



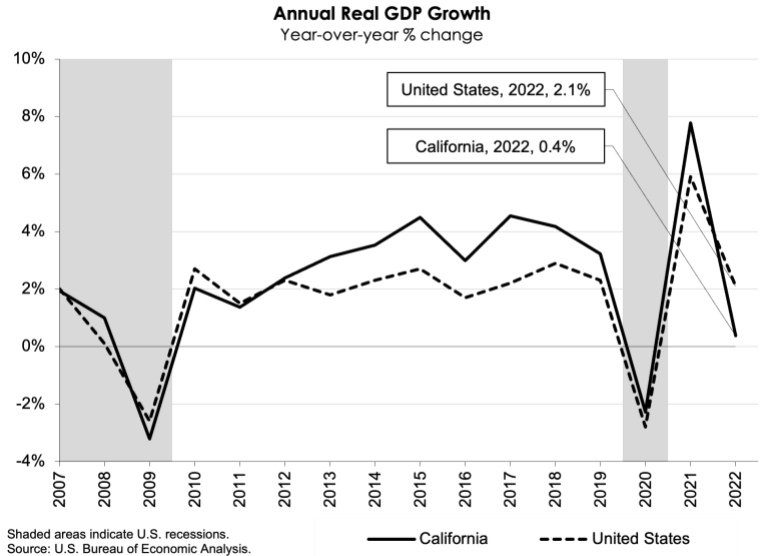
# Finance Bulletin

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## Economic Update

Following an increase of 7.8 percent in 2021—the highest growth rate since 1984—California real Gross Domestic Product (GDP) grew by 0.4 percent in 2022. The state's deceleration was sharper than the U.S., as the nation's real GDP growth slowed from 5.9 percent in 2021 to 2.1 percent in 2022. California's share of U.S. real GDP fell to 14.4 percent in 2022 from 14.7 percent in 2021, but remained just above its pre-pandemic level of 14.3 percent in 2019.

Also in 2022, California personal income increased by 0.4 percent after 7.7-percent growth in 2021, while U.S. personal income grew by 2.4 percent after 7.5-percent growth. Total wages and salaries continue to be the main driver of personal income growth for both the state and the nation, with California total wages (not adjusted for inflation) increasing by 5.7 percent in 2022 and U.S. total wages increasing by 9.1 percent (the highest growth rate since 1984), following growth of 11.4 percent and 8.9 percent in 2021, respectively. California's share of U.S. personal income decreased to 13.8 percent in 2022, in line with its 2019 share, after increasing to 14.1 percent in both 2020 and 2021.



## U.S. INFLATION & LABOR MARKET

- U.S. headline inflation slowed for the ninth consecutive month in March, falling to 5 percent year-over-year from 6 percent in February and from its peak of 9.1 percent in June 2022. The decline was driven by year-over-year gasoline deflation, as gas prices had risen sharply from February to March in 2022 due to the Russian invasion of Ukraine. Core inflation—excluding food and energy—rose 0.1 percentage point from February to 5.6 percent. Shelter inflation, which measures rent currently paid by tenants, also rose 0.1 percentage point from 8.1 percent in February. This measure typically changes more slowly than other components due to contract leases.
- The U.S. unemployment rate fell 0.1 percentage point to 3.5 percent in March. The nation added 236,000 nonfarm jobs in March, with eight major sectors gaining jobs: leisure and hospitality (72,000), private educational and health services (65,000), government (47,000), professional and business services (39,000), other services (11,000), information (6,000), trade, transportation, and utilities (4,000), and mining and logging (3,000). Three sectors lost jobs: construction (-9,000), manufacturing (-1,000), and financial activities (-1,000).

## BUILDING ACTIVITY & REAL ESTATE

- Year-to-date through February 2023, California permitted nearly 105,000 units on a seasonally adjusted annualized rate (SAAR) basis, down 6.4 percent from January 2023, and down 13.4 percent from February 2022. February 2023 total permits consisted of over 45,000 single-family units (up 4.9 percent from January 2023, but down 34.9 percent year-over-year) and nearly 59,500 multi-family units (down 7.5 percent from January 2023, but up 15.9 percent year-over-year).
- The statewide median price of existing single-family homes increased to \$791,490 in March, up 7.6 percent from February 2023, but down 6.8 percent from March 2022. Sales of existing single-family homes in California totaled 281,050 units (SAAR) in March 2023, down one percent from February 2023, but down 34.2 percent from March 2022. The average 30-year mortgage rate for March 2023 was 6.54, up from 6.26 in February 2023 and up from 4.17 in March 2022.

## MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first nine months of the 2022-23 fiscal year were \$4.684 billion below the 2023-24 Governor's Budget forecast of \$126.675 billion. Fiscal year-to-date shortfalls were largely due to lower personal income tax and corporate tax receipts that exclude Pass-Through Entity (PTE) Elective Tax payments. March cash receipts were \$4 million below forecast as shortfalls in personal income and corporation tax receipts were largely offset by strength in sales tax, insurance tax, pooled money interest and other revenues. 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. Adjustments were made to personal income tax estimated payments in January to reflect taxpayers delaying their payments. Adjustments to March receipts included reducing personal income tax final payments and other payments and corporation tax estimated payments and other payments.

