



Finance Bulletin

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Economic Update

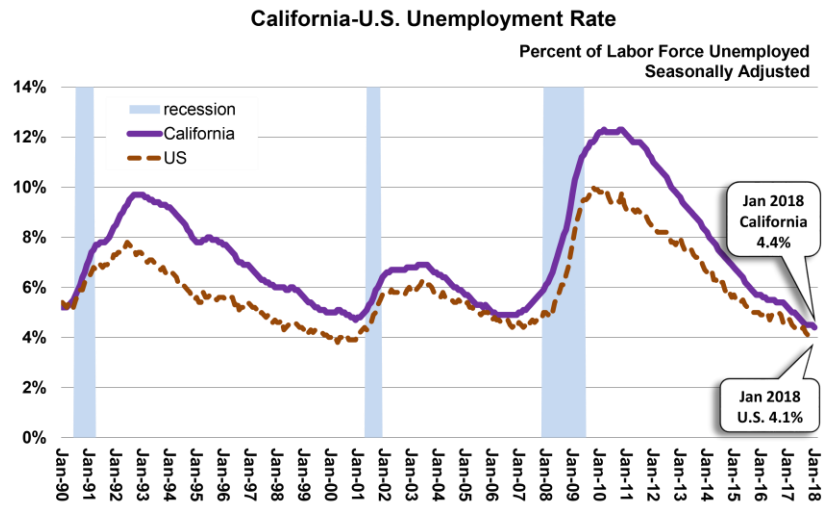
California's unemployment rate fell in January to a new historical low of 4.4 percent, while the U.S. unemployment rate held steady at 4.1 percent. The U.S. real GDP growth rate was revised downward by 0.1 percentage point to 2.5 percent for the fourth quarter of 2017.

LABOR MARKET CONDITIONS

■ The annual revision modified the employment series, with the pre-recession low unemployment rate in 2006 of 4.9 percent, and a revised high in 2010 of 12.3 percent. The average unemployment rate for 2017 was 4.9 percent, with a 4.5-percent unemployment rate for September through December. Labor force growth in 2017 was 218,000, or 1.1 percent, rather than 0.5 percent in the unrevised series. Nonfarm payroll gains in 2017 were revised up from 1.8 percent (295,000 jobs) to 2.0 percent (333,000 jobs).

■ California's unemployment rate fell 0.1 percentage point to 4.4 percent in January—a new record low in a series dating back to 1976. The U.S. unemployment rate was 4.1 percent for the fifth consecutive month in February. In January, the state's labor force participation rate held steady at 62.3 percent while the U.S. labor force participation rate was 62.7 percent for a fourth consecutive month before rising to 63 percent in February.

■ Of the eleven major industry sectors, eight added jobs, two lost jobs, and one reported no change in January. Construction added the most (11,100), followed by trade, transportation, and utilities (10,800) and educational and health services (10,700). Other sectors that added jobs were leisure and hospitality (6,400), manufacturing (2,100), other services (1,100), government (1,100) and financial activities (1,000). Job losses occurred in professional and business services (7,300) and information (1,500). Mining and logging reported no change.



BUILDING ACTIVITY

■ California added 132,000 housing permits in January at a seasonally adjusted annualized rate, almost 17 percent higher than the 113,000 average in 2017. The January permits included 60,000 for single-family housing and 72,000 for multifamily housing. California's total housing permit levels are now 54.6 percent above the 85,000 permits issued in January 2017, but are 50 percent of the pre-recession peak of 264,000 in September 2005. Nonresidential valuation increased 26.3 percent year-over-year in January to an annualized valuation of \$32.5 billion.

REAL ESTATE

■ The statewide median home price in January was \$527,800, down 4.0 percent from December's \$549,560 but up 7.3 percent from the \$491,840 median home price of January 2017. The U.S. median home price was \$241,700 in January, up 5.7 percent from a year ago. In January, nineteen counties posted double-digit year-over-year price increases, and nine counties posted year-over-year price declines.

■ Sales of existing single-family homes in California decreased by 7.6 percent to a seasonally adjusted annualized rate of 388,800 units in January. Mortgage rates on a 30-year fixed averaged 4.03 percent in January, up from 3.95 percent in December, but down from 4.15 percent in January 2017.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for February was \$297 million below the 2018-19 Governor's Budget forecast of \$5.242 billion. The decrease below the month's forecast is likely due in part to taxpayer reaction to Federal tax law changes enacted in late December. Year-to-date revenues are \$2.581 billion above the forecast of \$78.539 billion.

- Personal income tax revenues to the General Fund were \$357 million below the month's forecast of \$3.106 billion. Withholding receipts were \$11 million below the forecast of \$5.164 billion. Refunds issued in February were \$293 million higher than the forecast of \$2.552 billion. Other receipts were \$59 million below the forecast of \$550 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 February was \$6 million below the forecast of \$56 million. Year-to-date General Fund income tax revenues are \$2.008 billion above forecast.
- Sales and use tax receipts were \$26 million above the month's forecast of \$1.892 billion. February cash includes a portion of the final payment for fourth quarter 2017 sales, as well as the first prepayment for the first quarter 2018 sales. Year-to-date revenues are \$9 million below forecast.
- Corporation tax revenues were \$24 million above the month's forecast of \$133 million. Prepayments were \$31 million above the forecast of \$109 million and other payments were \$4 million lower than the \$132 million forecast. Total refunds for the month were \$3 million above the forecast of \$107 million. Year-to-date revenues are \$431 million above forecast.
- Insurance tax revenues were \$2 million below the month's estimate of \$29 million. Year-to-date insurance tax revenues are \$83 million above forecast. Revenues from the estate, alcoholic beverage, tobacco, and pooled money interest taxes were \$2 million above the month's forecast, and are up \$7 million year-to-date. "Other" revenues were \$10 million above the month's forecast of \$48 million and are up \$61 million year-to-date.

2017-18 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	FEBRUARY 2018					2017-18 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$3,106	\$2,749	-\$357	-11.5%		\$55,131	\$57,139	\$2,008	3.6%
Sales & Use	1,892	1,918	26	1.4%		16,864	16,855	-9	-0.1%
Corporation	133	158	24	18.0%		4,565	4,996	431	9.4%
Insurance	29	27	-2	-7.6%		1,186	1,268	83	7.0%
Estate	0	0	0	0.0%		0	1	0	21.8%
Pooled Money Interest	6	8	3	47.6%		89	93	4	4.5%
Alcoholic Beverages	24	24	0	-0.7%		265	266	1	0.5%
Tobacco	5	4	-1	-14.0%		43	45	1	3.1%
Other	48	58	10	21.1%		397	459	61	15.5%
Total	\$5,242	\$4,945	-\$297	-5.7%		\$78,539	\$81,120	\$2,581	3.3%

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 2018-19 Governor's Budget.