



Finance Bulletin

Joe Stephenshaw, Director

Economic Update

The U.S. unemployment rate increased to 3.7 percent in August 2022 from 3.5 percent in July (which had matched the record-low 3.5 percent from February 2020 right before the COVID-19 Pandemic). U.S. civilian unemployment and civilian employment both increased by 344,000 and 442,000 persons, respectively, in August. The U.S. labor force increased by 786,000 participants in August, bringing the labor force participation rate up 0.3 percentage point to 62.4 percent. Labor force participation was still 1 percentage point below the February 2020 rate, as there were 134,000 (0.1 percent) fewer employed but around 163,000 (0.1 percent) more persons in the labor force in August 2022 than in February 2020.

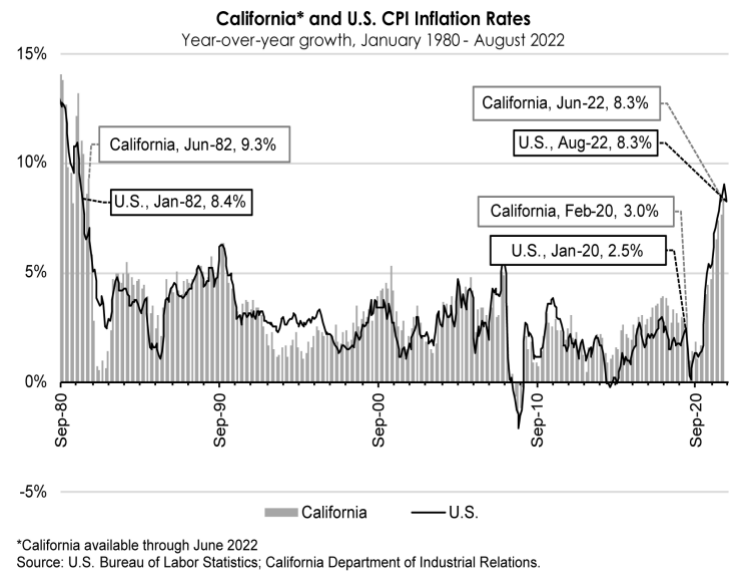
The U.S. added 315,000 nonfarm jobs in August 2022, slowing from an average monthly gain of around 456,000 in the first seven months of 2022. All major sectors added jobs: educational and health services (68,000); professional and business services (68,000); trade, transportation, and utilities (65,000); leisure and hospitality (31,000); manufacturing (22,000); financial activities (17,000); construction (16,000); government (7,000); other services (7,000); information (7,000); and mining and logging (7,000). As of July 2022, the U.S. had recovered the 22 million jobs lost in March and April of 2020 at the height of the COVID-19 Pandemic.

U.S. INFLATION AND INTERNATIONAL TRADE

■ U.S. headline inflation decelerated to 8.3 percent year-over-year in August 2022 from 8.5 percent in July. Core inflation—which excludes food and energy—accelerated to 6.3 percent year-over-year after remaining at 5.9 percent in June and July. Transportation inflation, which includes gasoline, decelerated to 13.4 percent in August from 16.4 percent in July, while shelter inflation increased to 6.2 percent from 5.7 percent in July. Year-to-date, U.S. headline inflation averaged 8.3 percent, up from 3.9 percent for the same period last year. U.S. core inflation averaged 6.2 percent year-to-date, up from 3 percent in the same period in 2021.

■ California export trade totaled \$15.3 billion for July 2022, down 5.7 percent from June 2022 but up 2.9 percent from July 2021. The state's import trade totaled \$43.6 billion for July 2022, down 4.9 percent from June 2022 but up 9.6 percent from July 2021.

■ U.S. export trade totaled \$175.6 billion in July 2022, down 3.8 percent from June 2022 but up 22.2 percent from July 2021. The nation's import trade totaled \$271.1 billion in July 2022, down 5.2 percent from June 2022 but up 14.2 percent from a year ago.