- Personal income tax cash receipts for the first nine months of the fiscal year were \$4.449 billion below the forecast of \$76.222 billion and were \$828 million below forecast in March. March withholding was \$445 million below forecast, down 4.6 percent relative to forecast and up 0.2 percent from March 2022. This follows eight months of consecutive year-over-year declines averaging -5.2 percent from July 2022 to February 2023. In addition to ongoing weakness, the withholding shortfall in March was likely due in part to a reduction in bonuses, which are usually significant for that month. There were \$106 million more refunds than projected in March, and estimated payments, final payments, and other payments were cumulatively down \$295 million relative to forecast for the month. Personal income tax receipts are weak as indicated by withholding trends, however, gauging the magnitude of the overall shortfall is difficult since payments' variance relative to the forecast could be overstated or understated since taxpayers' behavioral response to the delayed tax deadlines may differ from the assumptions made in the Governor's Budget.
- Corporation tax cash receipts for the first nine months of the fiscal year were \$877 million below the forecast of \$19.944 billion and were \$95 million below forecast in March. March refunds were \$267 million higher than projected. PTE Elective Tax payments were \$312 million above projections in March and \$1.418 billion higher for the fiscal year-to-date. Excluding PTE payments, net corporation tax revenues were cumulatively down \$2.294 billion relative to forecast for the fiscal year-to-date.
- Sales and use tax cash receipts for the first nine months of the fiscal year were \$215 million above the forecast of \$25.325 billion. March receipts were \$696 million above forecast, fully offsetting shortfalls from prior months that were due to delays in the recording of payments.

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

Revenue Source	MARCH 2023				2022-23 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
<b>Personal Income</b>	<b>\$6,833</b>	<b>\$6,005</b>	<b>-\$828</b>	<b>-12.1%</b>	<b>\$76,222</b>	<b>\$71,773</b>	<b>-\$4,449</b>	<b>-5.8%</b>
Withholding	9,634	9,189	-445	-4.6%	70,403	68,235	-2,168	-3.1%
Estimated Payments	323	220	-104	-32.0%	12,567	11,807	-760	-6.1%
Final Payments	823	631	-192	-23.3%	5,283	5,113	-170	-3.2%
Other Payments	525	530	5	1.0%	5,497	5,067	-430	-7.8%
Refunds	-4,320	-4,425	-106	2.4%	-15,998	-16,995	-997	6.2%
MHSF Transfer	-122	-108	15	-12.1%	-1,366	-1,286	80	-5.8%
<b>Corporation</b>	<b>\$2,441</b>	<b>\$2,345</b>	<b>-\$95</b>	<b>-3.9%</b>	<b>\$19,944</b>	<b>\$19,067</b>	<b>-\$877</b>	<b>-4.4%</b>
Estimated Payments	724	643	-81	-11.2%	8,815	7,866	-949	-10.8%
PTE Payments	729	1,041	312	42.8%	9,143	10,561	1,418	15.5%
Other Payments	1,126	1,068	-58	-5.2%	4,031	4,025	-5	-0.1%
Refunds	-139	-406	-267	193.0%	-2,045	-3,385	-1,340	65.5%
<b>Sales &amp; Use</b>	<b>\$2,321</b>	<b>\$3,017</b>	<b>\$696</b>	<b>30.0%</b>	<b>\$25,325</b>	<b>\$25,540</b>	<b>\$215</b>	<b>0.8%</b>
<b>Insurance</b>	<b>\$727</b>	<b>\$869</b>	<b>\$142</b>	<b>19.5%</b>	<b>\$2,582</b>	<b>\$2,707</b>	<b>\$125</b>	<b>4.8%</b>
<b>Pooled Money Interest</b>	<b>\$200</b>	<b>\$277</b>	<b>\$78</b>	<b>38.9%</b>	<b>\$1,085</b>	<b>\$1,218</b>	<b>\$132</b>	<b>12.2%</b>
<b>Alcohol</b>	<b>\$29</b>	<b>\$27</b>	<b>-\$2</b>	<b>-7.9%</b>	<b>\$328</b>	<b>\$323</b>	<b>-\$6</b>	<b>-1.7%</b>
<b>Tobacco</b>	<b>\$3.6</b>	<b>\$4.2</b>	<b>\$0.6</b>	<b>17.6%</b>	<b>\$36.8</b>	<b>\$37.3</b>	<b>\$0.5</b>	<b>1.3%</b>
<b>Other</b>	<b>\$75</b>	<b>\$81</b>	<b>\$5</b>	<b>7.1%</b>	<b>\$1,152</b>	<b>\$1,326</b>	<b>\$174</b>	<b>15.1%</b>
<b>Total</b>	<b>\$12,630</b>	<b>\$12,625</b>	<b>-\$4</b>	<b>0.0%</b>	<b>\$126,675</b>	<b>\$121,990</b>	<b>-\$4,684</b>	<b>-3.7%</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.