



Finance Bulletin

Keely Bosler, Director

Economic Update

Driven by transfer payments, California's personal income increased by 42.8 percent on a seasonally adjusted annualized rate (SAAR) in the first quarter of 2021, marking the largest personal income growth since a 29.7-percent increase in the first quarter of 1950. U.S. personal income increased by a record 59.7 percent in the first quarter of 2021. California's share of U.S. personal income was 14.2 percent, down from 14.6 percent in the fourth quarter of 2020, and in line with the 2019 average of 14.2 percent.

California real GDP grew by 6.3 percent (SAAR) in the first quarter of 2021, following 3.8-percent growth in the fourth quarter of 2020. U.S. real GDP grew at 6.4 percent in the first quarter of 2021 after growing 4.3 percent in the fourth quarter of 2020.

As of the first quarter of 2021, California and U.S. real GDP were near their third quarter of 2019 levels, and 1.3 percent and 0.9 percent (respectively), below their fourth quarter of 2019 levels. California's share of U.S. real GDP was unchanged at 14.7 percent for the third consecutive quarter, in line with the 2019 annual average of 14.7 percent.

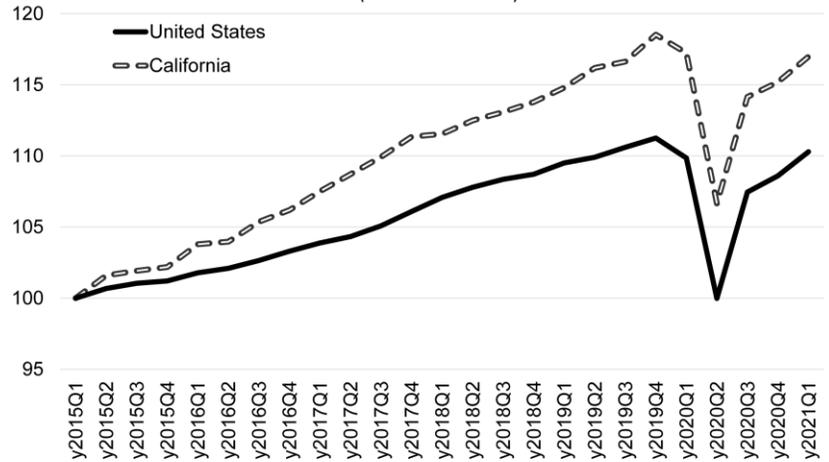
LABOR MARKET CONDITIONS

- The official U.S. unemployment rate rose 0.1 percentage point to 5.9 percent in June 2021. Civilian unemployment increased by 168,000 as civilian employment fell by 18,000 (the first decrease since falling by 25 million in March and April 2020) and the labor force increased by 151,000 persons. There were 7.1 million fewer employed and 3.4 million fewer persons in the labor force in June 2021 than in February 2020. The U.S. added 850,000 total nonfarm jobs in June 2021, the largest increase since gaining 1.6 million jobs in August 2020. Nine out of the eleven major industry sectors gained jobs: leisure and hospitality (343,000), government (188,000), trade, transportation and utilities (99,000), professional and business services (72,000), education and health services (59,000), other services (56,000), manufacturing (15,000), information (14,000), and mining and logging (12,000). Construction (-7,000) and financial activities (-1,000) lost jobs. As of June 2021, the U.S. has recovered 69.8 percent of the 22.4 million jobs lost in March and April 2020.
- California unemployment rate remained unchanged at May's revised rate of 7.7 percent in June 2021. California labor force increased by 36,000 in June 2021 with 25,000 more employed and 11,000 more unemployed. There were 1.1 million fewer employed and 534,000 fewer people in the labor force in June 2021 than in February 2020. After adding 73,500 nonfarm jobs in June 2021, California has now recovered 54.2 percent of the 2.7 million jobs lost in March and April 2020. Eight sectors added jobs: leisure and hospitality (44,400), government (7,400), other services (7,200), educational and health services (6,000), trade, transportation, and utilities (5,300), manufacturing (4,200), professional and business services (3,400), and information (500). Construction (-3,000), financial activities (-1,700), and mining and logging (-200) lost jobs.

