



# Finance Bulletin

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## Economic Update

California and the U.S. continue to see slow but steady improvements in the labor market. U.S. real GDP grew by 3.5 percent in the third quarter after an upwardly revised 4.6-percent growth in the second quarter. As expected, the Federal Reserve ended the quantitative easing bond purchase program at the end of October.

### LABOR MARKET CONDITIONS

- California's unemployment rate fell by 0.1 percentage point in September to 7.3 percent—the lowest rate since July 2008. This followed the 0.2 percentage point drop in the U.S. unemployment rate to 5.9 percent in September, and the U.S. rate dropped again in October to 5.8 percent. While the U.S. labor force participation rate fell 0.1 percentage point to 62.7 percent, California's participation rate rose by 0.2 percentage point to 62.1 percent.
- Total nonfarm payroll employment fell on a seasonally adjusted basis by 9,800 in September, following a revised gain of 44,900 jobs in August. Three California industry sectors gained jobs, seven lost jobs, and one (mining and logging) had no change in employment. The largest job gain was in professional and business services (12,100), followed by construction (4,400), and trade, transportation, and utilities (1,400). The largest job losses were in educational and health services (8,200), followed by government (6,700, with 5,600 from local government) – these sectors saw particularly large job gains in August (8,400 and 4,100 respectively). Other services (5,900), leisure and hospitality (4,200), information (1,800), financial activities (800), and manufacturing (100) all lost jobs in September as well.

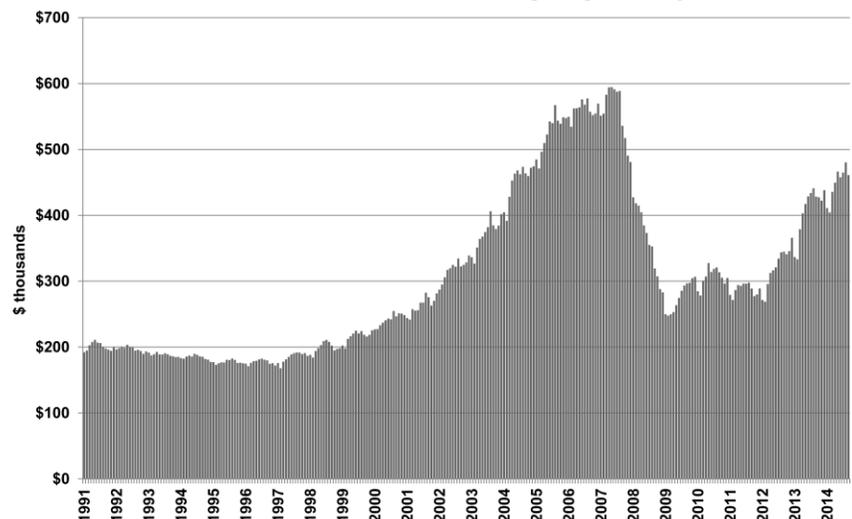
### BUILDING ACTIVITY

- Residential construction activity rose in September, led by multifamily units. Single family and multifamily permits issued were up 4.4 percent and 38.4 percent, respectively from the previous month. During the first nine months of the year, residential permits totaled 82,000 on an annualized basis, lower than the comparable rate of permits issued for all of 2013.
- Nonresidential construction slowed in September, down 15 percent from August but still up markedly from a year ago. Year-to-date valuation totaled \$23.7 billion on an annualized basis, up 15.2 percent compared with the same period in 2013.

### REAL ESTATE

- The median price of an existing single-family home in September fell by 4 percent to \$460,940. Compared to a year ago, the median price was up 7.6 percent. After more than two years of double-digit price appreciation, the pace has been slowing since June. Prices are now roughly the same level as in September 2004.
- The number of existing homes sold increased slightly in September by 0.4 percent to 396,440. On a year-over-year basis, however, sales were down by 4.2 percent. The year-over-year growth rate of sales has been negative for 14 straight months, due likely to low inventories. As of September, there was a 4.2-month supply of homes available for sale, well below the historical norm of six- to seven-month supply.

California Median Sales Price of an Existing Single-Family Home



Source: California Association of Realtors

## MONTHLY CASH REPORT

Preliminary General Fund agency cash for October was \$719 million above the 2014-15 Budget Act forecast of \$6.639 billion. Year-to-date revenues are \$1.033 billion above the expected \$27.956 billion.

- Personal income tax revenues to the General Fund were \$358 million above the month's forecast of \$4.321 billion. Withholding receipts were \$326 million above the forecast of \$3.841 billion. Other receipts were \$51 million lower than the forecast of \$1.371 billion. Refunds issued in October were \$90 million below the forecasted \$814 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 October was \$6 million above the forecast of \$77 million. Year-to-date General Fund income tax revenues are \$947 million above forecast.
- Sales and use tax receipts were \$36 million above the month's forecast of \$2.195 billion. October receipts represent the final payment for third-quarter taxable sales. Year-to-date, the sales tax cash is \$528 million below forecast.
- Corporation tax revenues were \$286 million above the month's forecast of \$25 million. Prepayments were \$32 million above the forecast of \$165 million and other payments were \$54 million higher than the \$169 million forecast. Total refunds for the month were \$200 million lower than the forecast of \$309 million. Year-to-date revenues are \$699 million above forecast.
- Insurance tax revenues were \$16 million above the month's estimate of \$13 million. Year-to-date insurance tax revenues are \$38 million above the forecasted \$579 million. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest and vehicle license fee came in \$1 million above the \$39 million that was expected. "Other" revenues were \$21 million above the month's estimate of \$46 million.

### 2014-15 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	OCTOBER 2014				2014-15 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$4,321	\$4,679	\$358	8.3%	\$17,731	\$18,678	\$947	5.3%
Sales & Use	2,195	2,232	36	1.7%	7,948	7,419	-528	-6.6%
Corporation	25	311	286	1152.6%	1,158	1,856	699	60.4%
Insurance	13	29	16	126.0%	579	617	38	6.5%
Estate	0	1	1	n/a	0	1	1	n/a
Pooled Money Interest	2	1	-1	-69.3%	6	5	-2	-24.6%
Alcoholic Beverages	30	32	1	4.2%	124	125	0	0.4%
Tobacco	7	7	0	2.5%	29	29	0	-1.2%
Vehicle License Fees	0	0	0	n/a	0	0	0	n/a
Other	46	67	21	45.6%	381	259	-122	-32.0%
<b>Total</b>	<b>\$6,639</b>	<b>\$7,357</b>	<b>\$719</b>	<b>10.8%</b>	<b>\$27,956</b>	<b>\$28,990</b>	<b>\$1,033</b>	<b>3.7%</b>

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 Budget Act.