

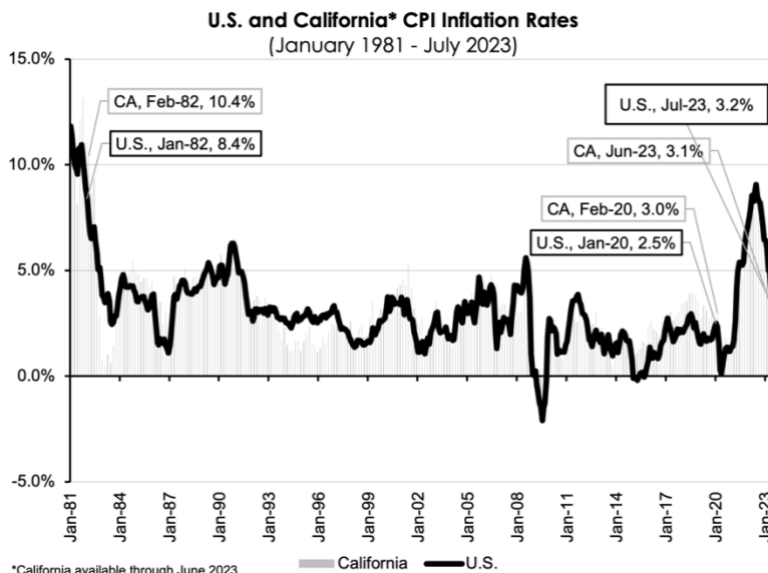


# Finance Bulletin

Joe Stephenshaw, Director

## Economic Update

U.S. year-over-year headline inflation rose from 3 percent in June to 3.2 percent in July, the first increase in over a year. The uptick in the year-over-year headline rate was driven largely by gasoline: gas prices rose modestly in July. Core inflation, which excludes food and energy, slowed slightly from 4.8 percent year-over-year in June to 4.7 percent in July. Shelter inflation, which measures rent currently paid by tenants, fell slightly from 7.8 percent to 7.7 percent. This measure typically changes more slowly than other components, and the current slowing reflects declines in asking rents in late 2022. California headline inflation was 3.1 percent year-over-year as of June 2023, the latest month available.



## LABOR MARKET CONDITIONS

- The U.S. unemployment rate fell 0.1 percentage point in July 2023 to 3.5 percent. U.S. civilian unemployment decreased by 116,000 in July and civilian employment increased by 268,000. The labor force increased by a net 152,000 participants in July, and the labor force participation rate remained unchanged at 62.6 percent. The U.S. added 187,000 nonfarm jobs in July 2023, following an average monthly gain of 270,000 in the first six months of 2023. Eight major sectors added jobs: private educational and health services (100,000), other services (20,000), construction (19,000), financial activities (19,000), trade, transportation, and utilities (18,000), leisure and hospitality (17,000), government (15,000), and mining and logging (1,000). The largest job loss was in information (-12,000), followed by professional and business services (-8,000), and manufacturing (-2,000).
- California's unemployment rate remained unchanged at 4.6 percent in July 2023. California civilian unemployment decreased by 4,700 in July. Civilian employment decreased by 17,000, and 21,700 people left the labor force, following an average monthly gain of 12,000 and 29,000, respectively in the first half of 2023. California added 27,900 nonfarm jobs in July 2023, driven by gains in government (15,000), followed by private education and health services (10,800), leisure and hospitality (10,300), trade, transportation, and utilities (4,500), other services (2,200), manufacturing (1,900), and construction (500). As of July 2023, the leisure and hospitality sector recovered all of the 995,600 jobs lost in March and April 2020. Professional and business services (-11,400), information (-3,800), financial activities (-2,000), and mining and logging (-100) lost jobs in July 2023.

## ACTIVITY & REAL ESTATE

- Year-to-date through June 2023, California permitted 109,000 units on a seasonally adjusted annualized (SAAR) basis, up 9.2 percent from May, but down 13.3 percent from June 2022. June 2023 permits consisted of 54,000 single-family units (up 6.9 percent from May, but down 23.3 percent year-over-year) and 55,000 multi-family units (up 11.4 percent from May, but down 0.8 percent year-over-year).
- The statewide median price of existing single-family homes decreased to \$832,340 in July 2023, down 0.7 percent from June, but up 0.2 percent from July 2022. Sales of existing single-family homes in California fell to 269,180 units (SAAR) in July 2023, down 3 percent from June, and down 9 percent from July 2022.

## MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for July, the first month of the 2023-24 fiscal year, were \$1.268 billion below the 2023-24 Budget Act forecast of \$9.748 billion. July sales tax receipts exclude over \$650 million in higher-than-expected receipts that shifted from July to August due to larger-than-anticipated processing delays of end-of-the-month transactions, which more than offset the \$453-million shortfall reflected in the preliminary data. Personal income withholding contributed \$404 million to the overall July shortfall, however this was also due to timing as the July deficit offset strong year-over-year withholding growth of 12.4 percent in June. The remainder of the shortfall is due to lower corporate tax receipts. The Budget Act monthly cashflow reflects the expected impact of delayed payment and filing deadlines for Californians in most counties to October 16. The delay affects personal and corporate income tax categories other than withholding, however the extent to which variance relative to the forecast is caused by taxpayers' behavior differing from assumptions is unknown. Preliminary General Fund agency cash receipts for the entire 2022-23 fiscal year were \$980 million above the 2023-24 Budget Act forecast of \$167.627 billion.

- Personal income tax cash receipts were \$466 million below the forecast of \$6.734 billion in July. July withholding was \$404 million below forecast, offsetting nearly half of the \$929 million that withholding was above forecast in fiscal year 2022-23. In May through July, withholding grew 4 percent year-over-year, indicating solid growth despite July's results which were negatively impacted by timing issues. Personal income tax refunds were \$103 million above forecast in July. Estimated payments, final payments, and other payments were cumulatively \$31 million above forecast in July.
- Corporation tax cash receipts were \$412 million below the forecast of \$884 million in July. July refunds were \$232 million higher than projected. July Pass-Through Entity Elective Tax (PTE) payments were \$104 million above forecast. Excluding PTE payments, net corporation tax revenues were down \$516 million in July.
- Sales and use tax cash receipts were \$453 million below the forecast of \$1.826 billion in July. This shortfall is related to the timing of collections as higher-than-expected cash receipts shifted from July to August.

### 2023-24 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	JULY 2023				2023-24 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
<b>Personal Income</b>	<b>\$6,734</b>	<b>\$6,268</b>	<b>-\$466</b>	<b>-6.9%</b>	<b>\$6,734</b>	<b>\$6,268</b>	<b>-\$466</b>	<b>-6.9%</b>
Withholding	6,641	6,237	-404	-6.1%	6,641	6,237	-404	-6.1%
Estimated Payments	280	220	-60	-21.4%	280	220	-60	-21.4%
Final Payments	191	239	48	25.3%	191	239	48	25.3%
Other Payments	313	355	42	13.5%	313	355	42	13.5%
Refunds	-548	-652	-103	18.8%	-548	-652	-103	18.8%
MHSF Transfer	-120	-112	8	-6.7%	-120	-112	8	-6.7%
<b>Corporation</b>	<b>\$884</b>	<b>\$472</b>	<b>-\$412</b>	<b>-46.6%</b>	<b>\$884</b>	<b>\$472</b>	<b>-\$412</b>	<b>-46.6%</b>
Estimated Payments	484	333	-151	-31.3%	484	333	-151	-31.3%
PTE Payments	61	165	104	172.3%	61	165	104	172.3%
Other Payments	415	282	-133	-32.1%	415	282	-133	-32.1%
Refunds	-76	-307	-232	306.4%	-76	-307	-232	306.4%
<b>Sales &amp; Use</b>	<b>\$1,826</b>	<b>\$1,372</b>	<b>-\$453</b>	<b>-24.8%</b>	<b>\$1,826</b>	<b>\$1,372</b>	<b>-\$453</b>	<b>-24.8%</b>
<b>Insurance</b>	<b>\$48</b>	<b>\$44</b>	<b>-\$4</b>	<b>-8.7%</b>	<b>\$48</b>	<b>\$44</b>	<b>-\$4</b>	<b>-8.7%</b>
<b>Pooled Money Interest</b>	<b>\$128</b>	<b>\$187</b>	<b>\$59</b>	<b>46.5%</b>	<b>\$128</b>	<b>\$187</b>	<b>\$59</b>	<b>46.5%</b>
<b>Alcohol</b>	<b>\$44</b>	<b>\$46</b>	<b>\$2</b>	<b>4.6%</b>	<b>\$44</b>	<b>\$46</b>	<b>\$2</b>	<b>4.6%</b>
<b>Tobacco</b>	<b>\$4</b>	<b>\$5</b>	<b>\$1</b>	<b>32.7%</b>	<b>\$4</b>	<b>\$5</b>	<b>\$1</b>	<b>32.7%</b>
<b>Other</b>	<b>\$81</b>	<b>\$85</b>	<b>\$4</b>	<b>4.5%</b>	<b>\$81</b>	<b>\$85</b>	<b>\$4</b>	<b>4.5%</b>
<b>Total</b>	<b>\$9,748</b>	<b>\$8,479</b>	<b>-\$1,268</b>	<b>-13.0%</b>	<b>\$9,748</b>	<b>\$8,479</b>	<b>-\$1,268</b>	<b>-13.0%</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 Budget Act.