



# Finance Bulletin

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## Economic Update

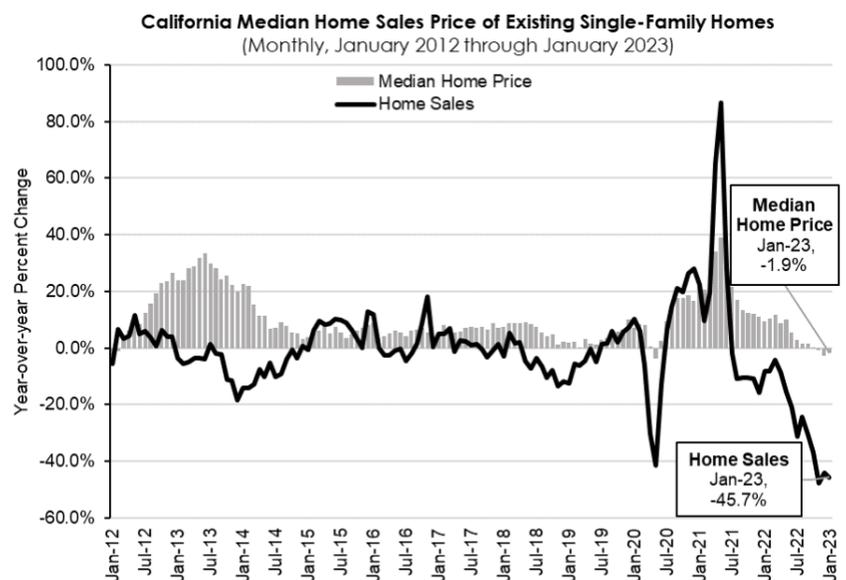
In February 2023, U.S. headline inflation slowed for the eighth consecutive month, falling to 6 percent year-over-year from 6.4 percent in January and over three percentage points below its peak of 9.1 percent in June 2022. Core inflation--excluding food and energy--slowed 0.1 percentage point to 5.5 percent year-over-year. Food inflation remained high, but slowed from 10.1 percent in January to 9.5 percent, while energy inflation slowed sharply from 8.7 percent to 5.2 percent. Shelter inflation is a lagging indicator measuring current rents and it rose from 7.9 percent to 8.1 percent in February. This measure typically changes slower than other components, and is expected to reflect recent declines in asking rents later in 2023.

## LABOR MARKET CONDITIONS

- In February 2023, the U.S. unemployment rate rose 0.2 percentage point to 3.6 percent as civilian unemployment increased by 242,000 with 177,000 more people employed. The U.S. added 311,000 nonfarm jobs with seven sectors gaining jobs driven by leisure and hospitality (105,000) and educational and health services (74,000), followed by government (46,000), professional and business services (45,000), trade, transportation, and utilities (38,000), construction (24,000), and other services (9,000). Three sectors lost jobs in February: information (-25,000), manufacturing (-4,000), and financial activities (-1,000). Mining and logging remained unchanged.
- Following annual benchmark revisions to state employment numbers, California recovered its nearly 2.8 million pandemic-related job losses in June 2022, rather than in October 2022, and the unemployment rate of 16.1 percent peaked a month earlier in April 2020 rather than May 2020.
- California's unemployment rate rose 0.1 percentage point to 4.2 percent in January 2023 as civilian employment increased by 21,300 and civilian unemployment increased by 23,500 people. California added 96,700 nonfarm jobs in January 2023. Eight sectors added jobs: government (46,000), leisure and hospitality (20,800), trade, transportation, and utilities (19,900), educational and health services (11,000), professional and business services (9,500), manufacturing (2,100), other services (1,800), and mining and logging (100). Three sectors lost jobs: construction (-7,300), information (-5,000), and financial activities (-2,200). California accounted for nearly 19 percent of the 517,000 U.S. nonfarm jobs added in January in 2023.

## BUILDING ACTIVITY & INTERNATIONAL TRADE

- The statewide median price of existing single-family homes decreased to \$751,330 in January 2023, down 3 percent from December 2022 and down 1.9 percent from January 2022. Sales of existing single-family homes in California totaled 241,520 units (seasonally adjusted annualized rate) in January 2023, up 0.4 percent from December 2022 but down 45.7 percent from January 2022. The average 30-year mortgage rate for January 2023 was 6.27, down from 6.36 in December 2022, up from 3.45 in January 2022.
- California merchandise exports in January 2023 decreased 1.6 percent from December 2022 but was up 9.3 percent from January 2022. California merchandise imports in January 2023 decreased by 6.3 percent from December 2022 and decreased 11 percent from January 2022.



