## Economic Update

California became the 5th largest economy in the world in 2017, just behind Germany and ahead of the United Kingdom, with $\$ 2.75$ trillion in gross domestic product. In real terms, California's growth was 3 percent for the year, compared to 2.3 percent for the U.S. U.S. real GDP in the first quarter of 2018 grew by an annualized 2.2 percent, down from the initial estimate of 2.3 percent.

## Labor Market Conditions

- The state's unemployment rate held steady at its record low level of 4.2 percent in May while labor force participation rate fell to

 62.0 percent in May. In comparison, the U.S. unemployment rate dropped to 3.8 percent in May, matching April 2000 as the lowest unemployment reading since 1969, while labor force participation rate fell to 62.7 percent in May.
- California gained 5,500 nonfarm jobs in May following a 25,600 -job gain in April. Of the eleven major industry sectors, four added jobs, six lost jobs, and one reported no change in May. The largest job gain was in leisure and hospitality $(7,900)$, followed by professional and business services $(2,500)$, information $(2,200)$, and other services ( 300 ). Job losses occurred in construction ( 2,900 ), trade, transportation, and utilities $(1,800)$, educational and health services $(1,100)$, financial activities (800), government (700), and mining and logging (100). Manufacturing reported no change. The year-over-year job growth was 1.8 percent in California and 1.6 percent in the nation.


## Building Activity

- Residential building permits in California were issued at a seasonally adjusted annualized rate of 117,000 in April following 120,000 on average in the prior three months. The total permits issued in April were split equally between single-family and multifamily units. Nonresidential annualized valuation in April was $\$ 29$ billion following $\$ 33$ billion on average in the previous three months.


## Real Estate

- California sales of existing, single-family homes totaled 416,790 units at a seasonally adjusted annualized rate in April, up 2.2 percent from a year earlier. The statewide median price of existing, single family homes sold in April was $\$ 584,460$, an increase of 8.6 percent from a year earlier and near the pre-recession peak price of $\$ 594,530$ reached in May 2007. Mortgage rates for a 30-year fixed-rate loan averaged 4.47 percent in April, up from 4.44 percent in March and from 4.05 percent in April 2017.

Preliminary General Fund agency cash for May was $\$ 27$ million above the 2018-19 May Revision forecast of $\$ 7.903$ billion.
Year-to-date revenues, which include revisions to prior months, are $\$ 65$ million below the forecast of $\$ 116.729$ billion.

- Personal income tax revenues to the General Fund were $\$ 516$ million above the month's forecast of $\$ 4.388$ billion. Withholding receipts were $\$ 275$ million above the forecast of $\$ 4.759$ billion. Other receipts were $\$ 99$ million higher than the forecast of $\$ 807$ million. Refunds issued in May were $\$ 151$ million below the forecast of $\$ 1.1$ 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 in May was $\$ 9$ million higher than the forecast of $\$ 79$ million. Year-to-date General Fund income tax revenues are $\$ 411$ million above forecast.
- Sales and use tax receipts were $\$ 392$ million below the month's forecast of $\$ 2.354$ billion, reflecting both weakness and timing issues. May cash includes the remaining portion of the final payment for first quarter taxable sales, which was due April 30, as well as the first prepayment for second quarter sales and use tax liabilities.
- Corporation tax revenues were $\$ 92$ million below the month's forecast of $\$ 650$ million. Estimated payments were $\$ 1$ million above the forecast of $\$ 306$ million, and other payments were $\$ 86$ million lower than the $\$ 400$ million forecast. Total refunds for the month were $\$ 8$ million above the forecast of $\$ 56$ million. Year-to-date revenues are $\$ 80$ million below forecast.
- Insurance tax revenues were $\$ 31$ million below the month's estimate of $\$ 458$ million. Year-to-date insurance tax revenues were $\$ 31$ million below the expected $\$ 2.457$ billion. Revenues from the estate, alcoholic beverage, tobacco taxes, and pooled money interest was $\$ 15$ million above the month's forecast of $\$ 36$ million and are up $\$ 15$ million year-to-date. "Other" revenues were $\$ 12$ million above the month's forecast of $\$ 17$ million.

2017-18 Comparison of Actual and Forecast Agency General Fund Revenues
(Dollars in Millions)

| Revenue Source | MAY 2018 |  |  |  | \| | 2017-18 YEAR-TO-DATE |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Change | Percent Change | \| | Forecast | Actual | Change | Percent <br> Change |
|  | Forecast | Actual |  |  | \| |  |  |  |  |
|  |  |  |  |  | I |  |  |  |  |
| Personal Income | \$4,388 | \$4,904 | \$516 | 11.8\% | \\| | \$80,411 | \$80,821 | \$411 | 0.5\% |
| Sales \& Use | 2,354 | \$1,962 | -392 | -16.7\% | \| | 23,363 | 22,971 | -392 | -1.7\% |
| Corporation | 650 | 557 | -92 | -14.2\% | \\| | 9,358 | 9,279 | -80 | -0.9\% |
| Insurance | 458 | 427 | -31 | -6.7\% | I | 2,457 | 2,426 | -31 | -1.3\% |
| Estate | 0 | 0 | 0 | n/a | I | 1 | 1 | 0 | 3.8\% |
|  |  |  |  |  | 1 |  |  |  |  |
| Pooled Money Interest | 9 | 15 | 5 | 57.2\% | \\| | 142 | 147 | 5 | 3.7\% |
| Alcoholic Beverages | 22 | 30 | 8 | 36.9\% | \| | 343 | 351 | 8 | 2.3\% |
| Tobacco | 5 | 6 | 1 | 22.0\% | I | 61 | 62 | 1 | 1.9\% |
| Other | 17 | 29 | 12 | 73.5\% | 1 | 593 | 605 | 12 | 2.1\% |
|  |  |  |  |  | \| |  |  |  |  |
| Total | \$7,903 | \$7,930 | \$27 | 0.3\% | \| | \$116,729 | \$116,663 | -\$65 | -0.1\% |

This is an agency cash report and the data may differ from the Controler'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 May Revision.

