



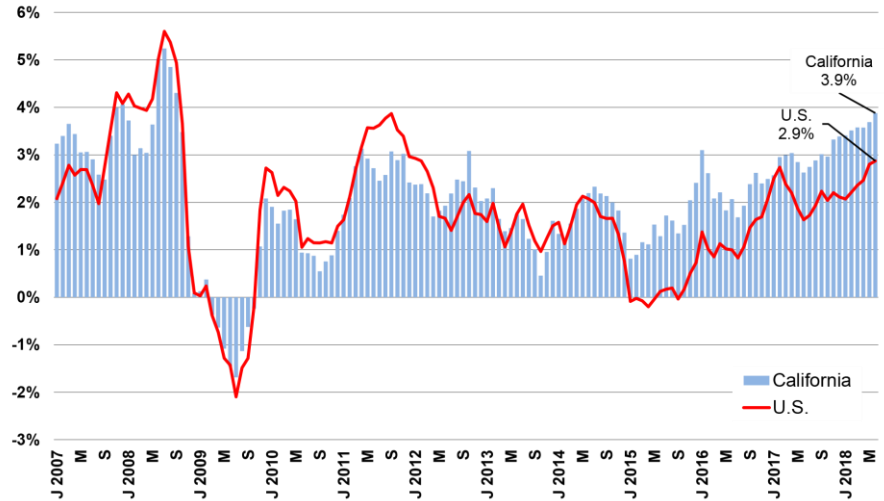
Finance Bulletin

Michael Cohen, Director

Economic Update

California's real GDP increased at an annualized 1.5 percent in the first quarter of 2018, following 3.0 percent annual growth in 2017. U.S. real GDP rose 2.2 percent and 4.1 percent in the first quarter and second quarter of 2018 respectively, following 2.2 percent annual growth in 2017. Consumer price inflation rose 3.9 percent in California and 2.9 percent in the U.S. from June 2017 to June 2018.

Consumer Inflation Year-over-Year



Source: U.S. Bureau of Labor Statistics; California Department of Finance

LABOR MARKET CONDITIONS

- California's unemployment rate remained at the record low of 4.2 percent for the third straight month in June. The labor force participation rate dropped by 0.1 percentage point for the fourth consecutive month to 61.9 percent in June, matching the record low reached in October 2015. The U.S. unemployment rate rose 0.2 percentage point to 4.0 percent in June before falling back to 3.9 percent in July, while labor force participation rate edged up by 0.2 percentage point to 62.9 percent in June and was unchanged in July, up from the recent low of 62.3 percent reached in September 2015.
- The state gained 800 nonfarm jobs in June, following a 7,200-job gain in May. Of the eleven major industry sectors, four added jobs and seven lost jobs in June. Educational and health services added the most (8,000), information (4,600), government (3,500), and professional and business services (100). Leisure and hospitality lost the most jobs (4,000), followed by construction (2,900), trade, transportation, and utilities (2,600), and financial activities (2,300). Manufacturing (1,800), other services (1,400), and mining and logging (400) also lost jobs in June.
- California's nonfarm employment has grown at an average pace of 14,800 jobs per month during the first half of 2018 compared to 30,500 in 2017. On a year-over-year basis, California employment rose 1.6 percent (269,100 jobs), matching the nation's overall pace.

BUILDING ACTIVITY

- California housing units authorized by building permits totaled 136,500 in June (47,000 for single-family housing and 89,500 for multifamily housing) on a seasonally adjusted annualized basis. About 125,000 permits were issued in the first half of 2018 compared to 112,000 in the first half of 2017. Nonresidential annualized valuation in June was \$32 billion, a 4.6-percent increase from the previous year. The first half of 2018 valuation is \$34 billion compared to \$29 billion for the same period in 2017.

REAL ESTATE

- The median home price in California hit a new high for a second straight month in June at \$602,760, up 0.3 percent from May and up 8.5 percent from June 2017. Statewide sales of existing, single-family homes totaled 410,800 in June on a seasonally adjusted annualized basis, up 0.4 percent from May and down 7.3 percent from June 2017, the biggest year-over-year sales decline in nearly four years.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for July was \$178 million below the 2018-19 Budget Act forecast of \$7.527 billion.

- Personal income tax revenues to the General Fund were \$249 million above the month's forecast of \$4.934 billion. Withholding receipts were \$229 million above the forecast of \$4.6 billion. Other receipts were \$61 million higher than the forecast of \$692 million. July is not a significant month for estimated or final income tax payments. Refunds issued in July were \$37 million higher than the expected \$269 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 higher than the forecast of \$88 million.
- Sales and use tax receipts were \$480 million below the month's forecast of \$2.148 billion. July includes the final payment for second quarter taxable sales, which was due July 31. Some or all of this shortfall may be due to receipts expected in July being shifted into August.
- Corporation tax revenues were \$17 million below the month's forecast of \$364 million. Estimated payments were \$41 million above the forecast of \$289 million, and other payments were \$25 million lower than the \$181 million forecast. Total refunds for the month were \$33 million above the forecast of \$106 million.
- Insurance tax cash receipts were \$3 million above the month's forecast of \$16 million. Cash receipts from alcoholic beverage taxes, tobacco taxes, and pooled money interest were \$25 million above the month's forecast of \$55 million. "Other" revenues were \$43 million above the month's forecast of \$10 million.

2018-19 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	JULY 2018					2018-19 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$4,934	\$5,183	\$249	5.1%		\$4,934	\$5,183	\$249	5.1%
Sales & Use	2,148	1,667	-480	-22.4%		2,148	1,667	-480	-22.4%
Corporation	364	347	-17	-4.7%		364	347	-17	-4.7%
Insurance	16	20	3	20.9%		16	20	3	20.9%
Estate	0	0	0	0.0%		0	0	0	0.0%
Pooled Money Interest	11	34	22	194.5%		11	34	22	194.5%
Alcoholic Beverages	37	40	3	7.4%		37	40	3	7.4%
Tobacco	7	6	0	-6.0%		7	6	0	-6.0%
Other	10	53	43	425.2%		10	53	43	425.2%
Total	\$7,527	\$7,350	-\$178	-2.4%		\$7,527	\$7,350	-\$178	-2.4%

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 2018-19 Budget Act.