



Finance Bulletin

Keely Bosler, Director

Economic Update

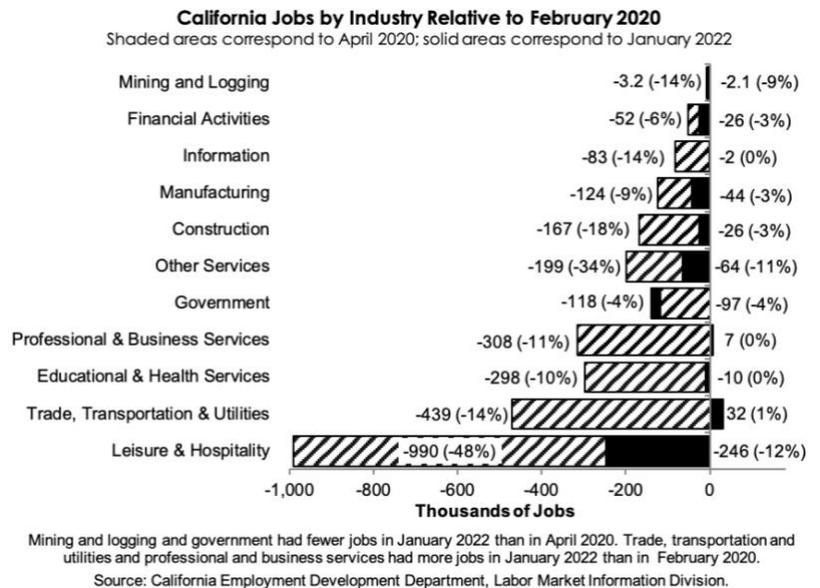
U.S. headline inflation accelerated from 7.5 percent year-over-year in January 2022 to 7.9 percent in February 2022, its highest rate since January 1982. Los Angeles headline inflation slowed slightly to 7.4 percent in February from 7.5 percent in January, which was the highest rate since June 1982. San Francisco headline inflation was 5.2 percent in February, its highest officially recorded rate since June 2001, following 4.2 percent in December 2021. Elevated inflation continued to be broad-based across all major categories, with notable increases in energy, food, and shelter prices.

LABOR MARKET CONDITIONS

■ In February 2022, the U.S. unemployment rate fell 0.2 percentage point to 3.8 percent as civilian unemployment decreased by 243,000 and 548,000 more people were employed. The U.S. added 678,000 nonfarm jobs with ten sectors gaining jobs: leisure and hospitality (179,000), educational and health services (112,000), trade, transportation, and utilities (103,000), professional and business services (95,000), construction (60,000), manufacturing (36,000), financial activities (35,000), other services (25,000), government (24,000), and mining and logging (9,000). Information jobs remained unchanged. Through February 2022, the U.S. recovered more than nine out of every ten (90.4 percent) of the 22 million jobs lost in March and April 2020.

■ Following annual benchmark revisions to state employment numbers, California's February 2020 pre-pandemic unemployment rate was revised down from 4.3 percent to 4.1 percent and the COVID-19 Recession peak unemployment rate was 16.1 percent in May 2020 (previously 16 percent in April 2020). Following upward revisions to 2021 nonfarm job gains, the percentage of nonfarm jobs recovered through December 2021 was revised up to 80 percent from 71.7 percent.

■ California's unemployment rate held steady at 5.8 percent for the third consecutive month in January 2022. California's civilian employment increased by 109,000 and civilian unemployment saw a small increase of 9,200 people. California added 53,600 nonfarm jobs in January 2022, bringing the percentage of jobs recovered to 82 percent, compared to 86.9 percent for the nation for that same month. Eight sectors added jobs: trade, transportation, and utilities (26,600), educational and health services (11,500), professional and business services (7,100), manufacturing (3,400), information (2,900), leisure and hospitality (2,300), other services (900), and construction (200). Two sectors shed jobs: government (-800) and financial activities (-500), while mining and logging remained unchanged.



BUILDING ACTIVITY & REAL ESTATE

■ California permitted 107,000 units on a seasonally adjusted annualized rate (SAAR) basis in January 2022, up 2.3 percent from December 2021, but down 14.5 percent from January 2021. January 2022 permits consisted of 68,000 single-family units (up 23.4 percent from December 2021 and up 4.2 percent year-over-year) and 39,000 multi-family units (down 21.3 percent month-over-month and down 34.8 percent year-over-year).

