



Finance Bulletin

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Economic Update

The U.S. unemployment rate increased 0.3 percentage point to 3.8 percent in August 2023, as both civilian unemployment and employment increased by 514,000 and 222,000 persons, respectively. The U.S. labor force also increased by 736,000 participants, bringing the labor force participation rate up 0.2 percentage point to 62.8 percent. The U.S. added 187,000 nonfarm jobs in August 2023, slowing from an average monthly gain of around 242,000 in the first seven months of 2023. Private educational and health services (102,000) had the largest job gain of any sector, while trade, transportation, and utilities (-20,000) had the largest job loss.

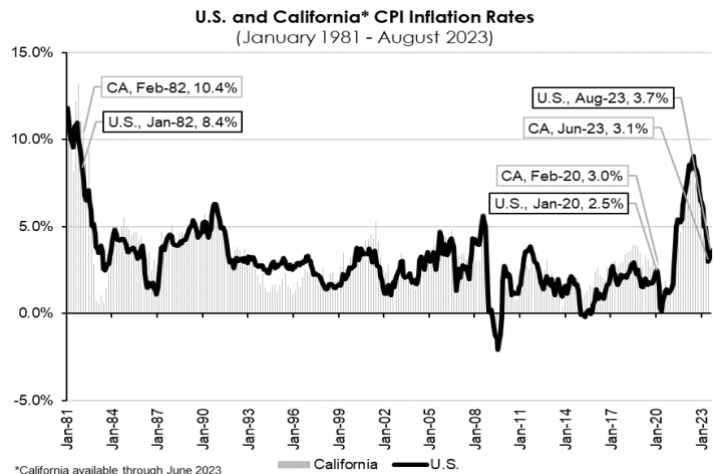
California's unemployment rate remained unchanged at 4.6 percent for the third straight month in August 2023, as unemployment rose by 9,800, civilian employment fell by 27,900, and 18,000 people left the labor force. California's labor force participation rate in August was 62.4 percent, unchanged from July. California added 23,100 nonfarm jobs in August, and July's month-over job gain was revised down from 27,900 to 8,900 jobs. Seven of the eleven major sectors added jobs in August, driven by gains in private education and health services (14,000). Six other sectors added jobs: government (5,200), construction (4,700), other services (3,800), leisure and hospitality (2,800), manufacturing (1,300), and professional and business services (400). Information (-9,000) and financial activities (-100) lost jobs in August, while trade, transportation, and utilities; and mining and logging had no change in employment.

U.S. INFLATION AND INTERNATIONAL TRADE

■ U.S. headline inflation accelerated to 3.7 percent year-over-year in August 2023 from 3.2 percent in July after 12 consecutive months of deceleration. Core inflation—which excludes food and energy—decelerated to 4.3 percent year-over-year from 4.7 percent in July, its lowest level since September 2021. Transportation inflation—which includes gasoline—accelerated to 1.4 percent in August from -3 percent in July, while shelter inflation decreased to 7.3 percent from 7.7 percent in July. Year-to-date, U.S. headline inflation averaged 4.5 percent, down from 8.3 percent for the same period last year. U.S. core inflation averaged 5.2 percent year-to-date, down from 6.2 percent in the same period in 2022.

■ California export trade totaled \$14 billion for July 2023, down 9.7 percent from June 2023 and down 8.6 percent from July 2022. The state's import trade totaled \$36.6 billion for July 2023, down 2.1 percent from June 2023 and down 16.2 percent from July 2022.

■ U.S. export trade totaled \$159.6 billion in July 2023, down 4.6 percent from June 2023 and down 9.3 percent from July 2022. The nation's import trade totaled \$255.7 billion in July 2023, down 0.9 percent from June 2023 and down 5.6 percent from a year ago.



BUILDING ACTIVITY

■ Through July 2023, the latest available data, California permitted 108,000 units on a seasonally adjusted annualized rate (SAAR) basis, down 0.6 percent from June 2023 and down 11.1 percent from one year ago. July 2023 permits were evenly split with 54,000 single-family units (up 0.4 percent from June, but down 20.5 percent year over year) and 54,000 multi-family units (down 1.7 percent from June but up 0.9 percent year over year).

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts were \$1.344 billion, or 11.1 percent, above the forecast of \$12.158 billion in August as receipts from nearly all revenue sources exceeded the forecast. Receipts for the first two months of the 2023-24 fiscal year were \$75 million, or 0.3 percent, above the forecast of \$21.906 billion. Sales tax was \$441 million above forecast in August, offsetting a \$453-million shortfall in July that was due to processing delays that shifted over \$650 million receipts from July to August. Personal income tax withholding exceeded the forecast by \$367 million in August, up 7.2 percent year-over-year, and was 4.8 percent higher cumulatively from May to August compared to the same period last year. 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 \$416 million above the forecast of \$7.298 billion in August, largely due to withholding. Following year-over-year decreases in nine out of ten months from July 2022 to April 2023, withholding growth has generally been positive and above forecast in recent months. Personal income tax refunds were \$236 million higher than projected in August. Estimated payments, final payments, and other payments were cumulatively \$282 million above forecast in August.
- Corporation tax cash receipts were \$102 million above the forecast of \$384 million in August, due to higher Pass-Through Entity Elective Tax (PTE) payments. August corporate tax refunds were \$130 million higher than projected. PTE payments were \$208 million above the month's forecast of \$69 million in August. Excluding PTE payments, net corporation tax revenues were down \$106 million relative to the forecast in August.
- Sales and use tax cash receipts were \$441 million above the forecast of \$3.557 billion in August. This gain is related to the timing of collections as higher-than-expected cash receipts shifted from July to August. August receipts included a portion of the final payments for second-quarter taxable sales, which were due on July 31, as well as the first prepayment for third-quarter sales.

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

Revenue Source	AUGUST 2023				2023-24 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$7,298	\$7,714	\$416	5.7%	\$14,032	\$13,983	-\$49	-0.4%
Withholding	7,169	7,536	367	5.1%	13,810	13,773	-37	-0.3%
Estimated Payments	220	253	33	15.0%	500	473	-27	-5.3%
Final Payments	193	334	141	73.2%	384	573	189	49.4%
Other Payments	356	464	108	30.4%	668	819	150	22.5%
Refunds	-488	-725	-236	48.4%	-1,037	-1,376	-340	32.7%
MHSF Transfer	-130	-138	-8	5.9%	-251	-251	0	-0.1%
Corporation	\$384	\$487	\$102	26.6%	\$1,268	\$959	-\$309	-24.4%
Estimated Payments	234	208	-26	-10.9%	718	541	-177	-24.6%
PTE Payments	69	277	208	303.3%	129	442	313	241.9%
Other Payments	224	273	49	22.1%	638	555	-84	-13.1%
Refunds	-142	-271	-130	91.7%	-217	-579	-361	166.4%
Sales & Use	\$3,557	\$3,998	\$441	12.4%	\$5,383	\$5,370	-\$12	-0.2%
Insurance	\$684	\$686	\$2	0.3%	\$732	\$730	-\$2	-0.3%
Pooled Money Interest	\$150	\$237	\$88	58.5%	\$277	\$424	\$147	53.0%
Alcohol	\$34	\$30	-\$4	-12.0%	\$78	\$76	-\$2	-2.6%
Tobacco	\$4	\$4	\$0	-3.5%	\$8	\$9	\$1	14.3%
Other	\$47	\$346	\$299	633.8%	\$128	\$431	\$303	236.0%
Total	\$12,158	\$13,502	\$1,344	11.1%	\$21,906	\$21,982	\$75	0.3%

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.