



Finance Bulletin

Keely Bosler, Director

Economic Update

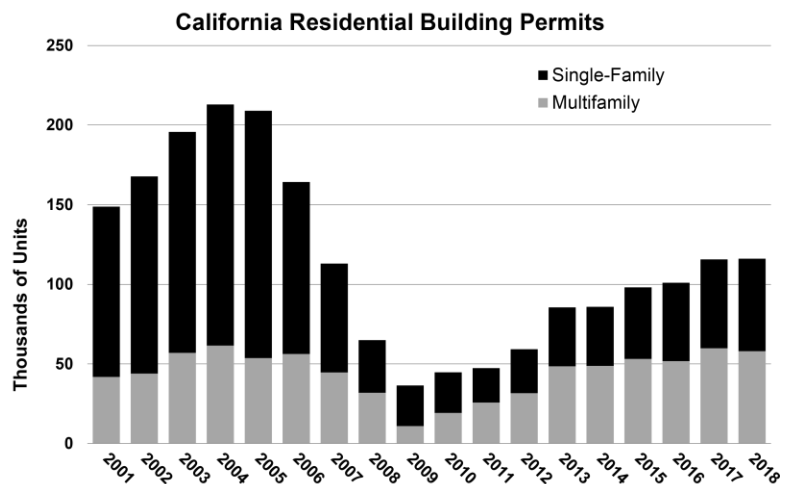
Consumer inflation for the U.S. and California rose 2.4 percent and 3.7 percent, respectively, in 2018 following 2.1 percent and 2.9 percent increases, respectively, in 2017. For California, housing inflation was 4.1 percent in 2018.

LABOR MARKET CONDITIONS

- California's unemployment rate increased 0.1 percentage point to 4.2 percent in December after remaining at a historic low of 4.1 percent in September through November. The U.S. unemployment rate rose 0.2 percentage point to 3.9 percent in December before increasing 0.1 percentage point to 4.0 percent in January. The labor force participation rate in both California and the U.S. increased by 0.2 percentage point in December 2018 to 62.5 percent and 63.1 percent, respectively—their highest levels since September 2013.
- California added 24,500 nonfarm jobs in December following a gain of 25,700 jobs in November. Monthly job gains averaged 23,700 in 2018 and 30,500 in 2017. Year-over-year, nonfarm payrolls expanded by 1.7 percent in California compared to 1.8 percent in the nation. Among the eleven major industry sectors in California, nine added jobs and two lost jobs in December. Leisure and hospitality added the most with 9,500 jobs; educational and health services added 7,900; government, 1,900; professional and business services, 1,800; financial activities, 1,500; manufacturing, 1,400; information, 1,000; trade, transportation, and utilities, 900; and mining and logging, 200. Construction lost 1,300 jobs, and other services lost 300.

BUILDING ACTIVITY

- California's residential building permits totaled 96,000 units on a seasonally adjusted annualized basis in December, up 0.6 percent from the prior month, but down 22.9 percent from the previous year. Permits for single-family housing fell 26.9 percent from November to 40,000 units, while permits for multifamily housing increased 37.4 percent to 56,000 units. Total residential permits for 2018 averaged 114,000, only 500 units above the 2017 annual average, an increase of 0.4 percent. Nonresidential building valuation decreased 26.4 percent from November to an annualized valuation of \$25 billion. This brings the 2018 annual nonresidential valuation to \$32 billion, up 11.0 percent from 2017.



REAL ESTATE

- Statewide sales of existing, single-family homes in December totaled 372,260, on a seasonally adjusted annualized rate, down 2.4 percent from November and down 11.6 percent from December 2017. For 2018 as a whole, California home sales were down 4.8 percent from 2017, its first home sales drop in four years. The 30-year fixed mortgage rate averaged 4.64 percent in December, down from 4.87 percent in November, but up from 3.95 percent in December 2017.
- California's median home price was \$557,600 in December, a year-over-year gain of 1.5 percent. For 2018 as a whole, the statewide median home price was \$570,010, up 6.0 percent from 2017.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for the first seven months of the fiscal year is \$2.346 billion below the 2019-20 Governor's Budget forecast of \$79.36 billion. Revenues for January were \$2.791 billion below the 2019-20 Governor's Budget forecast, due primarily to a shortfall in personal income tax estimated payments. Since the federal tax law changes enacted in December 2017, the pattern of state estimated payments has likely changed, with higher revenues in April expected to partially offset lower revenues in December and January.

- Personal income tax revenues for the first seven months of the year are \$2.657 billion below forecast. Personal income tax revenues to the General Fund were \$2.661 billion below the month's forecast of \$18.701 billion. Withholding receipts were \$563 million below the estimate of \$7.372 billion. Other receipts were \$2.216 billion below the forecast of \$12.211 billion. Refunds issued in January were \$70 million below the expected \$546 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 January was \$48 million below the forecast of \$335 million.
- Sales and use tax revenues for the first seven months of the fiscal year are \$183 million below forecast. Revenues for January were \$271 million below the month's forecast of \$2.486 billion. At least a portion of this shortfall is due to the delayed recognition of some sales tax receipts. January receipts include the final payment for fourth quarter sales, which was due on January 31.
- Corporation tax revenues for the first seven months of the fiscal year are \$434 million above forecast. Revenues for January were \$60 million above the month's forecast of \$531 million. Estimated payments were \$27 million above the forecast of \$379 million, and other payments were \$23 million higher than the \$235 million forecast. Total refunds for the month were \$10 million lower than the forecast of \$82 million.
- Insurance tax revenues for the first seven months of the fiscal year are \$8 million above forecast. Insurance tax revenues for the month of January were \$1 million below the month's forecast of \$19 million. Revenues from the alcoholic beverage, tobacco taxes, and pooled money interest are \$9 million below forecast for the first seven months of the fiscal year, and were \$16 million above forecast for the month of January. "Other" revenues are \$60 million above forecast for the first seven months of the fiscal year, and were \$65 million above forecast for the month of January.

2018-19 Comparison of Actual and Forecast Agency General Fund Revenues

JANUARY 2019					2018-19 YEAR-TO-DATE				
					(Dollars in Millions)				
Revenue Source	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$18,701	\$16,041	-\$2,661	-14.2%		\$57,334	\$54,677	-\$2,657	-4.6%
Sales & Use	2,486	2,215	-271	-10.9%		15,493	15,310	-183	-1.2%
Corporation	531	591	60	11.2%		4,353	4,787	434	10.0%
Insurance	19	18	-1	-1.4%		1,285	1,294	8	0.6%
Estate	0	0	0	0.0%		0	0	0	45.2%
Pooled Money Interest	44	62	18	40.5%		290	293	3	1.0%
Alcoholic Beverages	41	38	-3	-6.2%		236	223	-13	-5.4%
Tobacco	4	5	0	8.2%		38	39	1	1.9%
Other	84	149	65	76.9%		329	390	60	18.4%
Total	\$21,911	\$19,119	-\$2,791	-12.7%		\$79,360	\$77,014	-\$2,346	-3.0%

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 2019-20 Governor's Budget.