



Finance Bulletin

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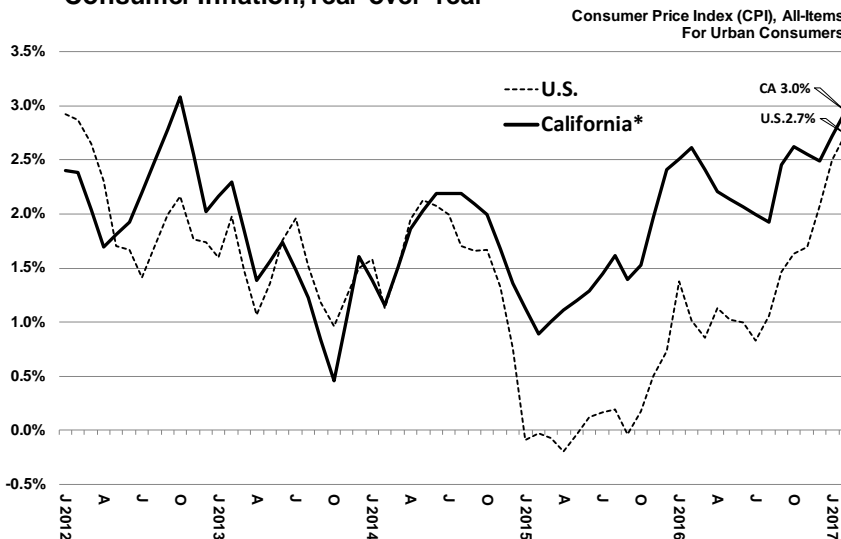
Economic Update

California's total personal income rose 4.5 percent in 2016 after rising 6.3 percent in 2015. U.S. real GDP grew by 1.6 percent in 2016, after expanding 2.6 percent in 2015. Meanwhile, consumer prices increased by 2.7 percent and 3.0 percent in the U.S. and California (respectively) in February from a year ago, posting their biggest year-over-year increase in more than four years.

LABOR MARKET CONDITIONS

- California's unemployment rate dropped to a ten-year low of 5.0 percent in February from a revised 5.2 percent in January. The nation's unemployment rate dropped by 0.1 percentage point to 4.7 percent in February before falling again in March to a near ten-year low of 4.5 percent. California's labor force participation rate fell 0.1 percentage point to 62.1 percent while the nation's rose 0.1 percentage point to 63 percent and was unchanged in March.
- California added 22,900 nonfarm payroll jobs in February, after gaining 15,300 jobs (upwardly revised) in January and 4,800 jobs in December. The state added 315,800 in February compared to the previous February, the lowest year-over-year gain in five years. Seven of the state's major industry sectors added jobs in February. Trade, transportation, and utilities led the way with a gain of 11,100 jobs, followed by leisure and hospitality (5,600); construction (5,100); professional and business services (2,700); educational and health services (2,700); other services (2,000); and information (1,600). Four sectors lost jobs led by manufacturing (4,000), followed by financial activities (2,200); government (1,500); and mining and logging (200).

Consumer Inflation, Year-over-Year



*California is a population-weighted average of the CPI for Los Angeles CMSA and San Francisco CMSA. Source: U.S. Bureau of Labor Statistics; California Department of Finance

BUILDING ACTIVITY

- Residential building permits fell for a second consecutive month in February 2017, following an end-of-the-year surge to beat new green building code standards that took effect January 2017. For the first two months of 2017, residential permit issuance averaged 81,000 units (seasonally adjusted annual rate), down 18 percent from the same period in 2016. Single-family permits were up 6 percent to 48,000 units, while multifamily permits were down 38 percent to 33,000 units. Nonresidential construction valuation fell 4 percent to an annualized rate of \$26.4 billion.

REAL ESTATE

- Home sales volume totaled 400,500 in February on a seasonally adjusted annualized rate, down 4.7 percent from January and up 4.9 percent from February 2016. The statewide median home price in February was \$478,790, down 2.2 percent from January, but up 7.6 percent from February 2016.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for March was \$1.390 billion above the 2017-18 Governor's Budget forecast of \$6.111 billion. Year-to-date revenues are \$1.151 billion above the forecast of \$79.775 billion.

- Personal income tax revenues to the General Fund were \$874 million above the month's forecast of \$2.959 billion. Withholding receipts were \$673 million above the forecast of \$5.042 billion and other receipts were \$91 million higher than the forecast of \$1.068 billion. Refunds issued in March were \$126 million below the expected \$3.098 billion. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in March was \$16 million higher than the forecast of \$53 million. Year-to-date General Fund income tax revenues are \$624 million above forecast.
- Sales and use tax receipts were \$66 million below the month's forecast of \$1.702 billion. March cash includes the second prepayment for first quarter sales and use tax liabilities. Year-to-date, sales tax revenues are \$292 million below forecast.
- Corporation tax revenues were \$338 million above the month's forecast of \$1.029 billion. Given that the final tax payment due date for calendar-year corporations recently shifted from March to April, this strength in corporate tax receipts may be due to timing. Prepayments were \$57 million below the forecast of \$665 million and other payments were \$281 million higher than the \$554 million forecast. Total refunds for the month were \$113 million below the forecast of \$190 million. Year-to-date revenues are \$448 million above forecast.
- Insurance tax revenues were \$227 million above the month's estimate of \$363 million, a portion of which is likely due to timing. Year-to-date insurance tax revenues are \$247 million higher than the expected \$1.586 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, and pooled money interest came in \$1 million above the month's forecast of \$40 million and are up \$6 million year-to-date. "Other" revenues were \$16 million above the month's forecast of \$18 million and are up \$118 million year-to-date.

2016-17 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	MARCH 2017					2016-17 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$2,959	\$3,833	\$874	29.6%		\$53,711	\$54,335	\$624	1.2%
Sales & Use	1,702	1,635	-66	-3.9%		18,820	18,528	-292	-1.6%
Corporation	1,029	1,367	338	32.8%		4,753	5,201	448	9.4%
Insurance	363	590	227	62.6%		1,586	1,833	247	15.6%
Estate	0	0	0	n/a		0	1	1	136.3%
Pooled Money Interest	8	9	1	8.0%		43	44	1	3.1%
Alcoholic Beverages	26	25	-1	-2.2%		279	281	2	0.7%
Tobacco	6	8	1	20.4%		62	64	2	2.9%
Other	18	33	16	86.8%		521	639	118	22.7%
Total	\$6,111	\$7,500	\$1,390	22.7%		\$79,775	\$80,926	\$1,151	1.4%

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. Totals may not add due to rounding. The forecast is from the 2017-18 Governor's Budget.