



Finance Bulletin

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Economic Update

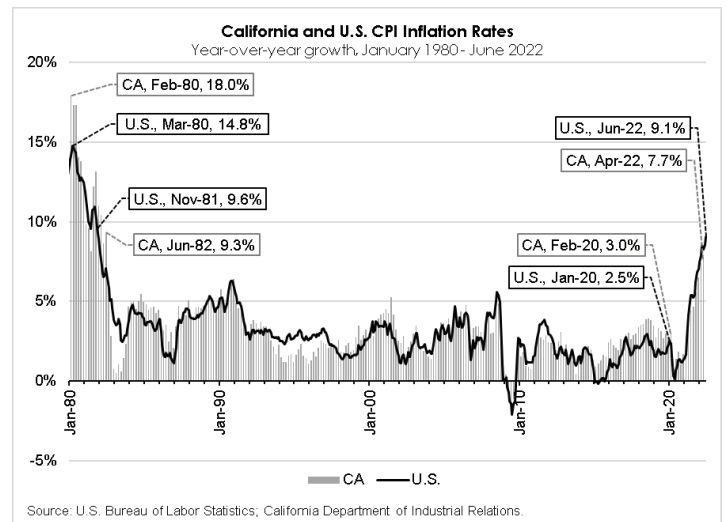
The U.S. unemployment rate remained unchanged at 3.6 percent in June 2022, 0.1 percentage point higher than the February 2020 pre-pandemic low of 3.5 percent. U.S. civilian unemployment and civilian employment decreased by 38,000 and 315,000, respectively. The labor force also shrank, losing a net 353,000 persons in June, and the labor force participation rate inched down 0.1 percentage point to 62.2 percent. There were 755,000 (0.5 percent) fewer employed and about 560,000 (0.3 percent) fewer persons in the labor force in June 2022 than in February 2020. The U.S. added 372,000 nonfarm jobs, with ten of the eleven major sectors adding jobs: education and health services (96,000), professional and business services (74,000), trade, transportation, and utilities (68,000), leisure and hospitality (67,000), manufacturing (29,000), information (25,000), construction (13,000), mining and logging (6,000), other services (2,000), and financial activities (1,000). Government lost 9,000 jobs. As of June 2022, the U.S. has recovered 97.6 percent of the 22 million jobs lost in March and April 2020. The June 2022 California labor market report will be released on July 22, 2022.

INFLATION AND CALIFORNIA GDP

■ U.S. year-over-year headline inflation hit a 40-year high of 9.1 percent in June 2022, its fastest pace since November 1981, driven by accelerations in gasoline, shelter, and food inflation. Core inflation—which excludes the more volatile categories of food and energy—was 5.9 percent year over year in June 2022, down from May 2022 but higher than a year ago, as increases in home prices and rents over the past year drove acceleration in the shelter component. California headline inflation was 7.7 percent year over year as of April 2022.

■ California real GDP contracted by 1 percent in the first quarter of 2022 on a seasonally adjusted annualized rate (SAAR) basis, following 9.5-percent growth in the fourth quarter of 2021 and annual growth of 7.8 percent in 2021. California's real GDP is still 5.9 percent above its pre-pandemic (fourth quarter of 2019) level as of the first quarter of 2022, compared to 2.7 percent for the U.S.

■ California remained the fifth largest economy in the world in 2021 behind Germany and ahead of the United Kingdom, with a GDP of \$3.4 trillion in current dollar terms. In real terms, California's GDP grew by 7.8 percent in 2021 compared to an increase of 5.7 percent for the nation.



BUILDING ACTIVITY & REAL ESTATE

■ Year-to-date, California permitted 123,000 units on a SAAR basis in May, down 1 percent from April, but up 0.2 percent from May 2021. May permits consisted of 72,000 single-family units (down 1.4 percent from April, but up 1.4 percent year-over-year) and 51,000 multi-family units (down 0.5 percent from April 2022 and down 1.4 percent year-over-year).

■ After three consecutive record-breaking months, the statewide median price of existing single-family homes fell to \$863,790 in June 2022, down 4 percent from May 2022 (the latest and revised record high of \$900,170) but up 5.4 percent from June 2021. Sales of existing single-family homes in California totaled 344,970 units (SAAR) in June 2022, down 8.4 percent from May 2022, and down 20.9 percent from June 2021. Year-to-date through the first half of 2022, sales volume averaged 406,120 units (SAAR), which was 10.9 percent lower than in the same period in 2021.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the entire 2021-22 fiscal year were \$2.183 billion below the 2022 Budget Act forecast of \$233.987 billion. Cash receipts for the month of June were \$2.396 billion below the forecast of \$32.28 billion. These shortfalls were largely due to lower proceeds from personal income tax.

- Personal income tax cash receipts to the General Fund for the entire 2021-22 fiscal year were \$4.468 billion below the forecast of \$148.428 billion. Cash receipts for June were \$3.345 billion below the forecast of \$16.939 billion. Withholding receipts for June were \$437 million below the forecast of \$7.432 billion. Other cash receipts were \$2.759 billion below the forecast of \$10.384 billion. Refunds issued in June were \$210 million above the forecast of \$572 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 June was \$61 million lower than the forecast of \$305 million.
- Sales and use tax cash receipts for the entire 2021-22 fiscal year were \$376 million above the forecast of \$33.44 billion. Cash receipts for June were \$99 million below the forecast of \$3.563 billion. June cash receipts included the second prepayment for second quarter taxable sales.
- Corporation tax cash receipts for the entire 2021-22 fiscal year were \$446 million above the forecast of \$45.612 billion. Pass-Through Entity (PTE) elective payments ended the fiscal year \$371 million below the forecast of \$21.693 billion. Cash receipts for June were \$146 million below the month's forecast of \$10.771 billion. PTE elective tax payments were \$745 million below the forecast of \$6.837 billion. Estimated payments were \$672 million above the forecast of \$3.769 billion. Other payments were \$32 million below the forecast of \$266 million. Total refunds for June were \$42 million higher than the forecast of \$100 million.
- Insurance tax cash receipts for the entire 2021-22 fiscal year were \$27 million above the forecast of \$3.468 billion. Insurance tax cash receipts for June were \$1 million below the forecast of \$189 million. Cash receipts from the alcoholic beverage tax, tobacco tax, and pooled money interest were \$5 million below the forecast of \$666 million for the entire fiscal year, and were \$11 million below the forecast of \$80 million for June. "Other" cash receipts for the entire fiscal year were \$1.441 billion above the forecast and were \$1.206 billion above the forecast of \$738 million for June. The overage was mostly due to the receipt of \$1.285 billion in deposits from the Federal Emergency Management Agency in May and June.

2021-22 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	JUNE 2022				FISCAL YEAR 2021-22			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$16,939	\$13,595	-\$3,345	-19.7%	\$148,428	\$143,959	-\$4,468	-3.0%
Sales & Use	3,563	3,464	-99	-2.8%	33,440	33,816	376	1.1%
Corporation	10,771	10,625	-146	-1.4%	45,612	46,058	446	1.0%
Insurance	189	188	-1	-0.8%	3,468	3,495	27	0.8%
Pooled Money Interest	39	28	-11	-27.3%	181	173	-8	-4.4%
Alcoholic Beverages	37	36	-1	-2.7%	430	432	2	0.5%
Tobacco	4	5	1	15.2%	54	55	1	1.7%
Other	738	1,944	1,206	163.5%	2,374	3,814	1,441	60.7%
Total	\$32,280	\$29,884	-\$2,396	-7.4%	\$233,987	\$231,803	-\$2,183	-0.9%

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 2022 Budget Act.