



Finance Bulletin

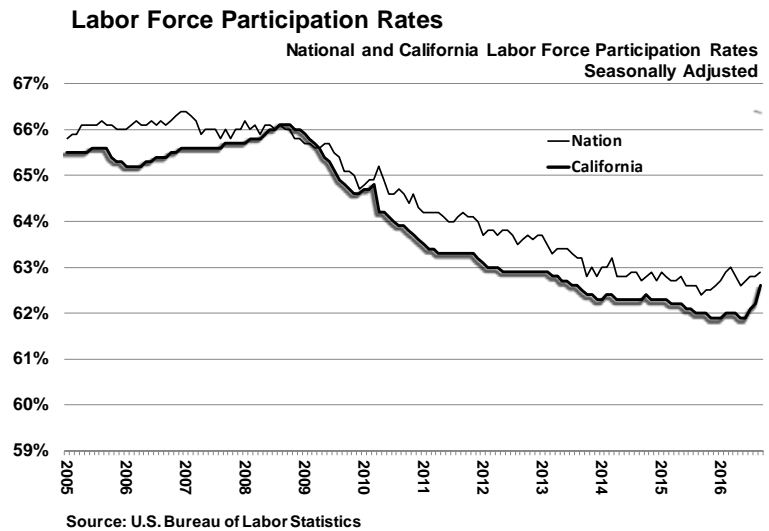
Michael Cohen, Director

Economic Update

Core inflation rates have risen above 3 percent and 2 percent on average in California and the nation (respectively) since late 2015, fueled largely by rising rents and medical care costs. According to initial estimate, U.S. real GDP grew by 2.9 percent in the third quarter following an upwardly revised 1.4 percent in the second quarter.

LABOR MARKET CONDITIONS

- California's unemployment rate stayed at 5.5 percent for the third straight month in September as the labor force participation rate rose to 62.6 percent. The nation's unemployment rate was 4.9 percent in October, near where it has been since the beginning of 2016. The labor force participation rates for California and the nation have risen by 0.5 percentage point over the year in September.
- California added 30,000 nonfarm jobs in September, following a downwardly revised 48,400-gain in August. This brings the state's 2016 year-to-date monthly average job gain to 30,600. In comparison, the 2015 monthly average job gain was 42,100. On a year-over-year basis, California nonfarm employment rose 2.3-percent in September, outpacing the nation's 1.7-percent growth.
- Seven industry sectors gained jobs while four lost jobs in September. Leisure and hospitality added 13,600, followed by government (7,200), educational and health services (6,200), construction (5,000), information (4,400), professional and business services (3,500), and other services (2,800). Industry sectors that lost jobs in September were manufacturing (8,000), trade, transportation, and utility (3,200), financial activities (1,200), and mining and logging (300).



BUILDING ACTIVITY

- Residential construction permits in California fell by 11.6 percent to an annualized average of 100,000 in September from 113,000 in August. Permits for single-family units rose 7 percent to 49,500 units and multifamily units dropped 24 percent to 50,500 units in September. Residential construction during the first nine months of 2016 averaged 97,000 units with multifamily housing permits accounting for more than half the total.
- Nonresidential construction permit valuation increased in September by 8.8 percent to \$22.7 billion. For the first nine months of 2016, nonresidential valuation rose nearly 5 percent from the same period in 2015.

REAL ESTATE

- Sales of existing single-family homes totaled 425,680 units at a seasonally adjusted annualized rate in September, an increase of 1.3 percent from a month ago and 0.8 percent from a year ago. Sales remained above the 400,000 pace for the seventh straight month, and the year-over-year increase was the first since March 2016.
- The statewide median price of homes sold in September was \$514,320, down 2.3 percent from August but up 6.1 percent from September 2015.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for October was \$381 million below the 2016-17 Budget Act forecast of \$8.1 billion. Year-to-date revenues are \$595 million below the expected \$32.907 billion.

- Personal income tax revenues to the General Fund were \$236 million below the month's forecast of \$5.269 billion. Withholding receipts were \$193 million below the forecast of \$4.604 billion. Other receipts were \$143 million higher than the forecast of \$1.456 billion. Refunds issued in October were \$191 million higher than the forecasted \$697 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 \$4 million lower than the forecast of \$94 million. Year-to-date revenues are \$29 million below forecast.
- Sales and use tax receipts for October were \$140 million below the month's forecast of \$2.499 billion. October represents the final payment for third quarter taxable sales. Year-to-date revenues are \$361 million below forecast.
- Corporation tax revenues were \$1 million above the month's forecast of \$236 million. Prepayments were \$2 million below the forecast of \$214 million and other payments were \$44 million higher than the \$183 million forecast. Total refunds for the month were \$41 million higher than the forecast of \$160 million. Year-to-date revenues are \$271 million below forecast.
- Insurance tax revenues were \$5 million below the month's forecast of \$22 million. Year-to-date insurance tax revenues are \$64 million above the forecasted \$585 million.
- Revenues from the estate, alcoholic beverage, tobacco taxes, and pooled money interest came in \$4 million above the \$42 million that was forecast. "Other" revenues were \$5 million below the month's forecast of \$32 million.

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

(Dollars in Millions)

Revenue Source	OCTOBER 2016				2016-17 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$5,269	\$5,033	-\$236	-4.5%	\$21,381	\$21,352	-\$29	-0.1%
Sales & Use	2,499	2,359	-140	-5.6%	8,709	8,348	-361	-4.1%
Corporation	236	237	1	0.3%	1,824	1,553	-271	-14.9%
Insurance	22	17	-5	-22.2%	585	649	64	11.0%
Estate	0	0	0	n/a	0	0	0	n/a
Pooled Money Interest	2	6	3	139.4%	14	17	3	21.7%
Alcoholic Beverages	32	33	1	2.6%	130	130	-1	-0.6%
Tobacco	7	7	0	-1.9%	29	29	0	0.2%
Other	32	27	-5	-15.6%	234	234	0	-0.1%
Total	\$8,100	\$7,719	-\$381	-4.7%	\$32,907	\$32,313	-\$595	-1.8%

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 Budget Act.