



Finance Bulletin

Cynthia Bryant, Director

Economic Update

October was a notable month for conflicting economic readings. Labor markets appeared to be improving—October saw the first year-over-year private sector job gain since December 2007. On the other hand, construction and real estate indicators were disappointing.

LABOR MARKET CONDITIONS

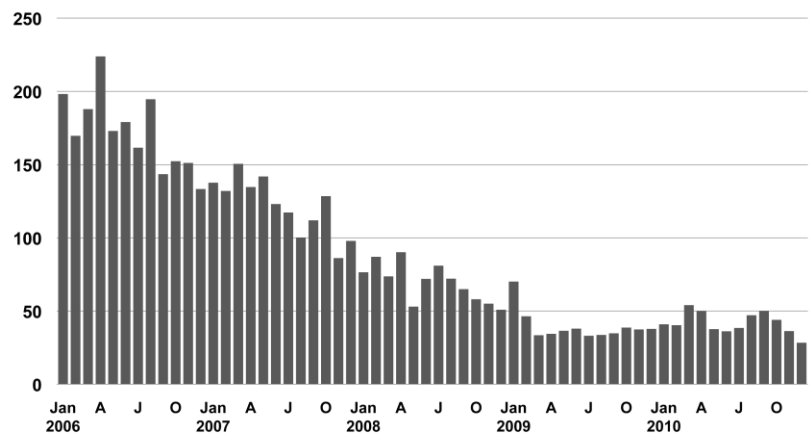
- The labor market report for October contained some modestly good news: Industry employment rose while the unemployment rate held steady for the third consecutive month. Unfortunately, the job gains achieved so far this year, 47,900, are a fraction of the total number of jobs lost during the recession—approximately 1.3 million.
- California gained 39,000 nonfarm jobs in October—the largest month-over-month gain since May 2006. However, it followed a 53,600 job loss (revised) in September—the largest loss since September 2009. This month-to-month see-saw of alternating gains and losses is indicative of a slow and uneven economic recovery.
- October's gains were widespread with growth in eight of 11 major industry sectors, led by professional and business services with a gain of 14,800 jobs. Trade, transportation, and utilities added 7,600 jobs; manufacturing, 7,000; educational and health services, 5,200; leisure and hospitality, 4,400; government, 2,800; construction, 2,500; and other services, 2,100.
- Three of the major industry sectors lost jobs. Financial activities lost 4,300, information, 3,000, and mining and logging 200.
- From October 2009 to October 2010, nonfarm payroll employment fell by 27,400 (0.2 percent). Employment rose 58,600 in professional and business services; 20,800 in educational and health services; 6,300 in leisure and hospitality; 1,000 in mining and logging; and 500 in other services.
- Six major industry sectors lost jobs over the year. Construction lost the most with 45,700 jobs. Government lost 29,700 jobs; trade, transportation and utilities, 18,500; financial activities, 9,100; information, 6,600; and manufacturing, 4,800.
- The state's unemployment rate held steady at 12.4 percent in October for the third consecutive month. The number of people unemployed in California fell 10,000 over the month, but was up 42,300 compared with October of last year.

BUILDING ACTIVITY

- Home building slowed for the third consecutive month in October. At a seasonally adjusted annual rate of 28,300 units, October was the weakest month for home building on a record dating back to 1995. Single-family permits were down 34.2 percent, while multi-family permitting was up 3.2 percent.
- A major drop in store construction permitting led to a significant decline in nonresidential construction in October. Permitting was down nearly 5 percent from a year earlier. Despite this slowdown, for the five months ending with October as a whole, nonresidential permitting was up 5.5 percent from the same months of 2009.

Home Building Stagnates

Residential Construction Permits, 1,000s of Units, SAAR



Source: Construction Industry Research Board

REAL ESTATE

- Real estate markets cooled in October as prices slipped and the pace of sales slowed. Sales of existing, single-family detached homes slowed in October to 450,360 units at a seasonally adjusted annualized rate. Similarly, the median price of existing, single-family homes sold also slipped in October, to \$304,220, down 1.8 percent from September.
- Inventories also rose. The unsold inventory index inched up to 6.5 months from 6.1 months in September. The median number of days needed to sell a home rose to 53.4 days. (Source: [California Association of Realtors](#))

Monthly Cash Report

Preliminary General Fund agency cash for November was \$1.028 billion above the 2010-11 Budget Act forecast of \$4.996 billion as adjusted for the payment of delayed prior month refunds. Year-to-date revenues are \$1.232 billion above the adjusted estimate of \$30.617 billion.

