



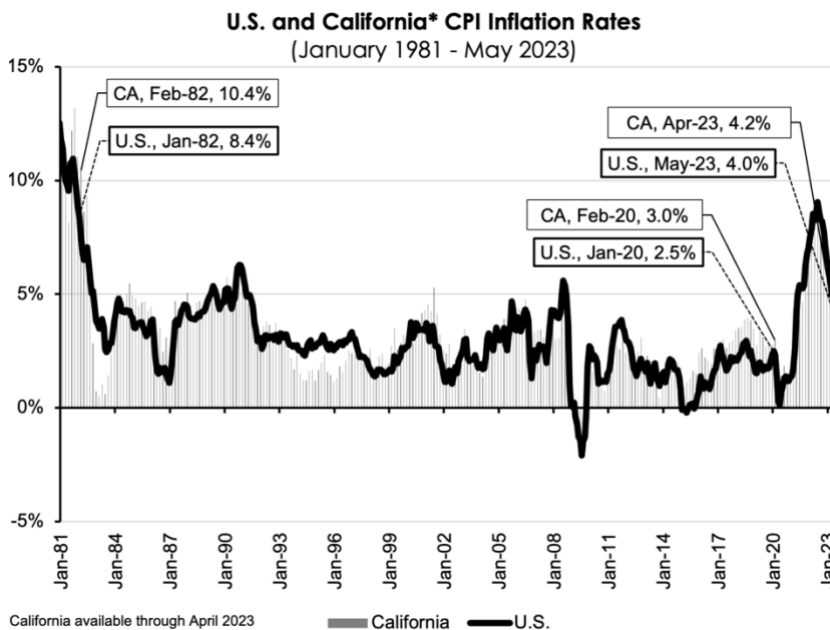
Finance Bulletin

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Economic Update

Newly released global financial data confirm that California remained the fifth largest economy in the world in 2022 for the sixth consecutive year. The state's Gross Domestic Product (GDP) grew by \$225 billion to total nearly \$3.6 trillion in current dollar terms, ranking ahead of India and behind Germany.

Year-over-year U.S. headline inflation slowed for the eleventh straight month to 4 percent in May 2023, down from 4.9 percent in April. The Core Consumer Price Index – which excludes the volatile food and energy categories – declined from 5.5 percent in April to 5.3 percent in May. Shelter inflation, which measures rents currently paid by tenants, fell slightly from 8.1 percent to 8 percent. This measure typically changes slower than other components, and the current slowing reflects declines in asking prices in late 2022. California headline inflation, available only for even months, slowed to 4.2 percent in April.



LABOR MARKET CONDITIONS

- The U.S. unemployment rate rose from 3.4 percent in April to 3.7 percent in May as the labor force increased by 130,000 while civilian household employment fell by 310,000, resulting in unemployment increasing by 440,000 persons. The U.S. added 339,000 nonfarm payroll jobs in May 2023, a gain of at least 200,000 jobs for twenty-nine months in a row. The March and April estimates were also revised upward by a combined 93,000 jobs. Most major sectors gained jobs, led by private educational and health services (97,000), professional and business services (64,000), and government (56,000).
- California's unemployment rate remained at 4.5 percent in May 2023 as the labor force increased by 25,000 while civilian household employment rose by 10,000, and the number of unemployed workers increased by 15,000. California added 47,300 nonfarm payroll jobs in May 2023, driven by gains in private education and health services (16,400) and professional and business services (11,700). The construction sector added 6,500 jobs. The largest job loss was in manufacturing (-5,700), followed by information (-2,800) and mining and logging (-100).

