



Finance Bulletin

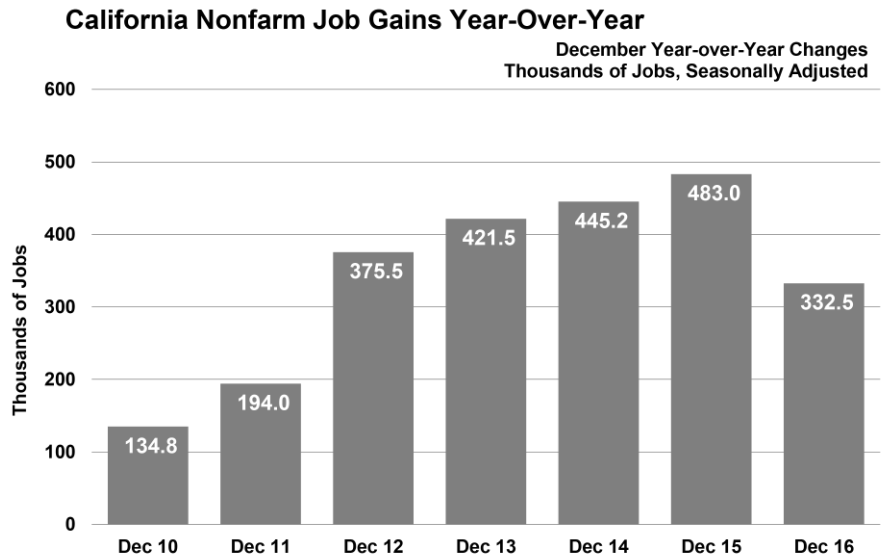
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Economic Update

Nonfarm payroll employment for 2016 grew by 2.5 percent in California 2016, down from 3 percent in 2015. U.S. real Gross Domestic Product rose 1.6 percent in 2016, following a 2.6-percent increase in 2015. Consumer price inflation picked up pace in 2016, rising 2.1 percent in the U.S. and 2.5 percent in California.

LABOR MARKET CONDITIONS

- California's unemployment rate fell by 0.1 percentage point to 5.2 percent in December, following a 0.2 percentage-point decline in November. The U.S. unemployment rate rose by 0.1 percentage point to 4.7 percent in December and 4.8 percent in January. Over the year, the unemployment rate has fallen by 0.7 percentage point in California and by 0.3 percentage point in the U.S.
- The state's labor force participation rate increased by 0.6 percentage point to 62.5 percent from December 2015 to December 2016 while the U.S. rate was unchanged at 62.7 percent.
- California added 3,700 nonfarm jobs in December, well below the average monthly gain of 27,700 jobs in 2016. Year-over-year, December nonfarm payrolls expanded by 2 percent in California compared to 1.5 percent in the U.S.
- From December 2015 to December 2016, all but two of the major industry sectors added jobs. Educational and health services gained the most jobs (80,700), followed by government (61,900), trade, transportation, and utility (61,200), leisure and hospitality (55,300), professional and business services (40,900), construction (20,900), financial activities (10,800), information (5,800), and other services (4,600). The two sectors that lost jobs were manufacturing (7,600), and mining and logging (2,000).



Source: CA Employment Development Department, LMID

BUILDING ACTIVITY

- Residential permits in California bounced back in December to a seasonally adjusted annualized rate of 121,400 permits, comprised of 58,700 for single-family units and 62,700 for multifamily units, a 30.4-percent increase from November. Nonresidential construction valuation dipped in December by 0.8 percent to an annualized rate of \$26.9 billion.
- About 100,000 residential permits were issued in California during all of 2016, a 2 percent increase from 2015. Residential permits have averaged just 73,000 over the last ten years. Nonresidential valuation grew by 1.6 percent to \$26.7 billion in 2016.

REAL ESTATE

- Sales of existing single-family homes in California slowed in December, with sales volume down from both the previous month and year by 7 percent and 0.6 percent respectively to a seasonally adjusted annualized rate of 411,230 units. For 2016 as a whole, 416,250 single-family homes were sold in California, up 1.7 percent from 2015.
- The statewide median home price in December increased by 1.5 percent from the previous month and 3.9 percent from December 2015 to \$509,060. For 2016 as a whole, the median home price climbed 5.4 percent to reach \$502,250.

MONTHLY CASH REPORT

While December cash receipts were \$756 million below forecast, preliminary General Fund agency cash for January was \$747 million above the 2017-18 Governor's Budget forecast of \$14.518 billion. Year-to-date agency cash revenues are \$9 million below the forecast of \$68.478 billion.

- Year-to-date General Fund personal income tax revenues are \$209 million below forecast. Year-to-date withholding receipts were \$752 million below the estimate of \$13.008 billion. Other receipts were \$840 million above the forecast of \$17.230 billion. Refunds were \$301 million above the forecasted \$3.018 billion. 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 was \$4 million below the forecast of \$859 million year-to-date.
- Year-to-date sales and use tax revenues are \$60 million below forecast. January receipts include the final payment for fourth quarter sales, which was due on January 31.
- Year-to-date corporation tax revenues are \$175 million above forecast. Year-to-date prepayments were \$78 million above the forecast of \$3.424 billion and other payments were \$41 million above the \$1.266 billion forecast. Total refunds for the month were \$56 million below the forecast of \$1.225 billion.
- Year-to-date insurance tax revenues are \$20 million above the forecasted \$1.194 billion. Year-to-date revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$2 million below the \$312 million forecast. "Other" revenues were \$67 million above the forecast of \$421 million.

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

(Dollars in Millions)

Revenue Source	JANUARY 2017					2016-17 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$11,414	\$11,911	\$497	4.4%		\$47,941	\$47,731	-\$209	-0.4%
Sales & Use	2,771	2,792	21	0.8%		15,146	15,086	-60	-0.4%
Corporation	214	401	187	87.5%		3,465	3,640	175	5.1%
Insurance	15	12	-2	-16.5%		1,194	1,214	20	1.7%
Estate	0	0	0	0.0%		0	1	0	38.2%
Pooled Money Interest	5	0	-5	-100.0%		32	27	-5	-15.6%
Alcoholic Beverages	37	41	4	9.9%		230	232	2	0.8%
Tobacco	7	7	0	-3.6%		50	51	1	1.6%
Other	55	101	46	84.3%		421	488	67	15.9%
Total	\$14,518	\$15,265	\$747	5.1%		\$68,478	\$68,469	-\$9	0.0%

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 2017-18 Governor's Budget.