increased to 313,540 units (SAAR) in August 2022, up 6.1 percent from July but down 24.4 percent from August 2021.

## MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for September were \$2.785 billion, or 14.7 percent, below the 2022-23 Budget Act forecast of \$18.906 billion. Cash receipts for the first three months of the 2022-23 fiscal year were \$4.781 billion, or 11.1 percent, below the forecast of \$42.946 billion. Combined with the \$2.186-billion shortfall relative to forecast for the 2021-22 fiscal year, the cumulative deficit was \$6.967 billion through September. Shortfalls in September continued to be driven by lower proceeds from personal income tax.

- Personal income tax cash receipts to the General Fund for September were \$3.045 billion, or 22.9 percent, below the month's forecast of \$13.317 billion. September is a significant month for personal income tax cash receipts as many taxpayers pay their third quarter estimated payments. September estimated payments fell significantly below projections, coming in \$2.246 billion, or 42.3 percent, below the Budget Act forecast. Withholding receipts were \$892 million, or 11.3 percent, below the forecast in September. This was the fourth consecutive month that withholding receipts fell below projections and followed a combined shortfall of \$1.869 billion, or 8.3 percent, from June to August.
- Corporation tax cash receipts for September were \$160 million, or 6.7 percent, above the forecast of \$2.378 billion. As seen in previous months since July, unanticipated Pass-Through Entity (PTE) elective payments offset lower receipts and higher-than-expected refunds.
- Sales and use tax cash receipts for September were \$2 million, or 0.1 percent, below the month's forecast of \$2.827 billion. September receipts included the second prepayment for third quarter taxable sales.

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

Revenue Source	SEPTEMBER 2022				2022-23 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
<b>Personal Income</b>	<b>\$13,317</b>	<b>\$10,272</b>	<b>-\$3,045</b>	<b>-22.9%</b>	<b>\$29,229</b>	<b>\$24,521</b>	<b>-\$4,708</b>	<b>-16.1%</b>
Withholding	7,865	6,973	-892	-11.3%	22,836	20,512	-2,324	-10.2%
Estimated Payments	5,314	3,069	-2,246	-42.3%	6,337	3,742	-2,595	-41.0%
Final Payments	340	439	99	29.0%	755	1,035	281	37.2%
Other Payments	685	806	122	17.8%	1,597	1,781	184	11.5%
Refunds	-612	-816	-204	33.3%	-1,662	-2,053	-392	23.6%
MHSF Transfer	-239	-184	55	-22.9%	-525	-439	86	-16.3%
<b>Corporation</b>	<b>\$2,378</b>	<b>\$2,537</b>	<b>\$160</b>	<b>6.7%</b>	<b>\$3,611</b>	<b>\$3,704</b>	<b>\$93</b>	<b>2.6%</b>
Estimated Payments	1,915	1,818	-97	-5.1%	2,710	2,529	-181	-6.7%
PTE Payments	0	559	559	n/a	0	716	716	n/a
Other Payments	638	606	-33	-5.1%	1,290	1,184	-106	-8.2%
Refunds	-175	-445	-269	153.6%	-390	-726	-336	86.3%
<b>Sales &amp; Use</b>	<b>\$2,827</b>	<b>\$2,824</b>	<b>-\$2</b>	<b>-0.1%</b>	<b>\$8,563</b>	<b>\$8,282</b>	<b>-\$280</b>	<b>-3.3%</b>
<b>Insurance</b>	<b>\$172</b>	<b>\$195</b>	<b>\$23</b>	<b>13.2%</b>	<b>\$862</b>	<b>\$890</b>	<b>\$28</b>	<b>3.3%</b>
<b>Pooled Money Interest</b>	<b>\$39</b>	<b>\$100</b>	<b>\$61</b>	<b>157.9%</b>	<b>\$94</b>	<b>\$213</b>	<b>\$119</b>	<b>126.9%</b>
<b>Alcohol</b>	<b>\$36</b>	<b>\$38</b>	<b>\$3</b>	<b>7.5%</b>	<b>\$113</b>	<b>\$114</b>	<b>\$1</b>	<b>0.9%</b>
<b>Tobacco</b>	<b>\$4</b>	<b>\$4</b>	<b>\$0</b>	<b>1.1%</b>	<b>\$13</b>	<b>\$13</b>	<b>\$0</b>	<b>3.6%</b>
<b>Other</b>	<b>\$133</b>	<b>\$150</b>	<b>\$16</b>	<b>12.2%</b>	<b>\$461</b>	<b>\$427</b>	<b>-\$35</b>	<b>-7.5%</b>
<b>Total</b>	<b>\$18,906</b>	<b>\$16,121</b>	<b>-\$2,785</b>	<b>-14.7%</b>	<b>\$42,946</b>	<b>\$38,164</b>	<b>-\$4,781</b>	<b>-11.1%</b>

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.