



Finance Bulletin

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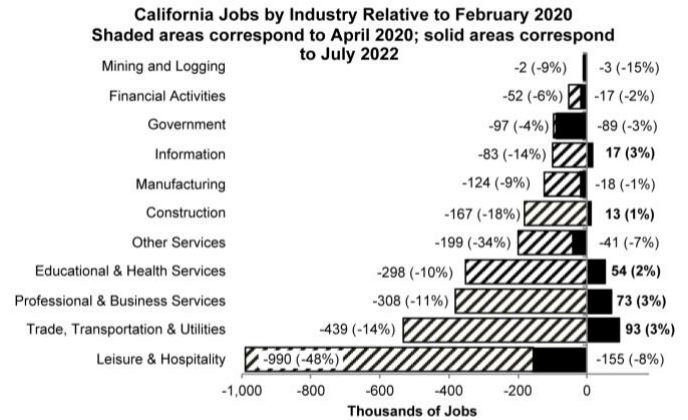
Economic Update

U.S. year-over-year headline inflation decelerated to 8.5 percent in July 2022, down from a 40-year record-high of 9.1 percent in June. Core inflation—which excludes food and energy—remained at 5.9 percent year over year for the second consecutive month. Transportation inflation, which includes gasoline, decelerated to 16.4 percent in July from 19.4 percent in June, in line with declines in gasoline prices.

LABOR MARKET CONDITIONS

■ The U.S. unemployment rate fell 0.1 percentage point in July 2022 to its February 2020 pre-pandemic low of 3.5 percent. U.S. civilian unemployment decreased by 242,000 in July and civilian employment increased by 179,000. The labor force declined by a net 63,000 participants in July, and labor force participation rate inched down 0.1 percentage point to 62.1 percent. There were 576,000 (0.4 percent) fewer employed and around 623,000 (0.4 percent) fewer persons in the labor force in July 2022 than in February 2020. The U.S. added 528,000 nonfarm jobs in July 2022, following an average monthly gain of around 460,000 in the first six months of 2022. All major sectors added jobs: educational and health services (122,000), leisure and hospitality (96,000), professional and business services (89,000), government (57,000), trade, transportation, and utilities (54,000), construction (32,000), manufacturing (30,000), other services (15,000), information (13,000), financial activities (13,000), and mining and logging (7,000). As of July 2022, the U.S. has recovered all of the 22 million jobs lost in March and April 2020.

■ California's unemployment rate fell to a new record-low of 3.9 percent in July 2022, now 0.2 percentage point lower than the February 2020 pre-pandemic rate of 4.1 percent. California civilian unemployment decreased by 46,000 in July. Civilian employment increased by 23,000, and 23,000 people left the labor force, following an average monthly gain of 116,000 and 67,000, respectively in the first half of 2022. There were 166,000 (0.9 percent) fewer employed and around 209,000 (1.1 percent) fewer persons in the labor force in July 2022 than in February 2020. California added 84,800 nonfarm jobs in July 2022, driven by gains in professional and business services and educational and health services (20,500 jobs each), followed by leisure and hospitality (14,900), construction (11,400), other services (4,900), government (4,500), information (4,400), trade, transportation and utilities (4,100), manufacturing (1,400) and mining and logging (100). Financial activities (-1,900) was the only sector that lost jobs. As of July 2022, California has recovered 97.3 percent of the nearly 2.8 million nonfarm jobs lost in March and April 2020.



Mining and Logging had fewer jobs in July 2022 than in April 2020. Information, Construction, Education & Health Services, Professional and Business Services, and Trade, Transportation and Utilities had more jobs in July 2022 than in February 2020. Source: California Employment Development Department, Labor Market Information Division.

BUILDING ACTIVITY & REAL ESTATE

■ Year-to-date through June 2022, California permitted 126,000 units on a seasonally adjusted annualized rate (SAAR) basis, up 2.3 percent from May and 3.5 percent from June 2021. June 2022 permits consisted of 70,000 single-family units (down 2.5 percent from May, but up 0.8 percent year over year) and 56,000 multi-family units (up 9.2 percent from May and up 7.0 percent year over year).

■ The statewide median price of existing single-family homes decreased for a second consecutive month to \$833,910 in July 2022, down 3.5 percent from June, but up 2.8 percent from July 2021. Sales of existing single-family homes in California fell to 295,460 units (SAAR) in July 2022, down 14.4 percent from June, and down 31.1 percent from July 2021.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for July, the first month of the 2022-23 fiscal year, were \$1.275 billion, or 12.1 percent, below the 2022-23 Budget Act forecast of \$10.517 billion. Preliminary General Fund agency cash receipts for the entire 2021-22 fiscal year were \$2.183 billion below the Budget Act forecast of \$233.987 billion, or 0.9 percent below forecast. Shortfalls in July continued to be largely driven by lower proceeds from personal income tax.

- Personal income tax cash receipts to the General Fund for July were \$1.057 billion below the month's forecast of \$7.858 billion. July is not a significant month for personal income tax cash receipts, except for withholding, which is significant every month. Notably, withholding receipts fell \$731 million short of projections in July, or 10.1 percent. This follows a \$437 million, or 5.8 percent, shortfall in withholding in June.
- Corporation tax cash receipts for July were \$13 million, or 1.6 percent, above the forecast of \$807 million. July is also not a significant month for corporation tax cash receipts. A modest shortfall in estimated and other payments was offset by a small amount of unanticipated Pass-Through Entity (PTE) elective payments.
- Sales and use tax cash receipts for July were \$87 million, or 6 percent, below the month's forecast of \$1.434 billion. July includes a portion of the final payments for second quarter taxable sales, however, the majority of those final payments will be reflected in August given that the due date this year was August 1.
- Other cash receipts, which include insurance tax, alcoholic beverage taxes, tobacco taxes, pooled money interest, and "not otherwise classified" revenues, were \$144 million below the forecast of \$418 million for July.

2022-23 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	JULY 2022				2022-23 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$7,858	\$6,801	-\$1,057	-13.5%	\$7,858	\$6,801	-\$1,057	-13.5%
Withholding	7,243	6,511	-731	-10.1%	7,243	6,511	-731	-10.1%
Estimated Payments	645	335	-310	-48.0%	645	335	-310	-48.0%
Final Payments	214	297	83	38.7%	214	297	83	38.7%
Other Payments	435	456	21	4.7%	435	456	21	4.7%
Refunds	-501	-655	-153	30.6%	-501	-655	-153	30.6%
MHSF Transfer	-141	-122	20	-13.9%	-141	-122	20	-13.9%
Corporation	\$807	\$820	\$13	1.6%	\$807	\$820	\$13	1.6%
Estimated Payments	524	480	-45	-8.5%	524	480	-45	-8.5%
PTE Payments	0	82	82	n/a	0	82	82	n/a
Other Payments	393	356	-37	-9.5%	393	356	-37	-9.5%
Refunds	-111	-98	13	-11.8%	-111	-98	13	-11.8%
Sales & Use	\$1,434	\$1,347	-\$87	-6.0%	\$1,434	\$1,347	-\$87	-6.0%
Other	\$418	\$274	-\$144	-34.5%	\$418	\$274	-\$144	-34.5%
Total	\$10,517	\$9,242	-\$1,275	-12.1%	\$10,517	\$9,242	-\$1,275	-12.1%

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. "Other" revenues include pooled money interest, insurance, alcoholic beverage, and tobacco taxes, and "not otherwise classified" revenues. The forecast is from the 2022 Budget Act.