



Finance Bulletin

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Economic Update

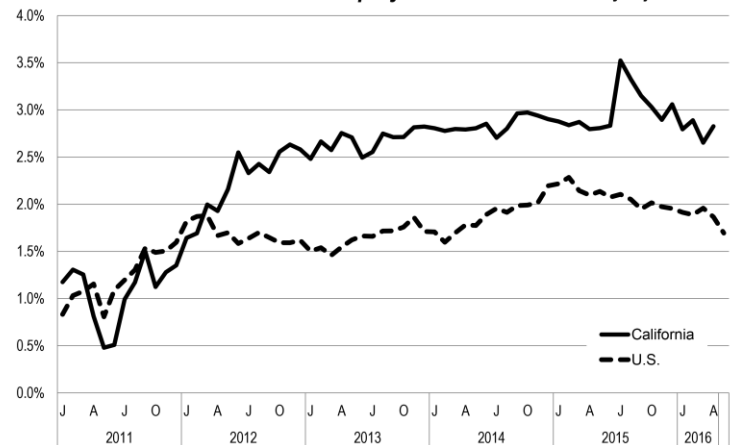
California became the 6th largest economy in the world in 2015, with \$2.46 trillion in gross state product. In real terms, state growth was 4.1 percent for the year. U.S. real GDP grew by an annual rate of 0.8 percent in the first quarter of 2016, well below the 2.4 percent growth rate of 2015.

LABOR MARKET CONDITIONS

- California's unemployment rate dropped by 0.1 percentage point to 5.3 percent in April, with a constant labor force participation rate of 62 percent. The nation's unemployment rate remained at 5 percent in April before falling by 0.3 percentage point to 4.7 percent in May, mainly due to a decrease of almost half a million people in the labor force. This caused the labor force participation rate to fall from 62.8 percent to 62.6 percent.
- California continued to outpace the U.S. on job growth through April. Following a small gain of 5,200 in March, 59,600 nonfarm jobs were added in April. California's year-over-year job growth was 2.8 percent in April, higher than the 1.9 percent in the U.S.
- Although the U.S. added just 38,000 jobs in May, its year-over-year nonfarm job growth was 1.7 percent in May, only slightly lower than the average of 1.9 percent from the previous four months.
- While information lost 1,800 jobs, all other sectors in California gained jobs in April. Professional and business services gained 17,900; construction, 12,000; leisure and hospitality, 6,800; financial activities, 6,700; educational and health services, 6,400; trade, transportation and utilities, 5,800; other services, 2,400; government, 1,800; manufacturing, 1,300; and mining and logging, 300.

Year-Over-Year Percent Change
California and U.S. Nonfarm Employment

Seasonally Adjusted Data



Source: CA Employment Development Department, LMID

BUILDING ACTIVITY

- Residential permits increased by 24.8 percent from March to a seasonally adjusted annual rate of 108,000 permits in April. Total permits were split equally between single-family and multifamily units. The value of nonresidential construction fell by 5.6 percent in April but was up by almost 24 percent from a year earlier.

REAL ESTATE

- The statewide median price of single-family homes sold in April reached \$509,100, 5.3 percent higher than March and 5.1 percent higher than the previous April. This is the first time since October 2007 the median price was above the \$500,000 level.
- Sales of existing homes totaled 406,800 units at a seasonally adjusted annualized rate in April. This represents a decline of 2.6 percent from March and 5.4 percent from the year before, but is comparable to the 2015 average of 407,600.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for May was \$7 million above the 2016-17 May Revision forecast of \$7.037 billion. Year-to-date revenues, which include revisions to prior months, are \$78 million above the forecast of \$103.08 billion.

- Personal income tax revenues to the General Fund were \$287 million above the month's forecast of \$3.751 billion. Withholding receipts were \$101 million above the forecast of \$4.053 billion. Other receipts were \$91 million higher than the forecast of \$637 million. Refunds issued in May were \$100 million below the forecast of \$872 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 May was \$5 million higher than the forecast of \$67 million. Year-to-date General Fund income tax revenues are \$378 million above forecast.
- Sales and use tax receipts were \$58 million above the month's forecast of \$2.619 billion. May cash includes the remaining portion of the final payment for first quarter taxable sales, which was due April 30, as well as the first prepayment for second quarter sales and use tax liabilities. Year-to-date, sales tax revenues are \$19 million above forecast.
- Corporation tax revenues were \$440 million below the month's forecast of \$198 million. Prepayments were \$10 million above the forecast of \$198 million and other payments were \$23 million higher than the \$105 million forecast. Total refunds for the month were \$473 million higher than the forecast of \$106 million. Refunds expected to be paid in June were instead paid at the end of May. June refunds are expected to be lower than reflected on the May Revision cash flow by a similar amount.
- Insurance tax revenues were \$84 million above the \$343 million forecasted for May. Year-to-date revenues are \$84 million above the forecasted \$2.444 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee were \$3 million above the \$37 million forecast. "Other" revenues were \$15 million above the month's forecast of \$86 million.

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

(Dollars in Millions)

Revenue Source	MAY 2016				2015-16 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$3,751	\$4,039	\$287	7.7%	\$68,707	\$69,085	\$378	0.6%
Sales & Use	2,619	\$2,677	58	2.2%	22,814	22,833	19	0.1%
Corporation	198	-241	-440	-221.9%	7,648	7,227	-422	-5.5%
Insurance	343	427	84	24.5%	2,360	2,444	84	3.6%
Estate	0	1	1	n/a	2	2	1	49.4%
Pooled Money Interest	1	4	3	212.7%	26	28	3	9.7%
Alcoholic Beverages	31	30	-1	-4.3%	339	339	0	0.1%
Tobacco	7	7	0	-1.8%	80	79	0	-0.2%
Vehicle License Fees	0	0	0	n/a	0	0	0	4.5%
Other	86	102	15	17.7%	1,105	1,120	15	1.4%
Total	\$7,037	\$7,044	\$7	0.1%	\$103,080	\$103,158	\$78	0.1%

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 May Revision.