BUILDING ACTIVITY

■ Through July 2022, the latest available data, California permitted 119,000 units on a seasonally adjusted annualized rate (SAAR) basis, down 3.1 percent from June 2022 and 0.9 percent from one year ago. July 2022 permits consisted of 66,000 single-family units (down 2.7 percent from June, and down 2.1 percent year over year) and 53,000 multi-family units (down 3.6 percent from June but up 0.6 percent year over year).

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for August were \$816 million, or 6 percent, below the 2022-23 Budget Act forecast of \$13.606 billion. Cash receipts for the first two months of the 2022-23 fiscal year were \$2.007 billion, or 8.4 percent, below the forecast of \$24.04 billion. Preliminary General Fund agency cash receipts for the 2021-22 fiscal year were \$2.186 billion below the forecast of \$233.987 billion, mostly due to a large shortfall in personal income tax receipts in June. Therefore, for the prior fiscal year and the current fiscal year-to-date combined, preliminary General Fund agency cash receipts were \$4.193 billion below forecast. Shortfalls in August continued to be largely driven by lower proceeds from personal income tax, however, the month also saw lower proceeds from sales and corporation taxes.

- Personal income tax cash receipts to the General Fund for August were \$615 million below the month's forecast of \$8.054 billion. August is not a significant month for personal income tax cash receipts, except for withholding, which is significant every month. Notably, withholding receipts fell \$700 million short of projections in August, or 9.1 percent. This was the third consecutive month that withholding receipts fell below forecast and followed a \$731-million, or 10.1-percent, shortfall in July and a \$437-million, or 5.8-percent, shortfall in June.
- Corporation tax cash receipts for August were \$81 million, or 19 percent, below the forecast of \$426 million. August is also not a significant month for corporation tax cash receipts. A small amount of unanticipated Pass-Through Entity (PTE) elective payments partially offset lower receipts and higher-than-expected refunds.
- Sales and use tax cash receipts for August were \$192 million, or 4.5 percent, below the month's forecast of \$4.303 billion. This was the third consecutive month that sales and use tax receipts were down relative to the forecast. August receipts included the majority of the final payments for second quarter taxable sales, which were due on August 1, as well as the first prepayment for third quarter sales.

2022-23 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	AUGUST 2022				2022-23 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$8,054	\$7,439	-\$615	-7.6%	\$15,912	\$14,240	-\$1,672	-10.5%
Withholding	7,729	7,028	-700	-9.1%	14,971	13,539	-1,432	-9.6%
Estimated Payments	378	338	-40	-10.6%	1,023	673	-350	-34.2%
Final Payments	201	298	97	48.3%	415	594	180	43.3%
Other Payments	477	536	60	12.5%	912	992	80	8.8%
Refunds	-549	-607	-59	10.7%	-1,050	-1,262	-212	20.2%
MHSF Transfer	-145	-133	12	-8.1%	-286	-255	31	-10.9%
Corporation	\$426	\$345	-\$81	-19.0%	\$1,233	\$1,165	-\$68	-5.5%
Estimated Payments	271	231	-39	-14.5%	795	711	-84	-10.5%
PTE Payments	0	76	76	n/a	0	157	157	n/a
Other Payments	258	221	-38	-14.6%	652	577	-75	-11.5%
Refunds	-103	-183	-80	77.2%	-214	-281	-67	31.1%
Sales & Use	\$4,303	\$4,111	-\$192	-4.5%	\$5,736	\$5,458	-\$278	-4.9%
Insurance	\$646	\$656	\$10	1.5%	\$690	\$695	\$6	0.8%
Pooled Money Interest	\$30	\$72	\$43	143.3%	\$55	\$113	\$58	105.1%
Alcohol	\$33	\$33	-\$1	-1.8%	\$77	\$76	-\$2	-2.1%
Tobacco	\$4	\$4	\$0	-3.8%	\$9	\$9	\$0	4.9%
Other	\$110	\$131	\$20	18.2%	\$328	\$277	-\$51	-15.6%
Total	\$13,606	\$12,791	-\$816	-6.0%	\$24,040	\$22,032	-\$2,007	-8.4%

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. The personal income total includes Individual Shared Responsibility Penalty transfers. The forecast is from the 2022 Budget Act.