



Finance Bulletin

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Economic Update

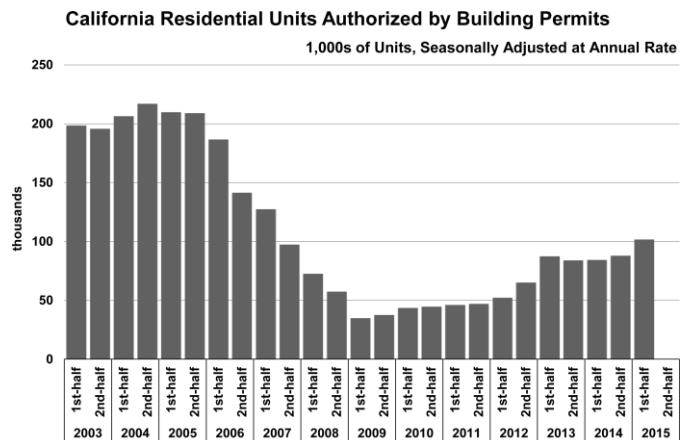
California has been adding jobs at a faster rate than the nation since March 2012 when measured by year-over-year growth in nonfarm payroll jobs. California's real estate market and construction permit activity continued to improve, consistent with stronger job growth in construction. U.S. real GDP grew by an initial estimate of 2.3 percent in the second quarter of 2015, while first quarter growth was revised up from a 0.2-percent decline to a 0.6-percent increase.

LABOR MARKET CONDITIONS

- California's unemployment rate fell by 0.1 percentage point in June, returning to 6.3 percent as in April. This followed the pattern for the U.S. as a whole, which was at 5.3 percent unemployment in June (and April). U.S. unemployment in July was unchanged at 5.3 percent. However, unlike the U.S., which saw a drop in labor force participation as the driver of decreased unemployment in June, California's drop was due to increased employment.
- California added 22,900 nonfarm payroll jobs in June. This followed a gain of 46,200 jobs in May. Job gains in June were led by professional and business services, which added 12,700 jobs—this relatively high-wage sector has added more jobs than any other sector since January. Other growth sectors were educational and health services (6,900), trade, transportation, and utility (5,100), financial activities (3,700), manufacturing (3,100), and other services (1,500). Employment losses were led by leisure and hospitality (5,800), followed by government (2,700), mining and logging (700), information (600), and construction (300).

BUILDING ACTIVITY

- California residential construction permits in June increased to a seasonally adjusted annualized rate of 106,000 units, slightly faster than the first half average of 102,000. California single-family permits rose 8.5 percent to 46,000 units while multifamily permits jumped 64.5 percent to 60,000 units on a year-over-year basis.
- The value of residential and nonresidential permits increased 24 percent and 8.6 percent, respectively, from last June.



Source: Construction Industry Research Board, California Homebuilding Foundation

REAL ESTATE

- June sales of existing single-family homes in California totaled 437,040—the highest level in two years. This was up 3.3 percent from May and up 11 percent from June 2014. The statewide median home price in June was \$489,560, up 0.8 percent from May and up 7 percent from June 2014. Available housing supply remains tight with just 3.3 months of inventory, only around half of the usual 6 months of inventory.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for July was \$66 million above the 2015-16 Budget Act forecast of \$6.616 billion.

- Personal income tax revenues to the General Fund were \$130 million above the month's forecast of \$4.287 billion. Withholding receipts were \$94 million above the forecast of \$4.018 billion. Other receipts were \$64 million higher than the forecast of \$593 million. July is not a significant month for income tax estimated or final payments. Refunds issued in July were \$27 million higher than the forecasted \$247 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 July was \$2 million higher than the forecast of \$77 million.
- Sales and use tax receipts were \$37 million below the month's forecast of \$1.923 billion. Revenues were reduced by \$53 million due to an accounting adjustment related to prior periods. July represents the final payment for second quarter taxable sales, which was due July 31.
- Corporation tax revenues were \$18 million below the month's forecast of \$292 million. Prepayments were \$25 million above the forecast of \$255 million and other payments were \$33 million higher than the \$89 million forecast. Total refunds for the month were \$76 million higher than the forecast of \$52 million.
- Revenues from insurance, estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fees were \$25 million above the \$43 million forecast. Nearly all of the gain (\$24 million) is due to lower-than-estimated insurance tax refunds. "Other" revenues were \$33 million below the month's forecast of \$70 million.

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

(Dollars in Millions)

| Revenue Source | JULY 2015 | | | | 2015-16 YEAR-TO-DATE | | | |
|-----------------------|----------------|----------------|-------------|----------------|----------------------|----------------|-------------|----------------|
| | Forecast | Actual | Change | Percent Change | Forecast | Actual | Change | Percent Change |
| Personal Income | \$4,287 | \$4,417 | \$130 | 3.0% | \$4,287 | \$4,417 | \$130 | 3.0% |
| Sales & Use | 1,923 | 1,886 | -37 | -1.9% | 1,923 | 1,886 | -37 | -1.9% |
| Corporation | 292 | 274 | -18 | -6.3% | 292 | 274 | -18 | -6.3% |
| Insurance | -1 | 23 | 24 | n/a | -1 | 23 | 24 | n/a |
| Estate | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Pooled Money Interest | 2 | 1 | -1 | -60.2% | 2 | 1 | -1 | -60.2% |
| Alcoholic Beverages | 35 | 37 | 2 | 5.1% | 35 | 37 | 2 | 5.1% |
| Tobacco | 7 | 7 | 0 | -1.8% | 7 | 7 | 0 | -1.8% |
| Vehicle License Fees | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Other | 70 | 37 | -33 | -46.8% | 70 | 37 | -33 | -46.8% |
| Total | \$6,616 | \$6,682 | \$66 | 1.0% | \$6,616 | \$6,682 | \$66 | 1.0% |

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 2015 Budget Act.