



Finance Bulletin

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Economic Update

U.S. headline inflation rose by 5.3 percent on a year-over-year basis in August 2021, a slowdown from 5.4 percent in July and June, bringing the year-to-date average through August to 3.9 percent. California headline inflation rose by 4.4 percent in June 2021 (latest data available) and has averaged 3.4 percent in the first half of the year. By comparison, in 2020, inflation averaged 1.2 percent and 1.7 percent for the nation and the state, respectively.

LABOR MARKET CONDITIONS

■ The U.S. unemployment rate fell 0.2 percentage point to 5.2 percent in August 2021, with civilian employment increasing by over half a million. Civilian unemployment decreased by 318,000 and the labor force increased by 190,000. Compared to February 2020, there were 5.6 million fewer employed, 2.9 million fewer persons in the labor force, and 2.7 million more unemployed in August 2021. The U.S. added 235,000 nonfarm jobs in August 2021, with eight of the eleven major industry sectors gaining jobs: professional and business services (74,000), manufacturing (37,000), other services (37,000), educational and health services (35,000), trade, transportation and utilities (24,000), information (17,000), financial activities (16,000), and mining and logging (6,000). Leisure and hospitality gained no jobs and government (-8,000) and construction (-3,000) lost jobs. As of August 2021, the U.S. has recovered 76.2 percent of the 22.4 million jobs lost in March and April 2020.

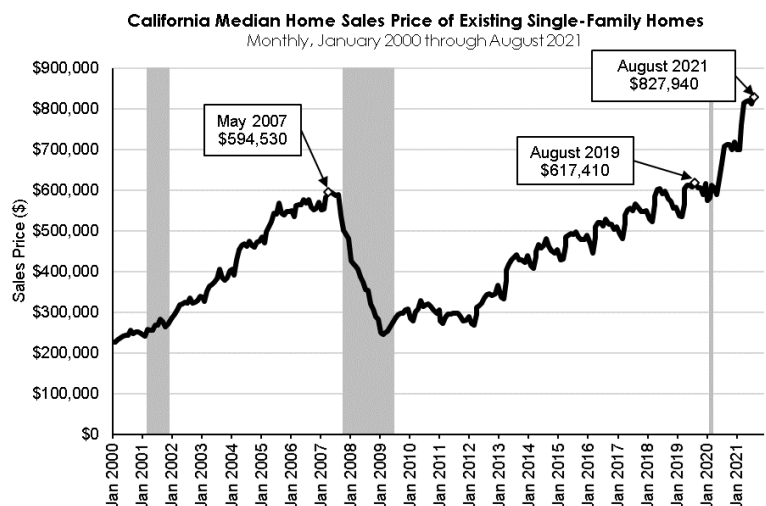
■ California unemployment rate fell 0.1 percentage point to 7.5 percent in August 2021. California civilian employment increased by 57,500 in August 2021 with 55,300 more people entering the labor force and 2,200 fewer unemployed. Compared to February 2020, there were more than one million fewer employed and 450,200 fewer people in the labor force in August 2021. After adding 104,300 nonfarm jobs, California has now recovered 62.1 percent of the 2.7 million jobs lost in March and April 2020. Nine sectors added jobs: government (46,900), leisure and hospitality (33,100), professional and business services (14,000), other services (8,400), financial activities (3,200), manufacturing (2,900), information (2,200), construction (600), and mining and logging (100). Educational and health services (-6,300) and trade, transportation, and utilities (-800) lost jobs.

BUILDING ACTIVITY AND REAL ESTATE

■ California permitted 120,400 housing units (54,600 multi-family units and 65,800 single-family units) in July 2021 on a seasonally adjusted annualized rate (SAAR) basis. This was up 3.5 percent from 116,300 units in June 2021 but down 6.2 percent from the 128,300 units permitted in July 2020. Year-to-date through July 2021, California permitted 123,200 units on average, compared to 101,400 units in the same period in 2020 and 107,600 units in the same period in 2019.

■ The statewide median price of existing single-family homes reached a new record of \$827,940 in August 2021—the fifth record high in the past six months. This was up 2.1 percent from July 2021 and up 17.1 percent from August 2020. Sales of existing single-family

homes in California totaled 414,860 units (SAAR) in August 2021, down 13.3 percent from July 2021 and down 10.9 percent from August 2020. This was the second consecutive year-over-year decline for sales volume and the seventh month-over-month decline in the past eight months.



Shaded areas indicate U.S. recessions. Source: California Association of Realtors.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first two months of the 2021-22 fiscal year were \$3.527 billion above the 2021-22 Budget Act forecast of \$19.342 billion. Cash receipts for the month of August were \$1.986 billion above the forecast of \$10.959 billion. Preliminary General Fund agency cash receipts for the entire 2020-21 fiscal year were \$4.783 billion above the 2021-22 Budget Act forecast of \$201.775 billion, or 2.4 percent above forecast.

- Personal income tax cash receipts to the General Fund for the first two months of the fiscal year were \$2.563 billion above the forecast of \$12.602 billion. Cash receipts for August were \$1.344 billion above the forecast of \$6.459 billion. Withholding receipts were \$1.125 billion above the forecast of \$6.098 billion. Other cash receipts were \$142 million above the forecast of \$1.169 billion. Refunds issued in August were \$102 million below the expected \$693 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 \$24 million higher than the forecast of \$116 million.
- Sales and use tax cash receipts for the first two months of the fiscal year were \$670 million above the forecast of \$4.476 billion. Cash receipts for August were \$628 million above the month's forecast of \$3.24 billion. August cash receipts include a portion of the final payment for calendar year second quarter taxable sales, which was due August 2. August cash receipts also include the first prepayment for calendar year third quarter sales.
- Corporation tax cash receipts for the first two months of the fiscal year were \$329 million above the forecast of \$956 million. Cash receipts for August were \$46 million below the month's forecast of \$353 million. Estimated payments were \$36 million above the forecast of \$210 million, and other payments were \$54 million above the \$220 million forecast. Total refunds for the month were \$136 million higher than the forecast of \$77 million.
- Insurance tax cash receipts for the first two months of the fiscal year were \$17 million below the forecast of \$657 million. Insurance tax cash receipts for August were \$33 million below the forecast of \$625 million. Cash receipts from the alcoholic beverage, tobacco taxes, and pooled money interest were \$20 million above the forecast for the first two months of the fiscal year, and were \$10 million above the forecast of \$42 million for August. "Other" cash receipts were \$38 million below the forecast for the first two months of the fiscal year, and were \$82 million above the forecast of \$241 million for the month.

2021-22 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	AUGUST 2021					2021-22 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$6,459	\$7,803	\$1,344	20.8%		\$12,602	\$15,165	\$2,563	20.3%
Sales & Use	3,240	3,868	628	19.4%		4,476	5,146	670	15.0%
Corporation	353	307	-46	-13.0%		956	1,285	329	34.4%
Insurance	625	592	-33	-5.2%		657	639	-17	-2.6%
Estate	0	0	0	0.0%		0	0	0	0.0%
Pooled Money Interest	5	11	6	125.4%		11	24	13	122.3%
Alcoholic Beverages	30	36	6	20.1%		69	78	9	13.0%
Tobacco	7	5	-2	-34.6%		12	10	-2	-16.1%
Other	241	323	82	34.3%		560	522	-38	-6.8%
Total	\$10,959	\$12,945	\$1,986	18.1%	 	\$19,342	\$22,869	\$3,527	18.2%

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 2021 Budget Act.