



Finance Bulletin

Michael Cohen, Director

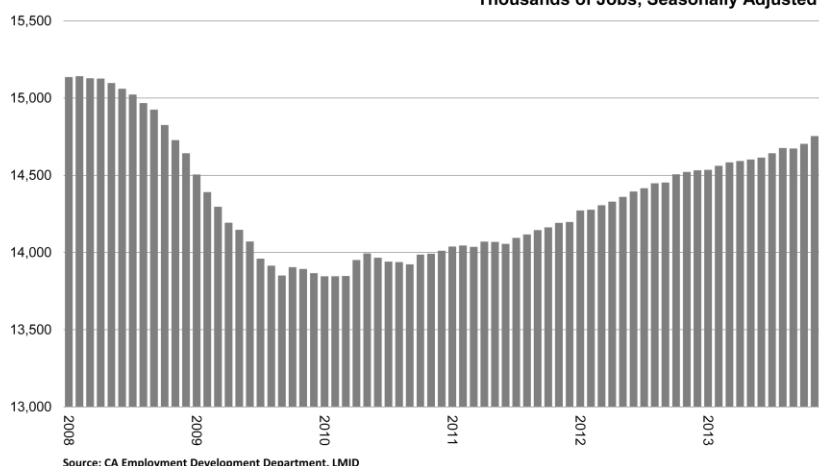
Economic Update

As 2013 ended, California's economy was moving in a positive direction. The unemployment rate fell 1.5 percentage points over 2013 to its lowest rate since 2008. The state has recovered more than two-thirds of the jobs lost during the recession. In the housing market, permits, sales, and median prices all showed signs of strength.

LABOR MARKET CONDITIONS

- California's unemployment rate dropped 0.2 percentage point to 8.3 percent in December—the lowest rate since October 2008, and down by 1.5 percentage points since December 2012. The number of unemployed Californians fell by 48,000 reflecting both workers finding new jobs and a drop in the labor force of 24,000.
- California gained 13,600 nonfarm payroll jobs in December, following an upwardly revised 50,300-job gain in November. California has gained jobs in 29 of the last 30 months. From December 2012 to December 2013, the state gained 235,700 nonfarm jobs.
- Seven industry sectors gained jobs and four lost jobs in December. The largest gains were in professional and business services (8,400)—mostly in administrative and support services, and leisure and hospitality (7,800). Other growth sectors included trade, transportation, and utilities (5,800), educational and health services (4,000); financial activities (1,100), government (800), and mining and logging (500).
- The biggest loss in December was in manufacturing (6,000)—its largest loss since September 2009. Employment also fell in other services (4,300), information (2,800), and construction (1,700).

California's Steady Recovery Continued In 2013

California Nonfarm Payroll Employment
Thousands of Jobs, Seasonally Adjusted

BUILDING ACTIVITY

- Single-family and multifamily housing permits both experienced month-over-month and year-over-year increases in December, with multifamily permits representing around 60 percent of the total permits issued. Multifamily permits rose 54.7 percent, while single-family permits were up 31.9 percent.
- For 2013 as a whole, residential permits were up almost 43 percent from 2012, but still down 61 percent from the pre-recession peak in 2004. Nonresidential permits in 2013 rose 46 percent from 2012, led by healthy gains in commercial building structures.

REAL ESTATE

- Sales of existing single-family homes totaled 361,890 units at a seasonally adjusted annualized rate in December. During 2013, unit sales were down 5.9 percent from 2012, likely due to tight housing supply and higher home prices.
- Home prices reversed a three-month decline and climbed in December. The median price of existing, single-family homes sold in December was \$438,040, 20 percent higher than in December 2012, marking a year and a half of double-digit annual gains. However, this remains 26 percent below the pre-recession peak.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for January was \$90 million above the 2014-15 Governor's Budget forecast of \$12.229 billion. Year-to-date revenues are \$131 million above the expected \$55.472 billion.

- Personal income tax revenues to the General Fund were \$21 million below the month's forecast of \$9.699 billion. Withholding receipts were \$501 million above the estimate of \$4.930 billion. Other receipts were \$688 million below the projected level of \$5.439 billion. Refunds issued in January were \$165 million below the anticipated \$496 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 \$1 million below the estimate of \$174 million. Year-to-date General Fund income tax revenues are \$39 million below estimate.
- Sales and use tax receipts were \$115 million below the month's forecast of \$2.487 billion. January cash includes the final payment for fourth quarter sales, which was due at the end of January, and a portion of this payment is received in early February. Year-to-date, the sales tax cash is \$113 million below forecast.
- Corporation tax revenues were \$170 million above the month's estimate of \$70 million. Prepayments were \$28 million below the forecast of \$236 million and other payments were \$7 million lower than the \$114 million that was anticipated. Total refunds for the month were \$205 million lower than the estimate of \$280 million. Year-to-date revenues are \$189 million above estimate.
- Insurance tax revenues were \$7 million above the month's estimate of \$7 million. Year-to-date insurance tax revenues are \$10 million above the forecasted \$1.120 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$1 million below the \$45 million that was expected. "Other" revenues were \$50 million above the month's estimate of -\$79 million.

2013-14 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	JANUARY 2014				2013-14 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$9,699	\$9,678	-\$21	-0.2%	\$37,461	\$37,422	-\$39	-0.1%
Sales & Use	2,487	2,372	-115	-4.6%	13,352	13,239	-113	-0.8%
Corporation	70	240	170	242.9%	2,515	2,704	189	7.5%
Insurance	7	14	7	100.0%	1,120	1,130	10	0.9%
Estate	0	0	0	0.0%	4	5	1	25.0%
Pooled Money Interest	2	2	0	0.0%	13	15	2	15.4%
Alcoholic Beverages	35	35	0	0.0%	217	217	0	0.0%
Tobacco	8	7	-1	-12.5%	53	52	-1	-1.9%
Vehicle License Fees	0	0	0	0.0%	0	0	0	0.0%
Other	-79	-29	50	-63.3%	737	819	82	11.1%
Total	\$12,229	\$12,319	\$90	0.7%	\$55,472	\$55,603	\$131	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 2014-15 Governor's Budget.