



Finance Bulletin

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Economic Update

U.S. real GDP grew 3.0 percent in the third quarter, as increases in inventory investment and net exports offset slower consumption and purchases related to the hurricanes. California's merchandise exports in the third quarter totaled \$42.2 billion, up 2.3 percent from the same period last year.

LABOR MARKET CONDITIONS

- California's unemployment rate held steady at 5.1 percent in September, 0.4 percentage point higher than the record low of 4.7 percent in May and June 2017. California's labor force participation rate increased by 0.4 percentage point to 62.3 percent in September, returning to 2016 levels. In comparison, the U.S. unemployment rate fell by 0.2 percentage point to 4.2 percent in September before falling again in October to a near 17-year low of 4.1 percent. The U.S. labor force participation rate increased by 0.2 percentage point to 63.1 percent in September before dropping to 62.7 percent in October.
- California gained 52,200 nonfarm jobs in September, following a loss of 7,700 jobs in August and an increase of 84,500 jobs in July. There were also monthly job losses in June and April, but the average monthly job gain over the first nine months of 2017 was 21,400 jobs.
- Eight of the 11 major industry sectors gained jobs in September. Government led job gains (27,000, with 25,700 from local government) followed by trade, transportation, and utilities (13,000). Other services (5,200), information (4,300), leisure and hospitality (2,600), construction (2,500), educational and health services (2,100), and financial activities (400) also gained jobs in September. Professional and business services lost the most jobs in September (3,500)—the 6,400-job loss in the administrative and support subsector more than offset the 3,300-job gain in the professional, scientific, and technical services subsector. Other sectors that lost jobs were manufacturing (1,300) and mining and logging (100).



BUILDING ACTIVITY

- California residential permits totaled 94,000 units on a seasonally adjusted annualized basis in September, following six consecutive months with more than 100,000 permits issued. Permits for single-family housing rose 2.9 percent to 59,000 units, while permits for multifamily housing fell 37 percent to 35,000 units in September. Permits for the first nine months of this year have averaged 109,000 compared to 100,000 for the same period last year. Nonresidential building valuation jumped 20 percent to an annualized rate of \$28.4 billion in September. This brings the year-to-date average valuation at \$27.8 billion, unchanged from the same period last year.

REAL ESTATE

- California existing single-family home sales in September rose 2.2 percent from August and 1.7 percent from September 2016 to a seasonally adjusted annualized rate of 436,920 units.
- After climbing to its highest level in a decade in August, California's median home price slipped in September but remained above the \$500,000 mark for the seventh straight month. The statewide median home price was \$555,410 in September, more than double the U.S. median home price of \$246,800.

MONTHLY CASH REPORT

- Preliminary General Fund agency cash for October was \$1 million below the 2017-18 Budget Act forecast of \$8.014 billion. Year-to-date revenues are \$673 million above the expected \$33.195 billion.
- Personal income tax revenues to the General Fund were \$67 million below the month's forecast of \$5.32 billion. Withholding receipts were \$252 million above the forecast of \$4.677 billion. Other receipts were \$22 million higher than the forecast of \$1.632 billion. Refunds issued in October were \$342 million higher than the expected \$894 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 August was \$1 million lower than the forecast of \$95 million. Year-to date revenues are \$80 million above forecast.
- Sales and use tax receipts for October were \$122 million above the month's forecast of \$2.248 billion. October represents the final payment for third quarter taxable sales. Year-to-date revenues are \$369 million above forecast.
- Corporation tax revenues were \$87 million below the month's forecast of \$364 million. Prepayments were \$6 million below the forecast of \$214 million and other payments were \$54 million lower than the \$279 million forecast. Total refunds for the month were \$26 million higher than the forecast of \$129 million. Year-to-date revenues are \$139 million above forecast.
- Insurance tax revenues were \$4 million above the month's forecast of \$17 million. Year-to-date insurance tax revenues are \$12 million below the expected \$627 million. Revenues from the estate, alcoholic beverage, tobacco taxes, and pooled money interest came in \$14 million above the \$42 million that was forecast and are up \$32 million year-to-date. "Other" revenues were \$13 million above the month's forecast of \$23 million and are up \$65 million year-to-date.

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

(Dollars in Millions)

Revenue Source	OCTOBER 2017				2017-18 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$5,320	\$5,252	-\$67	-1.3%	\$22,687	\$22,768	\$80	0.4%
Sales & Use	2,248	2,370	122	5.4%	7,923	8,293	369	4.7%
Corporation	364	277	-87	-23.8%	1,665	1,804	139	8.3%
Insurance	17	21	4	23.0%	627	616	-12	-1.9%
Estate	0	0	0	n/a	0	1	1	n/a
Pooled Money Interest	4	18	13	301.1%	26	48	22	82.7%
Alcoholic Beverages	32	33	1	4.3%	130	139	8	6.4%
Tobacco	6	6	0	-2.8%	23	23	1	3.4%
Other	23	36	13	57.7%	113	178	65	57.0%
Total	\$8,014	\$8,013	-\$1	0.0%	\$33,195	\$33,868	\$673	2.0%

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 Budget Act.