

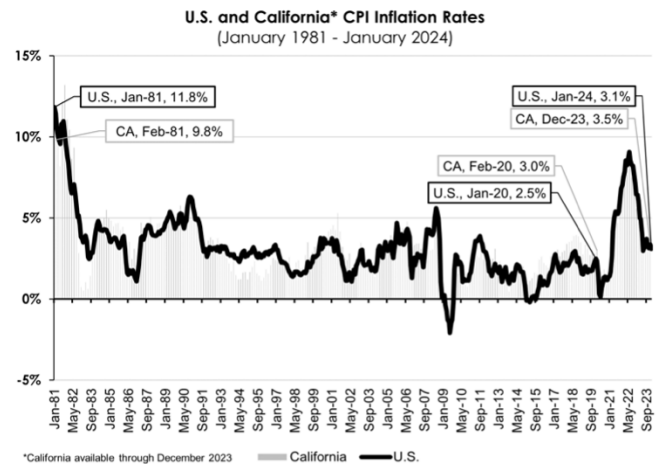


Finance Bulletin

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Economic Update

- U.S. real GDP grew at a 3.3-percent seasonally adjusted annualized rate (SAAR) in the fourth quarter of 2023, following 4.9-percent growth in the third quarter and above its pre-pandemic (2015-2019 average) level of 2.5 percent. Growth in the fourth quarter of 2023 was driven primarily by personal consumption expenditures and government purchases, which contributed 1.9 percentage points and 0.6 percentage point, respectively. Annually, U.S. real GDP grew by 2.5 percent in 2023 following growth of 1.9 percent in 2022.
- U.S. headline inflation decelerated to 3.1 percent year-over-year in January 2024, down 0.3 percentage point from December 2023 and down 6 percentage points from its most recent peak of 9.1 percent year-over-year in June 2022. Core inflation—which excludes food and energy—held steady at 3.9 percent year-over-year. Transportation inflation—which includes gasoline—slowed to 1.6 percent from 2.9 percent in December, while shelter inflation slowed for the tenth consecutive month to 6 percent from 6.2 percent in December. California headline inflation increased from 3.2 percent in October 2023 to 3.5 percent year-over-year in December 2023. California's core inflation also rose to 3.8 percent year-over-year in December 2023 from 3.6 percent in October.



LABOR MARKET CONDITIONS

- The U.S. unemployment rate held at 3.7 percent in January 2024 for the third month in a row and remained 0.3 percentage point above the recent record low of 3.4 percent in January and April of 2023. The U.S. civilian labor force and civilian household employment decreased by about 175,000 persons and 31,000 persons in January, respectively, while civilian unemployment decreased by 144,000. The labor force participation rate was unchanged at 62.5 percent and remained nearly one percentage point below its February 2020 pre-pandemic level of 63.3 percent. The U.S. added 353,000 nonfarm payroll jobs in the month driven by private education and health services sector (112,000), followed by professional and business services (74,000), trade, transportation, and utilities (64,000), government (36,000), manufacturing (23,000), information (15,000), leisure and hospitality (11,000), construction (11,000), financial activities (8,000), and other services (5,000). Mining and logging was the only major sector that lost jobs (-6,000).
- The California unemployment rate rose 0.2 percentage point to 5.1 percent in December 2023, the latest available data. California civilian unemployment increased by 29,200, civilian household employment decreased by 32,700, and 3,600 people dropped out of the labor force. The state labor force participation rate decreased 0.2 percentage point from November to 62 percent. California added 23,400 nonfarm payroll jobs driven by private educational and health services (13,200), government (8,100), leisure and hospitality (7,100), manufacturing (2,600), other services (1,300), and construction (200). Five sectors lost jobs: professional and business services lost the most jobs (-3,800) followed by trade, transportation, and utilities (-2,100), information (-1,900), financial activities (-1,100), and mining and logging (-200).

BUILDING ACTIVITY

- Year-to-date through December 2023, California permitted 110,000 housing units (SAAR), down 2 percent from November 2023 and down 2.9 percent from December 2022. December year-to-date permits consisted of 56,000 single-family units (up 0.4 percent from November, but down 6 percent year over year) and 54,000 multi-family units (down 4.4 percent from November, but up 0.6 percent year over year).

