



Finance Bulletin

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Economic Update

U.S. real GDP grew at a 3.8-percent seasonally adjusted annualized rate (SAAR) in the second quarter of 2025, following a 0.6-percent contraction in the first quarter. Net exports (4.8 percentage points), personal consumption (1.7 percentage points), and fixed investment (0.8 percentage point) positively contributed to headline GDP growth while change in private inventories (-3.4 percentage points) was the largest drag.

California real GDP grew by 4.3 percent in the second quarter of 2025 on a SAAR basis after experiencing no change in the first quarter of 2025. The information sector's GDP grew by 15.9 percent (SAAR) in the second quarter, accounting for 2.5 percentage points of total GDP growth, while all other sectors cumulatively contributed 1.8 percentage points.

In California, the information sector's GDP increased 34.1 percent cumulatively since the fourth quarter of 2022, compared to a cumulative growth of just 4 percent for all other sectors combined. The information sector has accounted for 54.8 percent of the state's GDP growth over this period despite accounting for just 2.9 percent of the state's payroll employment as of August 2025. In contrast, the U.S. information sector increased 20.5 percent cumulatively since the fourth quarter of 2022, accounting for 21 percent of total U.S. GDP growth over that period and 1.8 percent of U.S. payroll employment as of August 2025.

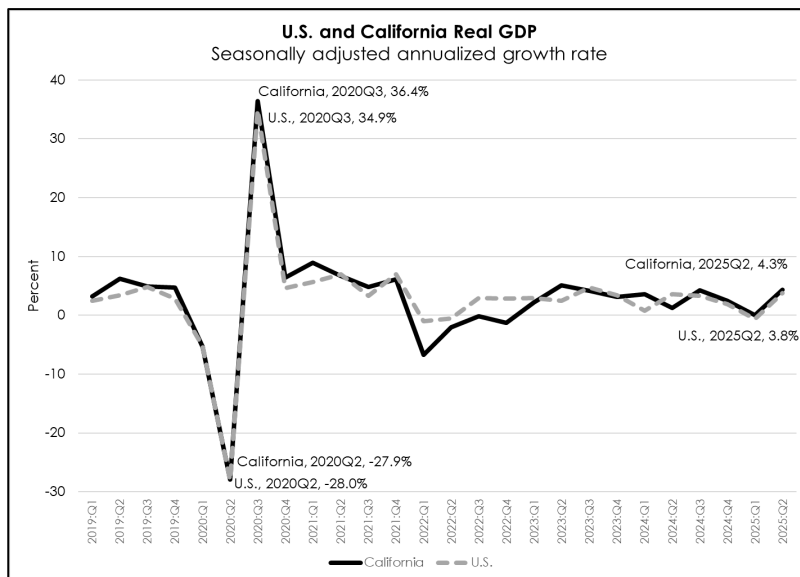
Due to the ongoing federal government shutdown that has impacted several federal statistical agencies, no new labor market data is yet available for September 2025. The U.S. consumer price inflation report for September 2025 was delayed and is scheduled to be released on October 24, 2025.

CALIFORNIA PERSONAL INCOME

- California personal income increased 4.9 percent (SAAR) in the second quarter of 2025, compared to 5.5 percent (SAAR) for the nation. The main contributors to California personal income growth in the second quarter of 2025 were wages and salaries (2.6 percentage points), transfer payments (1.5 percentage points), and supplements to wages (0.5 percentage point). Wages and salaries increased 5.6 percent year-over-year, while transfer payments increased 10.7 percent. California's share of U.S. personal income was 13.7 percent in the second quarter of 2025, generally in line with the 2019 pre-pandemic average share of 13.8 percent.
- In the first half of 2025, California personal income increased 5.6 percent year-over-year, decelerating from an annual growth of 6.8 percent in 2024 as all major personal income components experienced slower growth. Similarly, U.S. personal income growth also decelerated in the first half of 2025, slowing to 5.1 percent after an annual growth of 5.6 percent in 2024 and due to slower growth in wages and salaries, supplements to wages, and dividends, interest, and rent income.

BUILDING ACTIVITY

- Year-to-date through August, California permitted 98,200 housing units (SAAR), up 0.8 percent from July 2025 but down 5.5 percent from a year ago in August 2024. August year-to-date permits consisted of 56,400 single-family units (down 2.3 percent from July and down 7.5 percent year-over-year), and 41,700 multi-family units (up 5.3 percent from July but down 2.6 percent year-over-year).
- The statewide median sale price of existing single-family homes decreased to \$883,640 in September 2025, down 1.7 percent from \$899,130 in August 2025 but up 1.8 percent from \$868,150 in September 2024. Sales volume of existing single-family homes in California was 277,059 (SAAR) in September 2025, up 5.0 percent from 263,866 (SAAR) in August 2025 and up 4.1 percent from 260,367 (SAAR) in September 2024.



MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts were \$2.1 billion, or 11.9 percent, above the Budget Act forecast in September. This overage was driven by personal income tax receipts, which were \$2.3 billion above forecast due almost entirely to higher estimated payments and withholding, and partially offset by shortages in all other revenue sources. Despite the state not having a due date for estimated payments in September, many taxpayers choose to make payments alongside the federal third quarter estimated payment deadline. Cumulatively since April, preliminary General Fund agency cash receipts are \$6.5 billion above projections. This includes an overage of \$2.7 billion attributed to cash collected during the 2024-25 fiscal year.

- Personal income tax cash receipts were \$2.3 billion, or 21.4 percent, above forecast in September and \$4.7 billion above forecast cumulatively since April. The September overage was due mostly to higher estimated payments, which were \$1.2 billion (43 percent) above forecast for the month and \$1.8 billion above forecast cumulatively since April. Withholding receipts continued to show strength, and were \$926 million, or 11.6 percent, above forecast for the month and \$2.7 billion above forecast cumulatively since April. Final payments were \$187 million, or 50.2 percent, above forecast in September.
- Corporation tax cash receipts were \$46 million, or 1.6 percent, below forecast in September but were \$249 million above forecast cumulatively since April. The September shortfall was driven by estimated payments which were \$549 million (20.4 percent) below forecast for the month, and by refunds exceeding the forecast by \$74 million, or 8.8 percent. The September shortfall was partially offset by Pass-Through Entity Elective Tax (PTET) payments and other payments, which were \$434 million and \$142 million above forecast for the month, respectively.
- Preliminary sales and use tax receipts were \$45 million, or 1.6 percent, below forecast in September. Sales tax receipts were \$213 million below forecast cumulatively since April, including minor revisions to prior months.
- Other revenues were \$119 million below forecast in September due to an increase in the return of unclaimed property to claimants. Cumulatively since April, other revenues were \$1.7 billion above forecast, due primarily to federal cost recovery collections related to disasters in prior years.

2025-26 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	September 2025				2025-26 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$10,980	\$13,329	\$2,349	21.4%	\$27,044	\$30,761	\$3,717	13.7%
Withholding	8,003	8,929	926	11.6%	23,375	25,611	2,236	9.6%
Estimated Payments	2,802	4,007	1,205	43.0%	3,387	4,731	1,344	39.7%
Final Payments	372	559	187	50.2%	886	1,158	272	30.7%
Other Payments	657	716	60	9.1%	1,692	1,657	-35	-2.1%
Refunds	-649	-637	12	-1.8%	-1,772	-1,814	-41	2.3%
MHSF Transfer	-197	-239	-42	21.4%	-485	-551	-67	13.7%
Corporation	\$2,954	\$2,907	-\$46	-1.6%	\$4,397	\$4,211	-\$186	-4.2%
Estimated Payments	2,685	2,136	-549	-20.4%	3,986	3,197	-789	-19.8%
PTET Payments	432	866	434	100.5%	625	1,124	499	79.9%
Other Payments	676	819	142	21.1%	1,252	1,463	211	16.9%
Refunds	-839	-913	-74	8.8%	-1,467	-1,575	-108	7.4%
Sales & Use	\$2,818	\$2,774	-\$45	-1.6%	\$8,322	\$8,200	-\$122	-1.5%
Insurance	\$213	\$141	-\$72	-33.6%	\$1,047	\$1,078	\$31	3.0%
Pooled Money Interest	\$251	\$248	-\$3	-1.3%	\$743	\$794	\$51	6.8%
Alcohol	\$32	\$26	-\$6	-18.8%	\$108	\$105	-\$3	-2.9%
Tobacco	\$3	\$3	\$0	-8.4%	\$9	\$9	\$0	-1.0%
Other	\$116	-\$3	-\$119	N/A	\$303	\$630	\$328	108.3%
Total	\$17,368	\$19,426	\$2,058	11.9%	\$41,974	\$45,789	\$3,815	9.1%

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. The personal income total includes Individual Shared Responsibility Penalty transfers. The forecast is from the 2025-26 Budget Act forecast.