BUILDING ACTIVITY & REAL ESTATE

- Year-to-date, California permitted 98,000 units on a seasonally adjusted annualized rate (SAAR) basis in April 2023, up 1 percent from March 2023 but down 21.4 percent from April 2022. April 2023 permits consisted of 47,000 single-family units (up 0.6 percent from March 2023, and down 35.6 percent year-over-year) and 51,000 multi-family units (up 1.3 percent from March 2023 and down 1.2 percent year-over-year).
- The statewide median price of existing single-family homes increased to \$836,110 in May 2023, up 3 percent from April 2023 and down 6.4 percent from May 2022. Sales of existing single-family homes in California totaled 289,460 units (SAAR) in May 2023, up 9.8 percent from April 2023, and down 23.6 percent from May 2022. Year-to-date through May 2023, sales volume averaged 271,938 units (SAAR), which was 35.1 percent lower than during the same period in 2022.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first eleven months of the 2022-23 fiscal year were \$195 million below the 2023-24 May Revision forecast of \$147.497 billion and matched the forecast in May. However, it is worth noting these numbers exclude \$173 million in May personal income withholding that will be reflected in June cash receipts due to a processing delay. Adjusting for the \$173-million shift in withholding, General Fund agency cash receipts would have been \$22 million below forecast fiscal year-to-date, and \$173 million above forecast for May. Personal income tax withholding, adjusting for the \$173-million shift, increased by 3 percent year-over-year, its highest growth since May 2022. Personal income and corporate income tax refunds were cumulatively \$813 million higher than projected fiscal year-to-date, offsetting gains in payments and revenues from personal income tax, corporate income tax, pooled money interest, insurance, and other revenues. While high refunds potentially indicate weakness related to tax year 2022 liability, it is an incomplete picture until payments in October related to tax year 2022 are received. The May Revision monthly cashflow reflects the expected impact of delayed payment and filing deadlines for Californians in most counties to October 16.

- Personal income tax cash receipts for the first eleven months of the fiscal year were \$371 million below the forecast of \$85.622 billion and were \$177 million below forecast in May. May withholding through May 30 was \$127 million above forecast. Additionally, \$173 million in withholding revenue were shifted from May 31 to June due to a payment processing delay resulting from a bank merger and are not reflected in the revenue table below. Adjusting for the \$173-million shift, withholding would have been \$300 million above forecast. May refunds were \$476 million higher than projected. Estimated payments, final payments, and other payments were cumulatively up \$127 million relative to forecast for the month. Adjusting for the \$173-million shift, May personal income tax receipts would have been \$4 million below forecast.
- Corporation tax cash receipts for the first eleven months of the fiscal year were \$153 million below the forecast of \$23.67 billion and were \$153 million below forecast in May. May refunds were \$231 million higher than projected. Pass-Through Entity (PTE) Elective Tax payments were \$100 million above projections in May. Excluding PTE payments, net corporation tax revenues were cumulatively down \$252 million relative to forecast for the fiscal year-to-date.
- Sales and use tax cash receipts for the first eleven months of the fiscal year were \$56 million below the forecast of \$31.318 billion and were \$56 million below forecast in May.

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

Revenue Source	MAY 2023				2022-23 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income ^{1/}	\$5,849	\$5,672	-\$177	-3.0%	\$85,622	\$85,252	-\$371	-0.4%
Withholding ^{1/}	6,481	6,608	127	2.0%	82,193	82,220	27	0.0%
Estimated Payments	291	235	-57	-19.5%	13,229	13,172	-57	-0.4%
Final Payments	348	402	54	15.6%	8,421	8,476	55	0.7%
Other Payments	474	604	130	27.5%	7,971	8,114	143	1.8%
Refunds	-1,524	-2,000	-476	31.2%	-24,341	-24,924	-582	2.4%
MHSF Transfer	-117	-102	15	-12.9%	-1,542	-1,527	14	-0.9%
Corporation	\$753	\$600	-\$153	-20.3%	\$23,670	\$23,516	-\$153	-0.6%
Estimated Payments	322	393	71	22.0%	9,869	9,940	71	0.7%
PTE Payments	136	236	100	73.1%	10,963	11,063	99	0.9%
Other Payments	465	372	-92	-19.9%	6,612	6,519	-93	-1.4%
Refunds	-170	-401	-231	136.2%	-3,775	-4,006	-231	6.1%
Sales & Use	\$4,336	\$4,281	-\$56	-1.3%	\$31,318	\$31,263	-\$56	-0.2%
Insurance	\$628	\$683	\$55	8.8%	\$3,473	\$3,528	\$55	1.6%
Pooled Money Interest	\$107	\$232	\$125	117.3%	\$1,551	\$1,676	\$125	8.1%
Alcohol	\$35	\$28	-\$7	-19.8%	\$396	\$389	-\$7	-1.7%
Tobacco	\$3	\$3	-\$1	-15.1%	\$45	\$44	-\$1	-1.2%
Other	\$9	\$221	\$212	2343.0%	\$1,422	\$1,633	\$212	14.9%
Total	\$11,720	\$11,720	\$0	0.0%	\$147,497	\$147,301	-\$195	-0.1%

^{1/} The personal income tax withholding figure excludes \$173 million from May 31 that will be reflected in June cash receipts due to a processing delay. 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 May Revision.