



Finance Bulletin

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Economic Update

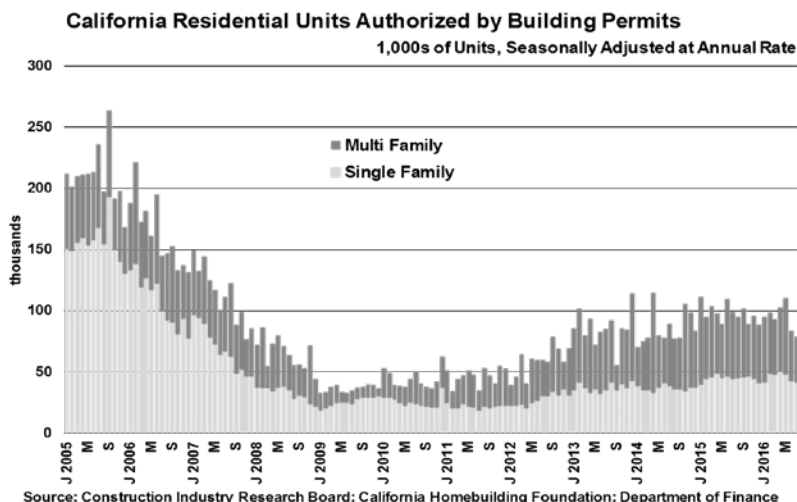
Unemployment rates in California and the U.S. have been steady or increasing since June as more workers rejoin the labor force. California's poverty rate fell to 14 percent in 2015 from 15.9 percent in 2014, while real median household income rose 2.7 percent to \$64,500 in 2015 dollars.

LABOR MARKET CONDITIONS

- California's unemployment rate increased by 0.1 percentage point to 5.5 percent in July and remained there in August. California's labor force participation rate rose to 62.2 percent in August. The nation's unemployment rate held steady at 4.9 percent in July and August, following a 0.2-percentage point increase in June.
- The state added 63,100 nonfarm jobs in August, following a gain of 18,600 in July. Nine industry sectors added jobs and two lost jobs. The two that lost jobs were manufacturing (3,400), and mining and logging (400). The largest gain was in government (up 27,900), with local government adding 27,100 of those (offsetting a decrease of 13,500 in July). Other additions came in professional and business service (14,400); trade, transportation and utilities (10,300); educational and health services (4,900); information (4,600); construction (2,000); other services (1,400); financial activities (700); and leisure and hospitality (700). Year-over-year growth of 2.3 percent continues to outpace U.S. job growth of 1.7 percent in August.

BUILDING ACTIVITY

- July's residential construction permits in California fell by 6.2 percent and 20.6 percent from the previous month and year, respectively, to a seasonally adjusted annual pace of 78,900 units. This was the second consecutive month-over-month and year-over-year drop in residential construction permits. Permits issued for single-family housing fell by 2.3 percent to 41,387 units while permits for multifamily housing dropped by 10.3 percent to 37,512 units in July. Residential construction during the first seven months of 2016 was down 6.1 percent from the same months of 2015.
- Nonresidential construction also fell in July by 1.5 percent to \$27.3 billion. For the first seven months of 2016 as a whole, nonresidential construction was up nearly 12 percent from the same months of 2015.



REAL ESTATE

- August sales of existing single-family homes in California fell 2.2 percent from August 2015 to a seasonally adjusted annualized rate of 420,360 units. Year-over-year sales have declined for the fifth consecutive month.
- The statewide median home price remained above the half-million dollar mark in July and August, at \$517,650 and \$526,580, respectively. The August median was only 11 percent lower than the pre-recession peak of \$594,530 from May 2007.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for August was \$140 million above the 2016-17 Budget Act forecast of \$7.838 billion. Revenues for the first two months of the fiscal year are \$188 million below the forecasted \$14.394 billion.

- Personal income tax revenues to the General Fund were \$374 million above the month's forecast of \$4.424 billion. Withholding receipts were \$370 million above the forecast of \$4.197 billion. Other receipts were \$71 million higher than the forecast of \$560 million. Refunds issued in August were \$60 million higher than the forecasted \$254 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 \$7 million higher than the forecast of \$79 million. Revenues for the first two months of the fiscal year are \$92 million above forecast.
- Sales and use tax receipts were \$174 million below the month's forecast of \$2.683 billion. August cash includes a portion of the final payment for the second quarter sales, which was due August 1. August receipts also include the first prepayment for third quarter sales. The sales tax cash is \$152 million below forecast for the first two months of the fiscal year.
- Corporation tax revenues were \$54 million below the month's forecast of \$123 million. Prepayments were \$62 million above the forecast of \$91 million and other payments were \$30 million higher than the \$109 million forecast. Total refunds for the month were \$146 million higher than the forecast of \$77 million. Revenues for the first two months of the fiscal year are \$106 million below forecast.
- Revenues from insurance, estate, alcoholic beverage, tobacco taxes, and pooled money interest were \$25 million below the \$498 million forecast. "Other" revenues were \$19 million above the month's forecast of \$110 million.

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

(Dollars in Millions)

Revenue Source	AUGUST 2016					2016-17 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$4,424	\$4,798	\$374	8.5%		\$9,089	\$9,181	\$92	1.0%
Sales & Use	2,683	2,509	-174	-6.5%		4,177	4,026	-152	-3.6%
Corporation	123	69	-54	-43.8%		399	293	-106	-26.6%
Insurance	457	435	-22	-4.9%		475	450	-25	-5.2%
Estate	0	0	0	n/a		0	0	0	n/a
Pooled Money Interest	4	3	-1	-18.3%		6	6	0	-1.3%
Alcoholic Beverages	30	28	-2	-6.4%		66	66	0	-0.1%
Tobacco	7	7	0	-1.2%		14	14	0	0.4%
Other	110	129	19	17.0%		167	170	3	1.5%
Total	\$7,838	\$7,978	\$140	1.8%		\$14,394	\$14,205	-\$188	-1.3%

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.