



Finance Bulletin

Keely Bosler, Director

Economic Update

U.S. real GDP grew at an annual rate of 3.5 percent in the third quarter, following 4.2 percent in the second quarter and 2.2 percent in the first quarter. California's merchandise exports in the third quarter totaled \$43.6 billion, up 3.0 percent on a year-over-year basis, following growth of 6.9 percent in the second quarter and 6.5 percent in the first quarter.

LABOR MARKET CONDITIONS

- California's unemployment rate fell to a new historic low of 4.1 percent in September, after remaining at the previous record low of 4.2 percent from April through August. The U.S. unemployment rate dropped to 3.7 percent in September and remained at that level in October, the lowest unemployment rate since 1969. California's labor force participation rate rose 0.1 percentage point to 62.0 percent in September after remaining at a historic low of 61.9 percent in the prior two months.

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



- California added 13,200 nonfarm jobs in September, following a monthly average job-gain of 32,800 from June through August. Four of the eleven major industry sectors added jobs in September, six lost jobs and one (financial activities) had no change in employment. Professional and business services added 11,800, followed by leisure and hospitality (8,500), government (5,100), and mining and logging (100). In contrast, educational and health services lost 3,700 jobs, followed by information (3,000), construction (2,000), other services (1,800), manufacturing (1,500), and trade, transportation, and utilities (300).

BUILDING ACTIVITY

- California's residential building permits totaled 97,000 units on a seasonally adjusted annualized basis in September, following 18 consecutive months with more than 100,000 permits issued. Permits for single-family housing fell 7.3 percent from the previous month to 60,000 units, while permits for multifamily housing fell 14.3 percent to 37,000 units. Total residential permits for the first nine months of this year have averaged 120,000 compared to 112,000 for the same period last year. Nonresidential building valuation increased 25.3 percent from the prior month to an annualized valuation of \$31 billion. This brings the year-to-date average nonresidential valuation at \$32 billion, a 12.1-percent increase from the same period last year.

REAL ESTATE

- Statewide sales of existing single-family homes totaled 382,550 in September on a seasonally adjusted annualized basis, down 12.4 percent from the previous year. This is the largest year-over-year sales decline since March 2014. Sales volume for the first nine months of this year is down 3.3 percent from the same period last year. The 30-year fixed mortgage rate is now 4.63 percent on average, the highest since June 2011.
- California's median home price in September was \$578,850, a 4.2-percent increase from September 2017. However, the median home price remains below its peak of \$602,760 reached in June of 2018.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for the first four months of the fiscal year was \$214 million above the forecast of \$35.935 billion. Revenues for October were \$803 million below the 2018-19 Budget Act forecast of \$8.426 billion. However, due to delays in processing, October receipts were reduced by at least \$1.5 billion. This will be reflected in the December Finance Bulletin.

- Personal income tax revenues to the General Fund for the first four months of the fiscal year are \$699 million above forecast. Total personal income tax revenues for October were \$276 million below the month's forecast of \$5.462 billion. Withholding receipts were \$838 million below the forecast of \$5.179 billion. Due to a processing issue, approximately \$1.3 billion in withholding receipts that were received in October will post in November. Other receipts were \$168 million higher than the forecast of \$1.691 billion. Refunds issued in October were \$389 million lower than the expected \$1.31 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 October was \$5 million lower than the forecast of \$98 million.
- General Fund sales and use tax revenues for the first four months of the fiscal year are \$585 million below forecast. General Fund sales tax revenues for October were \$524 million below the month's forecast of \$2.541 billion, due largely to several hundred million in receipts that had been expected to be reported in late October not being reported until early November. October represents the final payment for third quarter taxable sales.
- Corporation tax revenues for the first four months of the fiscal year were \$9 million above forecast. Revenues for October were \$56 million below the month's forecast of \$286 million. Estimated payments were \$9 million below the forecast of \$220 million, and other payments were \$48 million higher than the \$228 million forecast. Total refunds for the month were \$95 million higher than the forecast of \$163 million.
- Insurance tax revenues for the first four months of the fiscal year were \$29 million above forecast. Revenues for October were \$20 million above the month's forecast of \$20 million. Revenues from the estate, alcoholic beverage, tobacco taxes, and pooled money interest came in \$60 million above forecast for the first four months of the fiscal year and were up \$34 million for the month of October. "Other" revenues for the first four months of the fiscal year were \$2 million above forecast, and met the forecast of \$43 million for the month of October.

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

Revenue Source	OCTOBER 2018					2018-19 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$5,462	\$5,186	-\$276	-5.0%		\$24,012	\$24,711	\$699	2.9%
Sales & Use	2,542	2,018	-524	-20.6%		8,874	8,289	-585	-6.6%
Corporation	286	230	-56	-19.7%		1,989	1,998	9	0.5%
Insurance	20	40	20	99.1%		642	671	29	4.6%
Estate	0	0	0	0.0%		0	0	0	0.0%
Pooled Money Interest	35	69	34	97.2%		100	160	60	59.3%
Alcoholic Beverages	32	33	1	1.6%		131	131	0	0.1%
Tobacco	6	5	-1	-14.8%		23	23	0	-0.8%
Other	43	43	0	-0.8%		164	166	2	1.1%
Total	\$8,426	\$7,623	-\$803	-9.5%	 	\$35,935	\$36,149	\$214	0.6%

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 2018-19 Budget Act.