



Finance Bulletin

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Economic Update

California personal income increased 4.7 percent in 2018 following an increase of 4.6 percent in 2017 while U.S. personal income grew 4.5 percent in 2018 following growth of 4.4 percent in 2017. California has outpaced the U.S. in annual personal income growth for a ninth consecutive year. U.S. real GDP rose 2.9 percent in 2018 after rising 2.2 percent in 2017.

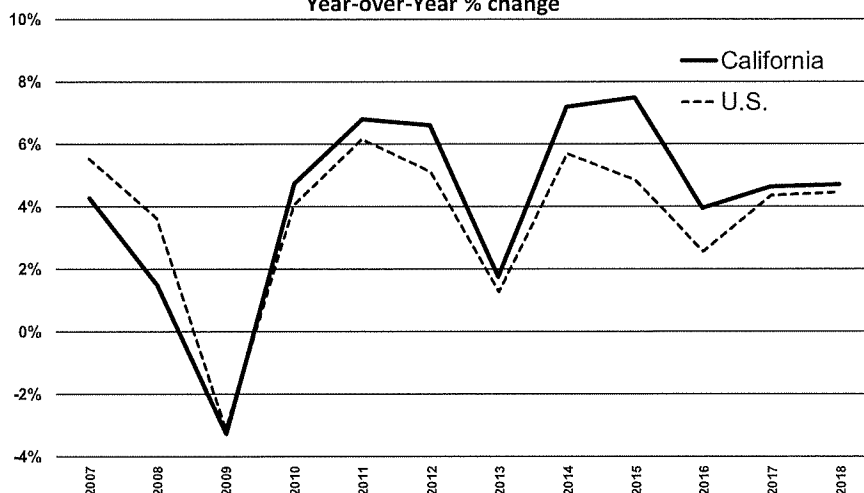
LABOR MARKET CONDITIONS

■ California's unemployment rate remained at 4.2 percent in February. The U.S. unemployment rate dropped by 0.2 percentage point to 3.8 percent in February and remained at that level in March. California's labor force participation rate rose by 0.1 percentage point to 62.8 percent in February—the state's highest rate since August 2013, while the nation's was unchanged at 63.2 percent in February before falling to 63.0 percent in March.

■ California gained 14,600 nonfarm jobs in February following an upwardly revised 5,900 job-gain in January. The average monthly gain in 2018 was 23,200. Six major industry sectors added jobs in February with professional and business services (12,500) adding the most. Leisure and hospitality (6,600) added jobs for a second month, while trade, transportation, and utilities (5,600) made up some of the 6,100 job-loss from January. Educational and health services (4,100), government (1,400), and information (700) also added jobs. Five major industry sectors lost jobs, notably construction (7,700) and manufacturing (5,400). Financial activities (1,900), other services (1,100), and mining and logging (200) also lost jobs. On a year-over-year basis, California nonfarm payrolls grew by 1.3 percent in February, the smallest year-over-year job gain since December 2011. In comparison, U.S. nonfarm payrolls increased by 1.7 percent in February and March.

Annual Personal Income Growth

Year-over-Year % change



Source: U.S. Bureau of Economic Analysis

BUILDING ACTIVITY

■ Residential building permits issued for the first two months of 2019 averaged 127,000 units on a seasonally adjusted annualized basis, up 2.4 percent from the same period in 2018. Single-family permits were down 10 percent to 54,000 units, while multifamily permits were up 14 percent to 73,000 units. Nonresidential building posted an annualized valuation of \$30 billion for the first two months of this year, which is down 11 percent from the same period last year.

REAL ESTATE

■ Sales of existing, single-family homes in California increased 11.3 percent to a seasonally adjusted annualized rate of 399,080 units in February after falling 3.7 percent in January. The statewide median home price was \$534,140 in February, down 0.6 percent from January but up 2.2 percent from February 2018. The 30-year fixed-mortgage rate averaged 4.37 percent in February, its lowest point in a year.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for the first nine months of the fiscal year was \$2.22 billion below the 2019-20 Governor's Budget forecast of \$93.741 billion. Revenues for the month of March were \$89 million below the month's forecast of \$8.59 billion.

- Personal income tax revenues for the first nine months of the fiscal year are \$2.878 billion below forecast. Personal income tax revenues to the General Fund for March were \$93 million below the month's forecast of \$4.679 billion. Withholding receipts were \$171 million below the forecast of \$6.758 billion, and other receipts were \$136 million higher than the forecast of \$1.242 billion. Refunds issued in March were \$60 million above the expected \$3.237 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 March was \$2 million higher than the forecast of \$84 million.
- Sales and use tax revenues for the first nine months of the fiscal year are \$68 million above forecast. Revenues for March were \$20 million above the month's forecast of \$1.8 billion. March cash includes the second prepayment for first quarter sales and use tax liabilities.
- Corporation tax revenues for the first nine months of the fiscal year are \$497 million above forecast. Revenues for March were \$40 million below the month's forecast of \$1.45 billion. Estimated payments were \$146 million below the forecast of \$773 million, and other payments were \$127 million higher than the \$773 million forecast. Total refunds for the month were \$22 million higher than the forecast of \$97 million.
- Insurance tax revenues for the first nine months of the fiscal year were \$26 million above the forecast of \$1.864 billion. Insurance tax revenues for the month of March were \$17 million above forecast. Revenues from alcoholic beverage, tobacco taxes, and pooled money interest for the first nine months of the year were \$4 million below forecast, and were \$8 million above forecast for the month of March. "Other" revenues were \$73 million above forecast for the first nine months of the fiscal year, and were \$1 million below forecast for the month of March.

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

(Dollars in Millions)

Revenue Source	MARCH 2019				2018-19 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$4,679	\$4,586	-\$93	-2.0%	\$65,065	\$62,186	-\$2,878	-4.4%
Sales & Use	1,800	1,820	20	1.1%	19,747	19,814	68	0.3%
Corporation	1,449	1,409	-40	-2.8%	5,963	6,460	497	8.3%
Insurance	549	566	17	3.1%	1,864	1,890	26	1.4%
Estate	0	0	0	0.0%	0	0	0	60.8%
Pooled Money Interest	50	63	13	26.1%	363	378	15	4.2%
Alcoholic Beverages	27	22	-4	-16.5%	287	268	-19	-6.7%
Tobacco	5	5	-1	-10.1%	48	48	0	0.2%
Other	32	32	-1	-2.7%	404	477	73	18.0%
Total	\$8,590	\$8,501	-\$89	-1.0%	\$93,741	\$91,521	-\$2,220	-2.4%

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.