

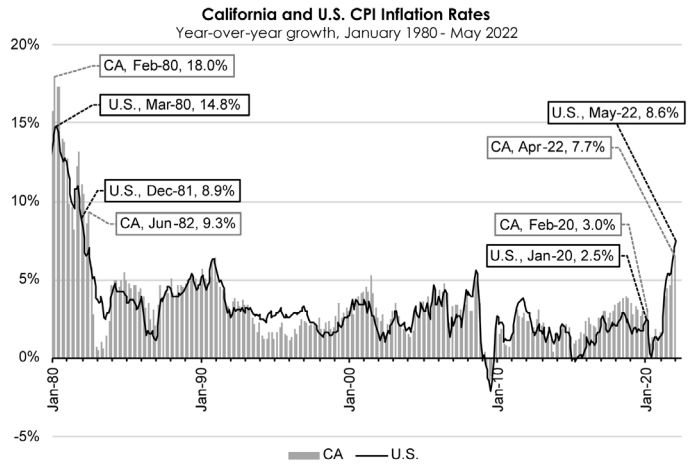


# Finance Bulletin

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## Economic Update

U.S. year-over-year headline inflation hit a 40-year high of 8.6 percent in May 2022, its fastest pace since December 1981. California headline inflation, available only for even months, accelerated to 7.7 percent in April, its fastest pace since June 1982. Surges in food prices (up 10.1 percent year over year) and gasoline prices (up 48.7 percent) drove the large national jump in May; the 'core' measure that excludes these two volatile categories was also up a still-high 6.0 percent year over year, driven largely by shelter prices.



Source: U.S. Bureau of Labor Statistics; California Department of Industrial Relations.

## LABOR MARKET CONDITIONS

- The U.S. unemployment rate was 3.6 percent in May 2022, unchanged from March and April, and just 0.1 percentage point higher than the February 2020 pre-pandemic low of 3.5 percent. U.S. civilian unemployment increased by 9,000 in May and civilian employment increased by 321,000, as 330,000 people joined the labor force. There were 440,000 (0.3 percent) fewer employed and around 207,000 (0.1 percent) fewer persons in the labor force in May 2022 than in February 2020. The U.S. added 390,000 nonfarm jobs in May 2022, with all major sectors gaining jobs: leisure and hospitality (84,000), professional and business services (75,000), educational and health services (74,000), government (57,000), construction (36,000), manufacturing (18,000), other services (16,000), information (16,000), financial activities (8,000), mining and logging (5,000), and trade, transportation, and utilities (1,000). As of May 2022, the U.S. has recovered 96.3 percent of the 22 million jobs lost in March and April 2020.
- California's unemployment rate decreased from 4.6 percent in April 2022 to 4.3 percent in May 2022 and was just 0.2 percentage point higher than the February 2020 pre-pandemic rate of 4.1 percent. California civilian unemployment decreased by 46,000 in May and civilian employment increased by 121,000, as 75,000 people joined the labor force. There were 265,000 (1.4 percent) fewer employed and around 232,000 (1.2 percent) fewer persons in the labor force in May 2022 than in February 2020. California added 42,900 nonfarm jobs in May 2022, driven by gains in leisure and hospitality (8,800) and information (8,800), followed by educational and health services (8,000), construction (7,100), government (4,600), manufacturing (3,700), other services (3,700), and professional and business services (2,700). Sectors that lost jobs were trade, transportation and utilities (-3,700), financial activities (-500) and mining and logging (-300). As of May 2022, California has recovered 93 percent of the nearly 2.8 million nonfarm jobs lost in March and April 2020.