- Personal income tax revenues to the General Fund were \$582 million above the month's adjusted forecast of \$1.9 billion. Withholding was \$358 million above the estimate of \$2.843 billion and other receipts were \$4 million below the forecast of \$320 million. It is unknown at this time if the strength in withholding is cash flow due to a timing change of year-end bonuses and other irregular compensation. Refunds were \$231 million below forecast, once the refunds that had been delayed are accounted for. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections, net of refunds, be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in November was \$1 million above the month's estimate of \$43 million. Year-to-date General Fund income tax revenues are \$673 million above estimate.
- Sales and use tax receipts were \$126 million above the month's forecast of \$2.713 billion. November cash includes a portion of the final payment for third quarter sales, as well as the first prepayment for fourth quarter sales. Year-to-date, the sales tax cash is \$269 million above the forecast of \$10.889 billion. Because of the recent law change exempting gasoline from the General Fund portion of the sales tax (local sales taxes still apply), it is possible that some local gas tax revenues (which are not state general fund revenue) were allocated to the state in November's cash receipts. This may have affected August through October cash receipts as well. Finance is working with the Board of Equalization on this issue.
- Corporation tax revenues were \$398 million above the month's adjusted estimate of -\$257 million. Prepayments were \$142 million above the forecast of \$83 million and other payments were \$19 million below the \$91 million that was expected. November's refunds included \$58 million that were delayed from October. Remaining delayed refunds as of the end of the month amount to \$128 million. Refunds, once the delayed refunds that were processed in November are accounted for, were down \$275 million. Year-to-date revenues are \$329 million above the adjusted estimate.
- Vehicle License Fee General Fund revenues reported in November were \$9 million lower than the estimate of \$116 million. Year-to-date revenues are \$24 million below estimate.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes were \$30 million below the month's estimate of \$322 million. The remaining revenues—pooled money interest income and "other" revenues—were \$39 million lower than the month's estimate of \$202 million.

2010-11 Comparison of Actual and Forecast Agency General Fund Revenues						
(Dollars in Millions)						
November 2010						
Revenue Source	Forecast	Settle-up for Oct. Refunds	Forecast Adjusted for Settle-up Refunds	Actual	Change	Percent Change
Personal Income	\$2,427	-\$527	\$1,900	\$2,482	\$582	30.6%
Sales & Use	2,713	0	2,713	2,839	126	4.6%
Corporation	-199	-58	-257	141	398	---
Insurance	287	0	287	253	-34	-11.8%
Estate	0	0	0	3	3	n/a
Pooled Money Interest	4	0	4	7	3	75.0%
Alcoholic Beverages	27	0	27	28	1	3.7%
Tobacco	8	0	8	8	0	0.0%
Vehicle License Fees	116	0	116	107	-9	-7.8%
Other	198	0	198	156	-42	-21.2%
Total	\$5,581	-\$585	\$4,996	\$6,024	\$1,028	20.6%
2010-11 YEAR-TO-DATE						
Revenue Source	Forecast	Remaining Delayed Refunds	Forecast Adjusted for Remaining Delayed Refunds	Actual	Change	Percent Change
Personal Income	\$15,729	\$0	\$15,729	\$16,402	\$673	4.3%
Sales & Use	10,889	0	10,889	11,158	269	2.5%
Corporation	1,515	128	1,643	1,972	329	20.0%
Insurance	805	0	805	776	-29	-3.6%
Estate	1	0	1	5	4	n/a
Pooled Money Interest	14	0	14	15	1	7.1%
Alcoholic Beverages	141	0	141	144	3	2.1%
Tobacco	40	0	40	40	0	0.0%
Vehicle License Fees	611	0	611	587	-24	-3.9%
Other	744	0	744	750	6	0.8%
Total	\$30,489	\$128	\$30,617	\$31,849	\$1,232	4.0%

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 2010 Budget. Reflects actual cash July through September