



Finance Bulletin

Michael Cohen, Director

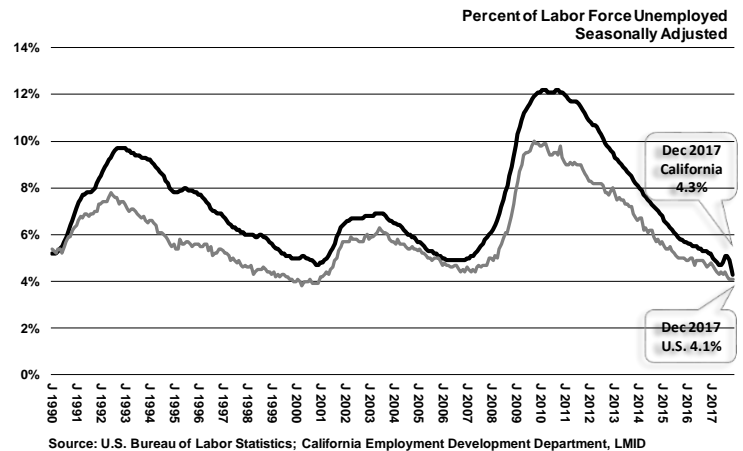
Economic Update

California's unemployment rate fell to a historic low of 4.3 percent in December, while the U.S. unemployment rate held steady at 4.1 percent. California inflation rose 2.9 percent in 2017, the highest since 2008, while U.S. inflation increased to 2.1 percent in 2017, the first time above 2 percent since 2012. The U.S. real gross domestic product growth rate increased by 0.8 percentage point to 2.3 percent in 2017.

LABOR MARKET CONDITIONS

- California's unemployment rate fell to 4.3 percent in December—a new record low in a series dating back to 1976. The state's unemployment rate has fallen by a total of 0.8 percentage point in just the last three months of 2017. In comparison, the U.S. unemployment rate held steady at 4.1 percent for the third consecutive month in December and remained 4.1 percent in January 2018.
- The state's labor force participation rate decreased to 62.4 percent in December, after rising by a total of 0.6 percentage point over the prior three months. In comparison, the U.S. labor force participation rate held steady at 62.7 percent for the third consecutive month in December and remained 62.7 percent in January 2018.

California-U.S. Unemployment Rate Gap Narrowest Since 1990



Source: U.S. Bureau of Labor Statistics; California Employment Development Department, LMID

- Job gains in California continued for a fourth consecutive month as nonfarm jobs increased by 52,700 in December, well above the average monthly gain of 28,500 jobs in 2017. Year-over-year nonfarm job gains averaged 295,500 (up 1.8 percent) in 2017. This compares with 421,500 (up 2.6 percent) in 2016 and 477,900 (up 3.1 percent) in 2015.
- Of the eleven major industry sectors, nine added jobs and two lost jobs in December. Government added the most (10,300—driven by the 9,200-job increase in local government) followed by leisure and hospitality (10,100), professional and business services (8,700), information (8,300), construction (7,000), financial activities (6,600), manufacturing (3,000), other services (1,600), and educational and health services (1,300). Job losses were in trade, transportation, and utilities (3,800—driven by the 1,600-job loss in retail trade) and mining and logging (400).

BUILDING ACTIVITY

- Housing permits rose 16 percent year-over-year in December to a seasonally adjusted annualized average of 131,000 units, comprised of 59,000 single-family and 72,000 multifamily units. For 2017 as a whole, a total of 113,000 housing permits were issued which was 12 percent more than in 2016.
- Nonresidential valuation increased by 15 percent year-over-year in December to an annualized valuation of \$32.1 billion. For 2017 as a whole, nonresidential valuation increased by 3.2 percent to \$28.3 billion.

REAL ESTATE

- Sales of existing single-family homes in California totaled 420,960 in December on a seasonally adjusted annualized basis, down 4.4 percent from November and up 1.4 percent from December 2016. For all of 2017, statewide home sales averaged 423,825 units, a modest improvement from prior years. 2016 and 2015 averaged 416,250 and 409,410 units, respectively.
- The statewide median home price was \$549,560 in December, up 7.6 percent on a year-over-year basis. Forty-five of the 51 reported counties posted year-over-year price increases, with 19 growing at double-digit rates. Meanwhile, the available supply of homes for sale hit the lowest level in 13 years, with the statewide unsold inventory index falling to 2.5 months in December.

Monthly Cash Report

Preliminary General Fund agency cash for January was \$2.581 billion above the 2018-19 Governor's Budget forecast of \$13.949 billion. The increase over the month's forecast is likely due in part to taxpayer reaction to Federal tax law changes enacted in late December. Year-to-date agency cash revenues are \$2.877 billion above the forecast of \$73.297 billion.

- Personal income tax revenues to the General Fund were \$2.388 billion above the month's forecast of \$10.677 billion. Withholding receipts were \$812 million above the estimate of \$6.446 billion. Other receipts were \$1.616 billion above the forecast of \$4.943 billion. Refunds issued in January were \$3 million below the expected \$520 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 January was \$43 million above the forecast of \$234 million. Year-to-date General Fund personal income tax revenues are \$2.375 billion above forecast.
- Sales and use tax revenues were \$43 million below the month's forecast of \$2.790 billion. January receipts includes the final payment for fourth quarter sales, which was due on January 31. Year-to-date sales tax revenues are \$35 million below forecast.
- Corporation tax revenues were \$189 million above the month's forecast of \$340 million. Prepayments were \$101 million above the forecast of \$283 million and other payments were \$50 million higher than the \$156 million forecast. Total refunds for the month were \$37 million below the forecast of \$99 million. Year-to-date revenues are \$395 million above forecast.
- Insurance tax revenues were \$10 million above the month's estimate of \$14 million. Year-to-date insurance tax revenues are \$85 million above the expected \$1.156 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$5 million above the \$58 million forecast and are up \$5 million year-to-date. "Other" revenues were \$32 million above the month's forecast of \$71 million and are up \$51 million year-to-date.

2017-18 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Sour	JANUARY 2018				Percent Change	2017-18 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Incom	\$10,677	\$13,065	\$2,388	22.4%	\$52,025	\$54,400	\$2,375	4.6%	
Sales & Use	2,790	2,747	-43	-1.5%	14,972	14,937	-35	-0.2%	
Corporation	340	529	189	55.5%	4,432	4,827	395	8.9%	
Insurance	14	24	10	75.2%	1,156	1,241	85	7.3%	
Estate	0	0	0	n/a	0	1	0	21.3%	
Pooled Money	13	16	3	20.6%	83	85	1	1.7%	
Alcoholic Bev	40	40	-1	-1.8%	241	242	2	0.7%	
Tobacco	4	7	2	56.3%	39	41	2	5.2%	
Other	71	103	32	45.1%	350	401	51	14.7%	
Total	\$13,949	\$16,530	\$2,581	18.5%	\$73,297	\$76,174	\$2,877	3.9%	

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 2018-19 Governor's Budget.