BUILDING ACTIVITY & REAL ESTATE

- California permitted 113,000 housing units (52,000 multi-family units and 68,000 single-family units) on a seasonally adjusted annualized rate in May 2021. This was down from 128,000 units in April 2021, but above the 77,000 units permitted in May 2020. From January to May 2021, permits averaged 126,000 units compared to 98,000 units in the same period in 2020 and 107,000 units in the same period in 2019.

U.S. and California Real GDP
Levels Relative to the First Quarter of 2015
(2015 Q1 = 100)



Source: U.S. Bureau of Economic Analysis.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the entire 2020-21 fiscal year were \$4.783 billion above the 2021-22 Budget Act forecast of \$201.775 billion. Cash receipts for the month of June were \$4.74 billion above the 2021-22 Budget Act forecast of \$23.109 billion.

- Personal income tax cash receipts to the General Fund for the entire 2020-21 fiscal year were \$1.783 billion above forecast. Cash receipts for June were also \$1.783 billion above the month's forecast of \$15.312 billion. Withholding receipts were \$1.873 billion above the forecast of \$5.072 billion. Other cash receipts were \$782 million above the forecast of \$11.067 billion. Refunds issued in June were \$854 million above the expected \$537 million. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in June was \$32 million higher than the forecast of \$275 million.
- Sales and use tax cash receipts for the entire 2020-21 fiscal year were \$626 million above forecast. Cash receipts for June were \$451 million above the month's forecast of \$2.766 billion. June cash includes the second prepayment for second quarter taxable sales.
- Corporation tax cash receipts for the entire 2020-21 fiscal year were \$1.31 billion above forecast. Cash receipts for June were \$1.283 billion above the month's forecast of \$4.287 billion. Estimated payments were \$1.285 billion above the forecast of \$3.975 billion, and other payments were \$4 million above the \$387 million forecast. Total refunds for the month were \$6 million higher than the forecast of \$74 million.
- Insurance tax cash receipts for the entire 2020-21 fiscal year were \$209 million below forecast. Insurance tax cash receipts for June were \$6 million below the forecast of \$168 million. Cash receipts from the alcoholic beverage, tobacco taxes, and pooled money interest for the entire fiscal year were \$25 million above forecast, and were \$13 million above the forecast of \$43 million for June. "Other" cash receipts for the entire fiscal year were \$1.247 billion above forecast, and were \$1.216 billion above the forecast of \$532 million for the month. This is primarily because June cash receipts included a \$708 million deposit from the Federal Emergency Management Agency and there were higher unclaimed property collections than forecasted.

2021-22 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	JUNE 2021				Percent Change	2020-21 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$15,312	17,096	\$1,783	11.6%	\$142,261	\$144,044	\$1,783	1.3%	
Sales & Use	2,766	3,217	451	16.3%	28,812	29,438	626	2.2%	
Corporation	4,287	5,570	1,283	29.9%	24,802	26,113	1,310	5.3%	
Insurance	168	163	-6	-3.3%	3,348	3,140	-209	-6.2%	
Estate	0	0	0	n/a	0	0	0	37.3%	
Pooled Money Interest	9	15	6	64.1%	166	164	-2	-1.1%	
Alcoholic Beverages	29	35	7	22.7%	385	413	28	7.2%	
Tobacco	5	5	0	-1.6%	60	59	-1	-1.2%	
Other	532	1,749	1,216	228.4%	1,941	3,188	1,247	64.3%	
Total	\$23,109	\$27,849	\$4,740	20.5%	\$201,775	\$206,558	\$4,783	2.4%	

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.

Totals may not add due to rounding. The forecast is from the 2021-22 Budget Act.