



Finance Bulletin

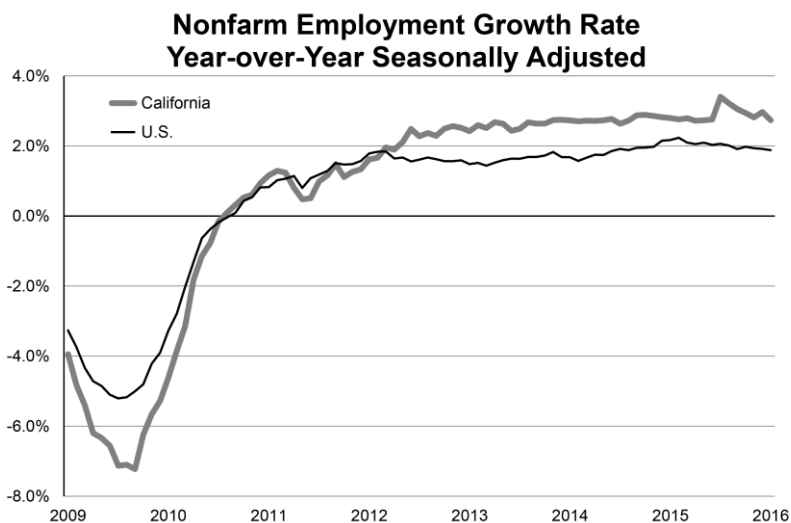
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Economic Update

Both California and the U.S. labor markets generally held steady in January. The U.S. unemployment rate fell below 5 percent for the first time in eight years. Low oil prices contributed to minimal increases in the consumer price index in both the U.S. and California.

LABOR MARKET CONDITIONS

- Despite having a small decrease of 1,500 nonfarm jobs in January, California had job gains in seven sectors. The job loss was concentrated in the professional and business services subsector that includes administrative, support, and waste services.
- The seven sectors that gained jobs in January were educational and health services (9,500), leisure and hospitality (5,800), information (4,500), government (2,800), trade, transportation and utility (1,400), construction (1,000), and manufacturing (400). Sectors that lost jobs were professional and business services (17,300), financial activities (5,700), other services (3,000), and mining and logging (900).
- The benchmark revision updated the historical time series from 2000 and smoothed the unemployment rate, labor force participation rate, and the nonfarm employment patterns. After the revision, California gained 483,000 nonfarm jobs (previously estimated 459,400) over the course of 2015, or 3.1 percent growth.
- California has outpaced the U.S. in the year-over-year nonfarm job growth for 47 consecutive months since March 2012.
- California's unemployment rate fell by 0.2 percentage point to 5.7 percent in January while the U.S. unemployment rate fell by 0.1 percentage point to 4.9 percent in January and then remained unchanged in February. Over 2015, the California and U.S. unemployment rates dropped by 1.0 and 0.6 percentage point, respectively.



BUILDING ACTIVITY

- Following a 20-percent drop in December, the residential permit issuance increased by 41.3 percent to a seasonally adjusted annual pace of 106,000 units. The growth was mainly from multifamily units (increased by 73.1 percent to 68,000 units). Single-family units grew by 6.6 percent to 38,000 units.
- The residential valuation fell by 6.4 percent to \$26.8 billion in January. The value of nonresidential permits dropped by 9.3 percent to \$23.4 billion.

REAL ESTATE

- Both sales and median price of existing single-family homes dropped in January from a month ago. Home sales dropped by 5.4 percent to 383,670 units at a seasonally adjusted annualized rate in January. The median price of homes sold in January was \$468,330, down 4.3 percent from a month earlier. However, both were up from a year ago by 8.8 percent and 9.2 percent in sales and median price, respectively.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for February was \$636 million above the 2016-17 Governor's Budget forecast of \$5.001 billion, due primarily to lower-than-expected refunds to date. Year-to-date revenues are \$442 million above the forecasted \$70.481 billion.

- Personal income tax revenues to the General Fund were \$348 million above the month's forecast of \$2.42 billion, due entirely to lower refunds. Refunds issued in February were \$391 million below the forecasted \$2.513 billion. A portion of the lower-than-expected refunds are due to delays in processing. Withholding receipts were \$3 million below the forecast of \$4.444 billion. Other receipts were \$33 million below the forecast of \$533 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 February was \$6 million above the forecast of \$43 million. Year-to-date General Fund income tax revenues are \$181 million above forecast.
- Sales and use tax receipts were \$115 million above the month's forecast of \$2.436 billion due to sales tax receipts expected in January shifting to February. February cash includes a portion of the final payment for fourth quarter 2015 sales, which was due February 1, as well as the first prepayment for the first quarter 2016 sales. Year-to-date revenues are \$122 million below forecast.
- Corporation tax revenues were \$181 million above the month's forecast of \$17 million. Prepayments were \$14 million below the forecast of \$112 million and other payments were \$35 million higher than the \$124 million forecast. Total refunds for the month were \$160 million lower than the forecast of \$219 million. Year-to-date revenues are \$335 million above forecast.
- Insurance tax revenues were \$1 million above the month's estimate of \$26 million. Year-to-date insurance tax revenues are equal to the forecasted \$1.257 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$2 million below the \$33 million forecast. "Other" revenues were \$8 million below the month's forecast of \$69 million.

2015-16 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	FEBRUARY 2016				2015-16 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$2,420	\$2,768	\$348	14.4%	\$47,852	\$48,034	\$181	0.4%
Sales & Use	2,436	2,551	115	4.7%	16,732	16,611	-122	-0.7%
Corporation	17	198	181	1073.6%	3,486	3,821	335	9.6%
Insurance	26	27	1	4.1%	1,257	1,257	0	0.0%
Estate	0	1	1	n/a	1	1	1	83.6%
Pooled Money Interest	3	2	-1	-22.3%	16	17	1	7.4%
Alcoholic Beverages	24	23	-1	-5.2%	249	250	1	0.5%
Tobacco	6	5	-1	-10.4%	57	57	0	0.7%
Vehicle License Fees	0	0	0	n/a	0	0	0	38.5%
Other	69	62	-8	-11.1%	830	874	44	5.3%
Total	\$5,001	\$5,637	\$636	12.7%	\$70,481	\$70,922	\$442	0.6%

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 Governor's Budget.