## BUILDING ACTIVITY & REAL ESTATE

- Year-to-date, California permitted 124,000 units on a seasonally adjusted annualized rate (SAAR) basis in April 2022, up 1.3 percent from March 2022 but down 0.6 percent from April 2021. April 2022 permits consisted of 73,000 single-family units (down 1.4 percent from March 2022, but up 1.4 percent year-over-year) and 51,000 multi-family units (up 5.4 percent from March 2022 but down 3.3 percent year-over-year).
- The statewide median price of existing single-family homes reached a new record-high of \$898,980 in May 2022, up 1.6 percent from April 2022 (previous record of \$884,890) and up 9.9 percent from May 2021. Sales of existing single-family homes in California totaled 377,790 units (SAAR) in May 2022, down 9.8 percent from April 2022, and down 15.2 percent from May 2021. Year-to-date through May 2022, sales volume averaged 418,596 units (SAAR), which was 8.9 percent lower than in the same period in 2021.

## MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first eleven months of the 2021-22 fiscal year were \$200 million above the 2022-23 May Revision forecast of \$201.707 billion. Cash receipts for the month of May were \$1.106 billion above the forecast of \$12.079 billion, driven by higher proceeds from sales and use tax and corporation tax.

- Personal income tax cash receipts to the General Fund for the first eleven months of the fiscal year were \$1.124 billion below the forecast of \$131.488 billion. Cash receipts for May were \$86 million below the forecast of \$6.409 billion. Withholding receipts were \$75 million above the forecast of \$6.507 billion. Other cash receipts were \$164 million below the forecast of \$1.638 billion. Refunds issued in May were \$1 million below the forecast of \$1.621 billion. 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 May was \$2 million lower than the forecast of \$115 million.
- Sales and use tax cash receipts for the first eleven months of the fiscal year were \$463 million above the forecast of \$29.878 billion. Cash receipts for May were \$460 million above the forecast of \$3.955 billion. May cash receipts included the final prepayment for first quarter taxable sales as well as the first prepayment for second quarter taxable sales.
- Corporation tax cash receipts for the first eleven months of the fiscal year were \$592 million above the forecast of \$34.841 billion. Most of the \$592 million above forecast, or \$363 million, was due to Pass-Through Entity (PTE) elective tax payments. Cash receipts for May were \$487 million above the month's forecast of \$857 million. PTE elective tax payments were \$370 million above the forecast of \$0. Since final 2021 tax year PTE elective tax payments were due in March and the first 2022 tax year PTE elective tax payments are not due until June, the forecast assumed no payments would be made in May. Estimated payments were \$33 million above the forecast of \$484 million. Other payments were \$57 million above the forecast of \$465 million. Total refunds for May were \$28 million lower than the forecast of \$92 million.
- Insurance tax cash receipts for the first eleven months of the fiscal year were \$28 million above the forecast of \$3.279 billion. Insurance tax cash receipts for May were \$8 million above the forecast of \$588 million. Cash receipts from the alcoholic beverage tax, tobacco tax, and pooled money interest were \$6 million above the forecast of \$586 million for the first eleven months of the fiscal year, and were \$3 million above the forecast of \$54 million for May. "Other" cash receipts for the first eleven months of the fiscal year were \$234 million above the forecast and were also \$234 million above the forecast of \$216 million for May.

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

Revenue Source	MAY 2022				2021-22 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$6,409	\$6,322	-\$86	-1.3%	\$131,488	\$130,365	-\$1,124	-0.9%
Sales & Use	3,955	4,415	460	11.6%	29,878	30,340	463	1.5%
Corporation	857	1,344	487	56.9%	34,841	35,433	592	1.7%
Insurance	588	595	8	1.3%	3,279	3,307	28	0.9%
Pooled Money Interest	15	18	3	21.3%	142	145	3	1.9%
Alcoholic Beverages	35	34	-1	-1.5%	393	397	3	0.8%
Tobacco	4	5	0	9.7%	50	51	0	0.6%
Other	216	451	234	108.4%	1,636	1,870	234	14.3%
<b>Total</b>	<b>\$12,079</b>	<b>\$13,184</b>	<b>\$1,106</b>	<b>9.2%</b>	<b>\$201,707</b>	<b>\$201,907</b>	<b>\$200</b>	<b>0.1%</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. Totals may not add due to rounding. The forecast is from the 2022-23 May Revision.