



Finance Bulletin

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Economic Update

U.S. real GDP expanded by 3.2 percent annual rate in the third quarter of 2016, bringing year-to-date average growth up to 1.8 percent. Both the U.S. and California continued to add more jobs and draw workers back into the labor force.

LABOR MARKET CONDITIONS

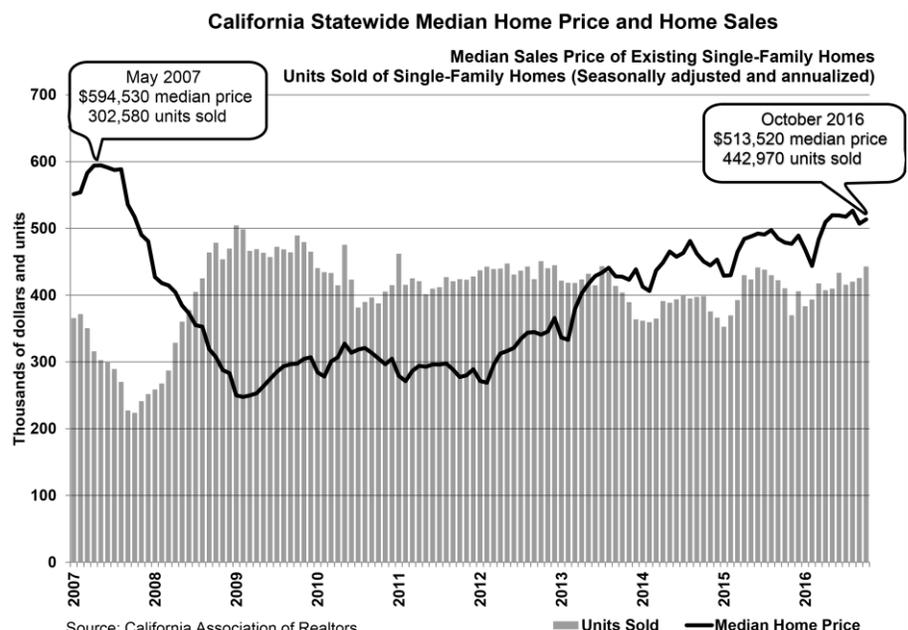
- California's unemployment rate stayed at 5.5 percent for the fourth straight month in October. The labor force participation rate continued to rise to 62.8 percent, reaching the nation's level for the first time since December 2009. California's labor force participation rate was up by 0.8 percentage point from a year ago. The nation's unemployment rate was 4.9 percent in October before falling to 4.6 percent in November.
- California added 31,200 nonfarm jobs in October, following an upwardly revised gain of 36,000 in September. This brought the state's 2016 year-to-date monthly average job gain to 31,300. In comparison, the 2015 monthly average job gain was 42,100. On a year-over-year basis, California nonfarm employment rose 2.4-percent in October, outpacing the nation's 1.7-percent growth.
- Eight industry sectors gained jobs while three lost jobs in October. Sectors that added jobs were leisure and hospitality (10,800), educational and health services (6,900), trade, transportation and utilities (5,800), financial activities (4,800), professional and business services (3,400), construction (1,500), other services (1,100), and information (900). Industry sectors that lost jobs in October were manufacturing (3,500), mining and logging (300), and government (200).

BUILDING ACTIVITY

- Residential construction permits in California increased by 8.8 percent to an annualized average of 112,000 in October, the third consecutive month with more than 100,000 permits issued (113,000 and 102,000 permits issued in August and September, respectively). This brought the year-to-date average to 99,000 units, just above the 2015 total of 98,000. Multi-family housing permits continued to account for more than half of the total.
- Nonresidential construction permit valuation was near \$24 billion in October, up 3.2 percent from a month ago. For the first ten months of 2016, nonresidential valuation rose by 4.4 percent from the same period in 2015.

REAL ESTATE

- Sales of existing single-family homes totaled 442,970 units at a seasonally adjusted annualized rate in October, an increase of 4.1 percent from a month ago and 8.0 percent from a year ago.
- The statewide median price of homes sold in October was \$513,520, up 1.2 percent from September and up 7.3 percent from a year ago. The median price was about \$80,000 lower than its pre-recession peak of \$594,530 in May 2007. October marked the 56th consecutive month of rising median home price on a year-over-year basis, with average growth of 12.9 percent.



MONTHLY CASH REPORT

Preliminary General Fund agency cash for November was \$495 million above the 2016-17 Budget Act forecast of \$6.569 billion. This was due primarily to the larger-than-anticipated effects of November having an early Thanksgiving and an extra business day. As a result of the early Thanksgiving, an unusually large \$551 million withholding payment was received on the second-to-last day in November. Because of this timing issue, December withholding receipts are expected to fall significantly short of the Budget Act forecast. Year-to-date revenues are \$91 million below the forecasted \$39.476 billion.

- Personal income tax revenues to the General Fund were \$608 million above the month's forecast of \$3.998 billion. Withholding receipts were \$502 million above the estimate of \$4.032 billion. Other receipts were \$125 million above the forecast of \$540 million. Refunds issued in November were \$8 million above the forecasted \$501 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 November was \$11 million above the forecast of \$72 million. Year-to-date General Fund income tax revenues are \$574 million above forecast.
- Sales and use tax receipts were \$23 million below the month's forecast of \$2.05 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 sales tax revenues are \$384 million below forecast.
- Corporation tax revenues were \$74 million below the month's forecast of -\$48 million. Prepayments were \$6 million above the forecast of \$107 million and other payments were \$36 million higher than the \$134 million forecast. Total refunds for the month were \$116 million higher than the forecast of \$289 million. Year-to-date revenues are \$331 million below forecast.
- Insurance tax revenues were \$39 million below the month's estimate of \$439 million. Year-to-date insurance tax revenues are \$25 million above the forecasted \$1.024 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, and pooled money interest came in at the \$43 million forecast and are up \$2 million year-to-date. "Other" revenues were \$24 million above the month's forecast of \$86 million and are up \$23 million year-to-date.

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

(Dollars in Millions)

Revenue Source	NOVEMBER 2016				2016-17 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$3,998	\$4,607	\$608	15.2%	\$25,379	\$25,953	\$574	2.3%
Sales & Use	2,050	2,027	-23	-1.1%	10,760	10,376	-384	-3.6%
Corporation	-48	-122	-74	-153.8%	1,776	1,445	-331	-18.7%
Insurance	439	400	-39	-9.0%	1,024	1,049	25	2.4%
Estate	0	0	0	n/a	0	0	0	n/a
Pooled Money Interest	4	4	0	-1.0%	18	21	3	17.0%
Alcoholic Beverages	32	32	0	-0.6%	163	162	-1	-0.6%
Tobacco	7	7	0	-4.1%	36	36	0	-0.7%
Other	86	110	24	27.4%	320	344	23	7.3%
Total	\$6,569	\$7,064	\$495	7.5%	\$39,476	\$39,386	-\$91	-0.2%

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 2016-17 Budget Act.