



Finance Bulletin

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Economic Update

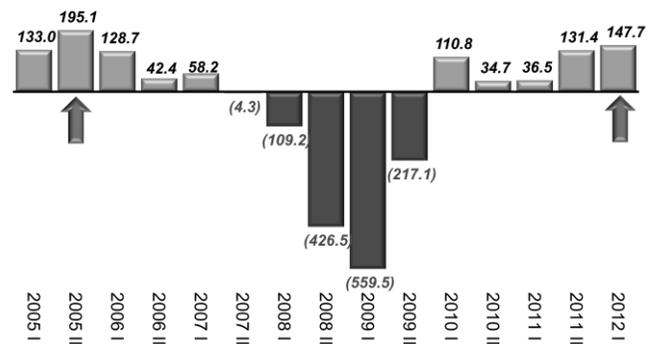
In June, California employment posted its second consecutive month of commendable job growth and its 11th consecutive month-over-month gain. The unemployment rate in June dropped to 10.7 percent from 10.8 percent in May. Existing home sales slowed in June following two preceding months of strong acceleration. Home sales and prices were still better than a year earlier.

LABOR MARKET CONDITIONS

- In June, the state added 38,300 jobs and May's initially reported gain of 33,900 jobs was revised up to a 45,900-job gain—an improvement of 12,000 jobs. Thus, over the two months, California gained 84,200 nonfarm jobs and boosted total employment to its highest level since February 2009.
- Industry job growth was more balanced than in May—five industry sectors had significant gains while May's gains were concentrated in three sectors. The pace of job growth during the first half of 2012 is similar to the pace set in 2005 and 2006—before the recession.
- Better job growth was largely the result of recent improvements in sectors that were hit hard by the recession and have only recently started to turn around. A rebound in travel and tourism has lifted leisure and hospitality employment. Rebounding real estate markets helped the construction and financial activities sectors.
- California added 147,700 jobs during the first six months of 2012, which was the strongest half-year growth since the second half of 2005.
- Year-over-year job gains in June totaled 279,100 or 2 percent—the strongest growth since June 2006. Private sector employment rose for the 12th consecutive month in June and was up 2.7 percent from a year earlier. In contrast, total national employment was up 1.4 percent in June with private employment up 1.8 percent.
- Industry job gains in June were led by the trade, transportation, and utilities (9,400), leisure and hospitality (9,200), construction (8,100), and professional and business services (7,800). Other growth sectors included information (5,600), financial activities (4,400), and other services (2,100).
- Four industry sectors lost jobs in June. Manufacturing lost 4,400; education and health service, 2,100; government 1,700 and mining and logging, 100.
- The unemployment rate in June dropped to 10.7 percent from 10.8 percent in May largely because of a drop in the labor force. Household employment fell 16,600 while the number of persons unemployed dropped by 20,300.

Best Job Gains in 6 Years

Change in Total Nonfarm Employment Half-Year Intervals
1,000s of Jobs, Seasonally Adjusted



REAL ESTATE

- After accelerating in April and May, sales of existing, single-family detached homes slowed in June—to a pace of 518,460 units on a seasonally adjusted annualized basis. In the second quarter of 2012, existing home sales were up over 13 percent from the same months in 2011.
- Sales prices of existing homes rose in June for the fourth consecutive month. The median price of existing, single-family homes sold was \$320,540, up 8.1 percent from a year earlier.
- Even though the unsold inventory index held steady at 3.5 months in June, it was an improvement over the 5-month level recorded twelve months earlier. The median number of days needed to sell a home in June dropped to 43.4 days, nearly 14 percent better than a year earlier.

Monthly Cash Report

Preliminary General Fund agency cash for July was \$376 million below the 2012-13 Budget Act forecast of \$5.446 billion – of which \$197 million is due to timing.

- Personal income tax revenues to the General Fund were \$214 million below the month's forecast of \$3.402 billion. Withholding receipts were \$234 million below the estimate of \$3.264 billion. Other receipts were \$6 million lower than the projected level of \$405 million – July is not a significant month for income tax estimated payments or final payments. Refunds issued in July were \$22 million below the anticipated \$206 million. 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 July was \$4 million below the estimate of \$61 million.
- Sales and use tax receipts were \$17 million above the month's forecast of \$1.511 billion. July represents the final payment for second quarter taxable sales, which was due on July 31.
- Corporation tax revenues were \$44 million above the month's estimate of \$208 million. Prepayments were \$13 million above the forecast of \$193 million and other payments were \$12 million lower than the \$104 million that was anticipated. The month's refunds were \$43 million under the projected level of \$89 million.
- Insurance tax revenues were \$19 million below the month's estimate of \$12 million, due to a larger than forecasted refund amount in July. Revenues from the estate, alcoholic beverage, tobacco taxes, the vehicle license fee, and pooled money interest were \$7 million below the month's forecast of \$44 million. "Other" revenues were \$197 million below the month's estimate of \$269 million, which is due to timing of payments.

2012-13 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

| Revenue Source | JULY 2012 | | | | | 2012-13 YEAR-TO-DATE | | | |
|------------------------------|----------------|----------------|---------------|----------------|--|----------------------|----------------|---------------|----------------|
| | Forecast | Actual | Change | Percent Change | | Forecast | Actual | Change | Percent Change |
| Personal Income | \$3,402 | \$3,188 | -\$214 | -6.3% | | \$3,402 | \$3,188 | -\$214 | -6.3% |
| Sales & Use | 1,511 | 1,528 | 17 | 1.1% | | 1,511 | 1,528 | 17 | 1.1% |
| Corporation | 208 | 252 | 44 | 21.2% | | 208 | 252 | 44 | 21.2% |
| Insurance | 12 | -7 | -19 | -158.3% | | 12 | -7 | -19 | -158.3% |
| Estate | 0 | 1 | 1 | n/a | | 0 | 1 | 1 | n/a |
| Pooled Money Interest | 2 | 1 | -1 | -50.0% | | 2 | 1 | -1 | -50.0% |
| Alcoholic Beverages | 33 | 27 | -6 | -18.2% | | 33 | 27 | -6 | -18.2% |
| Tobacco | 8 | 7 | -1 | -12.5% | | 8 | 7 | -1 | -12.5% |
| Vehicle License Fees | 1 | 1 | 0 | 0.0% | | 1 | 1 | 0 | 0.0% |
| Other | 269 | 72 | -197 | -73.2% | | 269 | 72 | -197 | -73.2% |
| Unallocated Revenue Increase | 0 | | | | | 0 | | | |
| Total | \$5,446 | \$5,070 | -\$376 | -6.9% | | \$5,446 | \$5,070 | -\$376 | -6.9% |

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 2012 May Revision updated for the 2012 Budget Act.