■ The statewide median price of existing single-family homes increased to \$771,270 in February 2022, up 0.7 percent from January 2022 and up 10.3 percent from February 2021. Sales of existing single-family homes in California totaled 424,640 units (SAAR) in February 2022, 16.7 percent below the 15-year high 509,750 units in December 2020, but 0.7 percent higher than the February 2020 pre-pandemic level of 421,670 units.

MONTHLY CASH REPORT

- Preliminary General Fund agency cash receipts for the first eight months of the 2021-22 fiscal year were \$17.534 billion above the 2022-23 Governor's Budget forecast of \$117.301 billion. Cash receipts for the month of February were \$1.682 billion above the forecast of \$7.946 billion.
- Of note, \$6.265 billion of the total additional revenue through eight months is due to higher-than-expected Pass-Through Entity (PTE) elective tax payments under the corporation tax, a 2021 state tax change designed to allow some taxpayers to reduce their allowable federal tax liability starting with their 2021 tax returns. Every dollar received from the PTE elective tax paid generates a dollar of personal income tax credit. While the amount of PTE elective tax payments can be tracked in monthly cash reports, the extent to which taxpayers will reduce their personal income tax payments to reflect the elective tax credits cannot be determined until more complete tax return data for 2021 are available. Therefore, it is reasonable to assume that a portion of this \$6.3 billion may overstate the amount of overall revenue strength to date.
- Personal income tax cash receipts to the General Fund for the first eight months of the fiscal year were \$10.019 billion above the forecast of \$81.162 billion. Cash receipts for February were \$947 million above the forecast of \$4.45 billion. Withholding receipts were \$77 million below the forecast of \$7.074 billion. Other cash receipts were \$264 million above the forecast of \$946 million. Refunds issued in February were \$777 million below the expected \$3.49 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 February was \$17 million higher than the forecast of \$80 million.
- Sales and use tax cash receipts for the first eight months of the fiscal year were \$1.299 billion above the forecast of \$20.637 billion. Cash receipts for February were \$1.522 billion above the month's forecast of \$2.717 billion. February cash receipts include a portion of the final payment for fourth quarter taxable sales.
- Corporation tax cash receipts for the first eight months of the fiscal year were \$8.115 billion above the forecast of \$10.346 billion. Cash receipts for February were \$119 million above the month's forecast of \$343 million. Estimated payments were \$119 million above the forecast of \$199 million, other payments were \$20 million above the \$223 million forecast, and Pass-Through Entity (PTE) elective tax payments were \$59 million above the \$0 forecast. Total refunds for the month were \$79 million higher than the forecast of \$78 million.
- Insurance tax cash receipts for the first eight months of the fiscal year were \$1 million above the forecast of \$1.703 billion. Insurance tax cash receipts for February were \$18 million below the forecast of \$51 million. Cash receipts from the alcoholic beverage, tobacco taxes, and pooled money interest were \$18 million below the forecast for the first eight months of the fiscal year, and were \$9 million above the forecast of \$38 million for February. "Other" cash receipts were \$1.891 billion below the forecast for the first eight months of the fiscal year, and were \$897 million below the forecast of \$346 million for the month. February "other" cash receipts included -\$640 million to complete the correction for over-reporting from prior months of the Individual Shared Responsibility Penalty. Over-reporting of the penalty began in 2020-21 and a correction of -\$820 million was also recorded in January.

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

Revenue Source	FEBRUARY 2022				2021-22 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$4,450	\$5,397	\$947	21.3%	\$81,162	\$91,181	\$10,019	12.3%
Sales & Use	2,717	4,239	1,522	56.0%	20,637	21,936	1,299	6.3%
Corporation	343	463	119	34.8%	10,346	18,462	8,115	78.4%
Insurance	51	33	-18	-35.8%	1,703	1,703	1	0.0%
Pooled Money Interest	8	15	7	97.8%	104	94	-9	-9.2%
Alcoholic Beverages	26	29	3	9.6%	292	294	2	0.6%
Tobacco	4	3	-1	-17.6%	39	37	-1	-3.7%
Other	346	-551	-897	-259.0%	3,019	1,128	-1,891	-62.6%
Total	\$7,946	\$9,628	\$1,682	21.2%	\$117,301	\$134,835	\$17,534	14.9%

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. Totals may not add due to rounding. The forecast is from the 2022-23 Governor's Budget.