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts were \$5 billion, or 19.7 percent, below the 2024-25 Governor's Budget forecast for January and were \$5.9 billion, or 4.8 percent, below the fiscal year-to-date forecast of \$121.5 billion. The Governor's Budget forecast was completed in late November; therefore the fiscal year-to-date differences in this report reflect variance since then. The primary driver of the cumulative shortfall was personal income tax estimated payments, which were \$4.6 billion below forecast for the fiscal year-to-date, indicating weakness in receipts relating to tax year 2023. Additionally, fiscal year-to-date corporate tax cash receipts were \$980 million below forecast due to \$552 million in higher corporate refunds and \$223 million in lower estimated payments.

- Personal income tax cash receipts were \$4.7 billion, or 6.2 percent, below the fiscal year-to-date forecast of \$76.2 billion. This was due to a \$5-billion shortfall in January. Personal income tax estimated payments, which reflect the fourth quarter estimated payment for tax year 2023, were \$4 billion below forecast in January, bringing the fiscal year-to-date shortfall to \$4.6 billion. Personal income tax withholding receipts were \$1 billion below forecast in January and \$494 million below forecast fiscal year-to-date due to overages in November and December. While withholding reflects more of a real-time indicator of economic activity than estimated payments, single-month readings can be misleading: calendar changes can affect when payments are recorded, and the timing of stock-based compensation can also affect payments, therefore, withholding should be evaluated over multiple months for longer-term trends. Personal income tax withholding receipts were 1.9 percent below forecast from November through January, a variance due likely to normal volatility rather than underlying weakness relative to the forecast.
- Corporation tax cash receipts were \$3 million below forecast in January and \$980 million, or 4.6 percent, below the fiscal year-to-date forecast of \$21.5 billion.
- Sales and use tax cash receipts were \$53 million below forecast in January and \$199 million, or 1.1 percent, below the fiscal year-to-date forecast of \$18.8 billion. Sales and use tax receipts reflect part of the final payment for calendar year fourth quarter taxable sales, which was due on January 31.

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

Revenue Source	JANUARY 2024				2023-24 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$20,386	\$15,387	-\$4,998	-24.5%	\$76,176	\$71,491	-\$4,685	-6.2%
Withholding	9,330	8,320	-1,010	-10.8%	53,905	53,410	-494	-0.9%
Estimated Payments	11,080	7,081	-3,999	-36.1%	20,036	15,418	-4,618	-23.1%
Final Payments	121	216	96	79.6%	8,576	8,942	366	4.3%
Other Payments	793	764	-29	-3.7%	3,945	3,729	-215	-5.5%
Refunds	-563	-711	-149	26.4%	-8,799	-8,608	191	-2.2%
MHSF Transfer	-365	-276	90	-24.5%	-1,365	-1,281	84	-6.2%
Corporation	\$2,232	\$2,229	-\$3	-0.1%	\$21,506	\$20,527	-\$980	-4.6%
Estimated Payments	390	460	70	17.8%	7,022	6,799	-223	-3.2%
PTET Payments	1,849	1,873	24	1.3%	13,814	13,761	-53	-0.4%
Other Payments	325	301	-23	-7.2%	3,313	3,162	-151	-4.6%
Refunds	-332	-405	-74	22.2%	-2,643	-3,195	-552	20.9%
Sales & Use	\$1,860	\$1,807	-\$53	-2.9%	\$18,756	\$18,557	-\$199	-1.1%
Insurance	\$45	\$65	\$20	44.5%	\$1,912	\$1,931	\$19	1.0%
Pooled Money Interest	\$291	\$221	-\$71	-24.3%	\$1,705	\$1,541	-\$164	-9.6%
Alcohol	\$44	\$46	\$2	3.7%	\$267	\$260	-\$7	-2.5%
Tobacco	\$4	\$5	\$1	33.4%	\$29	\$32	\$3	10.8%
Other	\$238	\$385	\$147	61.5%	\$1,116	\$1,247	\$131	11.7%
Total	\$25,100	\$20,144	-\$4,956	-19.7%	\$121,467	\$115,586	-\$5,882	-4.8%

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 2024-25 Governor's Budget.