



Finance Bulletin

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Economic Update

U.S. real GDP grew at a 2.6-percent annual rate in the fourth quarter of 2018, following a 3.4-percent growth rate in the third quarter. Consumer prices overall in February, on a year-over-year basis, rose 2.5 percent in the Los Angeles metro area and 3.5 percent in the San Francisco Bay Area compared to 1.5 percent in the nation.

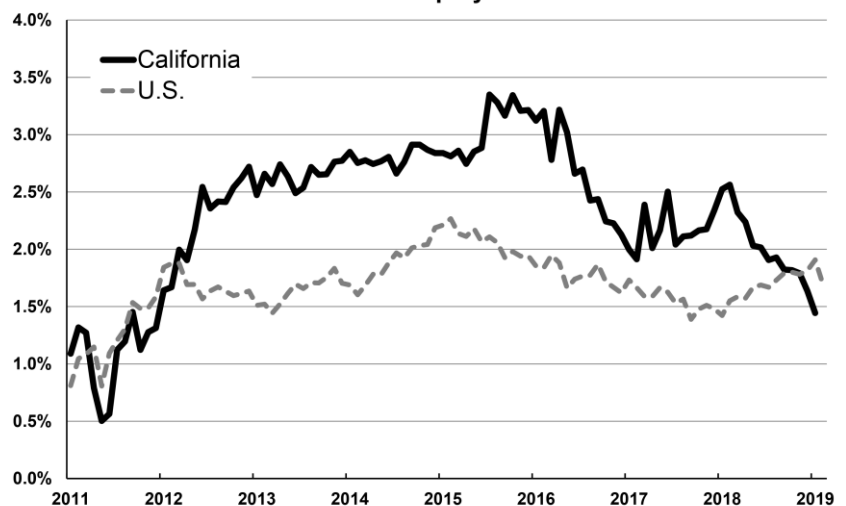
■ California's seasonally adjusted unemployment rate increased 0.1 percentage point to 4.2 percent in January after holding steady at a historic low of 4.1 percent over the prior six months. The U.S. unemployment rate also rose by 0.1 percentage point to 4.0 percent in January but fell to 3.8 percent in February. California's labor force participation rate increased by 0.1 percentage point to 62.7 percent in January—the highest rate since September 2013. The U.S. labor force participation rate rose by 0.1 percentage point to 63.2 percent in January and was unchanged in February.

■ The state added 3,000 nonfarm jobs in January, well below the monthly average job-gain of 29,000 since the current employment expansion began. On a year-over-year basis, California nonfarm payrolls expanded by 1.4 percent in January, the smallest year-over-year job gain since December 2011. In comparison, U.S. nonfarm payrolls increased by 1.9 percent in January, then slowing to 1.7 percent in February.

Seven of the eleven major industry sectors in California added jobs in January and four lost jobs. The largest job gain was in professional and business services (4,200), followed by educational and health services (2,600), government (2,400), information (1,400), leisure and hospitality (1,400), manufacturing (800), and mining and logging (200). The largest job loss was in trade, transportation, and utilities (7,200), followed by other services (1,300), construction (900), and financial activities (600).

■ Benchmark revision revealed that the state's labor force growth was stronger in 2018 at 1.0 percent (previously estimated 0.7 percent) and weaker in 2017 at 0.8 percent (previously estimated 1.1 percent).

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



Source: U.S. Bureau of Labor Statistics; California Employment Development Department, LMID

BUILDING ACTIVITY

■ California housing units authorized by building permits totaled 165,000 in January on a seasonally adjusted annualized rate. This is up 72.2 percent from December 2018 and up 20.1 percent from January 2018. In the previous four months, from September to December 2018, housing permits averaged only 97,000 per month. January permits were divided into 56,400 single-family housing (up 41.4 percent from December 2018 but down 7.4 percent from January 2018) and 108,300 multifamily housing (up 94.2 percent from December 2018 and up 42.2 percent from January 2018). Nonresidential building valuation posted an annualized valuation of \$30 billion in January, up 20.1 percent from December 2018 but down 6.3 percent from January 2018.

REAL ESTATE

■ Sales of existing single-family homes in California fell from the previous month and year by 3.9 percent and 12.6 percent, respectively, to a seasonally adjusted annualized rate of 357,730 units in January 2019, the lowest level of sales since April 2008. January's statewide median home price was \$538,690, down 3.4 percent from December and up 2.1 percent from January 2018.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for the first eight months of the fiscal year is \$2.218 billion below the 2019-20 Governor's Budget forecast of \$85.150 billion. Revenues for the month of February were \$128 million above the month's forecast of \$5.791 billion.

- Personal income tax revenues for the first eight months of the fiscal year are \$2.795 billion below forecast. Personal income tax revenues to the General Fund were \$137 million below the month's forecast of \$3.051 billion. Withholding receipts were \$113 million above the forecast of \$5.395 billion. Other receipts were \$63 million higher than the forecast of \$533 million. Refunds issued in February were \$316 million higher than the forecast of \$2.821 billion. 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 February was \$2 million below the forecast of \$55 million.
- Sales and use tax revenues for the first eight months of the fiscal year are \$31 million below forecast. Revenues for February were \$152 million above the month's forecast of \$2.454 billion. February cash includes a portion of the final payment for fourth quarter 2018 sales, as well as the first prepayment for the first quarter 2019 sales.
- Corporation tax revenues for the first eight months of the fiscal year are \$537 million above forecast. Revenues for February were \$102 million above the month's forecast of \$162 million. Estimated payments were \$22 million above the forecast of \$126 million, and other payments were \$33 million higher than the \$152 million forecast. Total refunds for the month were \$47 million lower than the forecast of \$117 million.
- Insurance tax revenues for the first eight months of the fiscal year are \$9 million above forecast. Revenues for February were at the forecast of \$30 million for the month. Revenues from alcoholic beverage, tobacco, and pooled money interest taxes for the first eight months were \$12 million below forecast, and \$3 million below forecast for the month of February. "Other" revenues were \$74 million above forecast for the first eight months of the fiscal year, and up \$13 million for the month of February.

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

(Dollars in Millions)									
Revenue Source	FEBRUARY 2019					2018-19 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$3,051	\$2,914	-\$137	-4.5%		\$60,386	\$57,591	-\$2,795	-4.6%
Sales & Use	2,454	2,606	152	6.2%		17,946	17,916	-31	-0.2%
Corporation	162	264	102	63.3%		4,514	5,051	537	11.9%
Insurance	30	30	0	1.7%		1,315	1,324	9	0.6%
Estate	0	0	0	2.30%		0	0	0	56.8%
Pooled Money Interest	23	23	0	-1.8%		314	316	2	0.8%
Alcoholic Beverages	24	22	-2	-8.7%		260	245	-15	-5.7%
Tobacco	5	5	0	-1.2%		43	44	1	1.5%
Other	42	55	13	31.1%		372	445	74	19.8%
Total	\$5,791	\$5,919	\$128	2.2%		\$85,150	\$82,932	-\$2,218	-2.6%

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.