Source: California Association of Realtors

## MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first eight months of the 2022-23 fiscal year were \$4.698 billion below the 2023-24 Governor's Budget forecast of \$114.045 billion. Fiscal year-to-date shortfalls were due largely to lower personal income tax and corporate tax receipts that exclude Pass-Through Entity (PTE) Elective Tax payments. The Governor's Budget monthly cashflow reflects the expected impact of delayed payment and filing deadlines for Californians in most counties to May 15 due to winter storms and flooding in January. These deadlines were further delayed to October 16, adding significant uncertainty to the interpretation of cash results. While adjustments were made to January receipts, the Governor's Budget did not assume any cashflow impact of the delayed deadlines on February receipts as there are no due dates in February and it is not a significant month for personal income tax and corporation tax.

- Personal income tax cash receipts for the first eight months of the fiscal year were \$3.637 billion below the forecast of \$69.389 billion and were \$204 million below forecast in February. February withholding was \$412 million below forecast, and down 0.9 percent from February 2022. Withholding has declined on a year-over-year basis every month since July. February refunds were \$476 million lower than projected, likely offsetting accelerated refund processing that occurred in January. Estimated, final, and other payments were below forecast for the month, however, it is possible that lower refunds and payments in February were related to the delayed tax deadline to some extent.
- Corporation tax cash receipts for the first eight months of the fiscal year were \$784 million below the forecast of \$17.503 billion and were \$988 million below forecast in February. February refunds were \$796 million higher than projected, due largely to the processing of a large refund related to tax year 2021. While PTE Elective Tax payments were \$170 million below projections in February, they were \$1.106 billion higher for the fiscal year-to-date. Excluding PTE payments, net corporation tax revenues were cumulatively down \$1.889 billion for the fiscal year-to-date compared to forecast.
- Sales and use tax cash receipts for the first eight months of the fiscal year were \$481 million below the forecast of \$23.003 billion and were \$357 million below forecast in February. This shortfall is likely related to the timing of collections, as a larger-than-expected amount of cash receipts shifted from February to March.

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

Revenue Source	FEBRUARY 2023				2022-23 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
<b>Personal Income</b>	<b>\$4,124</b>	<b>\$3,920</b>	<b>-\$204</b>	<b>-5.0%</b>	<b>\$69,389</b>	<b>\$65,752</b>	<b>-\$3,637</b>	<b>-5.2%</b>
Withholding	7,347	6,936	-412	-5.6%	60,770	59,047	-1,723	-2.8%
Estimated Payments	303	184	-119	-39.2%	12,244	11,587	-657	-5.4%
Final Payments	268	211	-57	-21.4%	4,460	4,480	20	0.4%
Other Payments	412	318	-94	-22.8%	4,972	4,533	-439	-8.8%
Refunds	-4,126	-3,650	476	-11.5%	-11,678	-12,579	-901	7.7%
MHSF Transfer	-74	-70	4	-5.0%	-1,243	-1,178	65	-5.2%
<b>Corporation</b>	<b>\$593</b>	<b>-\$395</b>	<b>-\$988</b>	<b>-166.5%</b>	<b>\$17,503</b>	<b>\$16,720</b>	<b>-\$784</b>	<b>-4.5%</b>
Estimated Payments	261	261	0	0.0%	8,091	7,223	-868	-10.7%
PTE Payments	258	88	-170	-65.8%	8,414	9,520	1,106	13.1%
Other Payments	273	252	-21	-7.8%	2,904	2,956	52	1.8%
Refunds	-200	-996	-796	399.1%	-1,907	-2,980	-1,073	56.3%
<b>Sales &amp; Use</b>	<b>\$4,070</b>	<b>\$3,712</b>	<b>-\$357</b>	<b>-8.8%</b>	<b>\$23,003</b>	<b>\$22,522</b>	<b>-\$481</b>	<b>-2.1%</b>
<b>Insurance</b>	<b>\$57</b>	<b>\$63</b>	<b>\$7</b>	<b>12.3%</b>	<b>\$1,855</b>	<b>\$1,838</b>	<b>-\$17</b>	<b>-0.9%</b>
<b>Pooled Money Interest</b>	<b>\$81</b>	<b>\$194</b>	<b>\$113</b>	<b>139.7%</b>	<b>\$886</b>	<b>\$941</b>	<b>\$55</b>	<b>6.2%</b>
<b>Alcohol</b>	<b>\$28</b>	<b>\$28</b>	<b>\$1</b>	<b>2.2%</b>	<b>\$299</b>	<b>\$296</b>	<b>-\$3</b>	<b>-1.1%</b>
<b>Tobacco</b>	<b>\$3</b>	<b>\$3</b>	<b>\$0</b>	<b>-10.2%</b>	<b>\$33</b>	<b>\$33</b>	<b>\$0</b>	<b>-0.5%</b>
<b>Other</b>	<b>\$80</b>	<b>\$127</b>	<b>\$48</b>	<b>59.8%</b>	<b>\$1,077</b>	<b>\$1,246</b>	<b>\$169</b>	<b>15.7%</b>
<b>Total</b>	<b>\$9,034</b>	<b>\$7,652</b>	<b>-\$1,382</b>	<b>-15.3%</b>	<b>\$114,045</b>	<b>\$109,347</b>	<b>-\$4,698</b>	<b>-4.1%</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 2023-24 Governor's Budget.