



Finance Bulletin

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Economic Update

Unemployment rates in the nation and in the state remain near record low levels. In the first half of the year, the U.S. nonfarm employment growth was 1.4 percent, versus 1.7 percent in 2018 as a whole. California job growth was 2 percent in the first half of 2019, versus 2.1 percent in 2018.

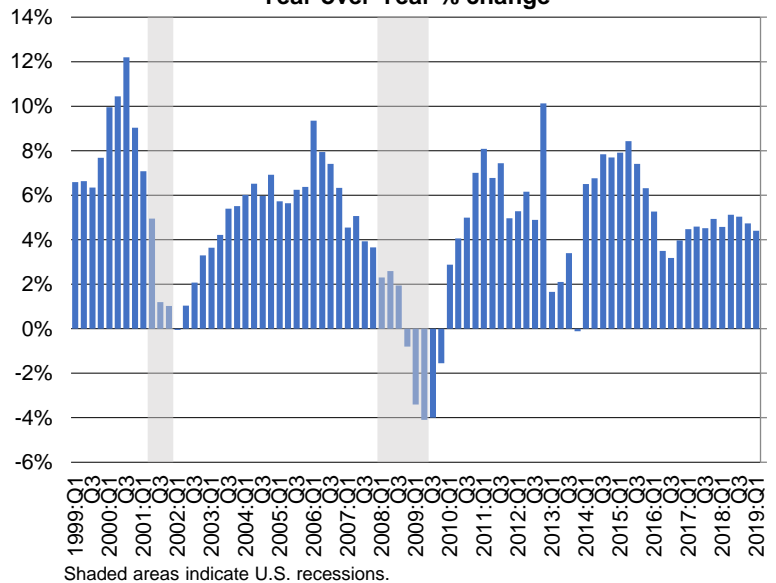
LABOR MARKET CONDITIONS

- The U.S. gained 224,000 nonfarm jobs in June after adding 72,000 jobs in May, bringing the 2019 year-to-date monthly average to 172,000. The U.S. unemployment rate increased 0.1 percentage point to 3.7 percent in June and remains close to May's near five-decade low of 3.6 percent. California's unemployment rate remained at 4.2 percent in June, marking a full year at around this level, which is around 0.5 percentage point below the previous record unemployment rate.
- The state gained 46,200 jobs in June — roughly one-fifth of the total US job growth. Of the eleven major industry sectors, only financial services and mining and logging lost jobs (200 each). Construction added 11,900 jobs, educational and health services added 8,200, and professional and business services added 8,000. All others added at least 1,000 as well: leisure and hospitality (4,700), information (4,200), government (4,100), other services (2,700), manufacturing (1,500), and trade, transportation, and utilities (1,300). In the first half of 2019, jobs growth has averaged 2 percent versus 1.4 percent for the nation.

PERSONAL INCOME

- California's personal income grew 4.4 percent in the first quarter of 2019 while U.S. personal income increased 3.8 percent. Personal income growth for 2018 was 4.9 percent for California and 4.4 percent for the nation. Since 2010, California personal income has grown on average by 5.3 percent a year, while U.S. personal income has grown on average 4.3 percent a year.
- In California, wages and salaries comprised 50.5 percent of the total personal income of \$2.54 trillion in the first quarter of 2019. Wages and salaries increased 4.2 percent on a year-over-year basis while supplements to wages and salaries increased 3.6 percent. The other major components of personal income also grew: proprietor's income increased 3.2 percent; dividends, interest, and rent increased 8.2 percent; and transfer receipts increased 3.4 percent.

California Personal Income
Year-over-Year % change



BUILDING ACTIVITY

- Residential building permits issued for the first five months of 2019 averaged 111,000 units, down 12.2 percent from the same period in 2018. In May, single-family permits were up 1.9 percent from April to 54,000 units, but 13.9 percent lower than in May of 2018. Multifamily permits were down 18.1 percent from April to 46,000 units, and were 42.2 percent lower than May of 2018. Nonresidential building permits averaged an annualized valuation of \$33.6 billion over the first five months of 2019, which is down 4.2 percent from the same period last year.
- Residential building permits issued in 2018 were upwardly revised from 114,000 units to 118,000 units, up 3.4 percent from 2017. Permits were evenly distributed between single-family units (59,000 units issued in 2018, up 6.9 percent from 2017) and multi-family units (59,000 units issued, up 0.2 percent from 2017).

MONTHLY CASH REPORT

Preliminary General Fund agency cash for the entire 2018-19 fiscal year was \$1.041 billion above the 2019-20 Budget Act forecast of \$143.804 billion, or 0.7 percentage point above forecast. Revenues for June were \$409 million above the month's forecast of \$19.387 billion, or 2.1 percent above forecast. June cash receipts represent the second estimated payment of 40 percent of liability due mid-month for personal income tax filers and calendar-year corporations.

- Personal income tax revenues for the entire 2018-19 fiscal year were \$523 million above the forecast of \$98.505 billion. Cash receipts to the General Fund in June were \$104 million above the month's forecast of \$12.776 billion. Withholding receipts were \$184 million below the forecast of \$5.115 billion. Other receipts were \$132 million higher than the forecast of \$8.405 billion. Refunds issued in June were \$157 million below the expected \$515 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 June was \$2 million higher than the forecast of \$229 million.
- Sales and use tax revenues for the entire 2018-19 fiscal year were \$170 million above the forecast of \$26.954 billion. Revenues for June were \$77 million below the month's forecast of \$2.688 billion. June cash includes the second prepayment for second quarter taxable sales.
- Corporation tax revenues for the entire 2018-19 fiscal year were \$179 million above the forecast of \$13.633 billion. Revenues for June were \$323 million above the month's forecast of \$3.196 billion. Estimated payments were \$468 million above the forecast of \$2.856 billion, and other payments were \$124 million lower than the \$416 million forecast. Total refunds for the month were \$21 million higher than the forecast of \$76 million.
- Insurance tax cash revenues for the entire 2018-19 fiscal year were \$84 million above the forecast of \$2.643 billion. Revenues for June were \$85 million below the month's forecast of \$152 million. Cash receipts from pooled money interest, alcoholic beverage taxes, and tobacco taxes for the entire fiscal year were \$23 million below forecast, and were \$27 million below forecast for the month of June. "Other" cash receipts for the entire fiscal year were \$108 million above forecast, and were \$171 million above forecast for the month of June.

2018-19 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	JUNE 2019					2018-19 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$12,776	12,880	\$104	0.8%		\$98,508	\$99,031	\$523	0.5%
Sales & Use	2,688	2,612	-77	-2.8%		26,954	27,124	170	0.6%
Corporation	3,196	3,519	323	10.1%		13,633	13,812	179	1.3%
Insurance	152	67	-85	-56.0%		2,643	2,727	84	3.2%
Estate	0	0	0	0.0%		0	0	0	10.9%
Pooled Money Interest	56	51	-5	-9.1%		534	544	10	1.9%
Alcoholic Beverages	50	28	-22	-43.7%		381	348	-32	-8.5%
Tobacco	5	5	0	-2.2%		63	63	0	-0.2%
Other	463	634	171	37.0%		1,088	1,196	108	9.9%
Total	\$19,387	\$19,796	\$409	2.1%		\$143,804	\$144,845	\$1,041	0.7%

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 Budget Act.