



Finance Bulletin

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Economic Update

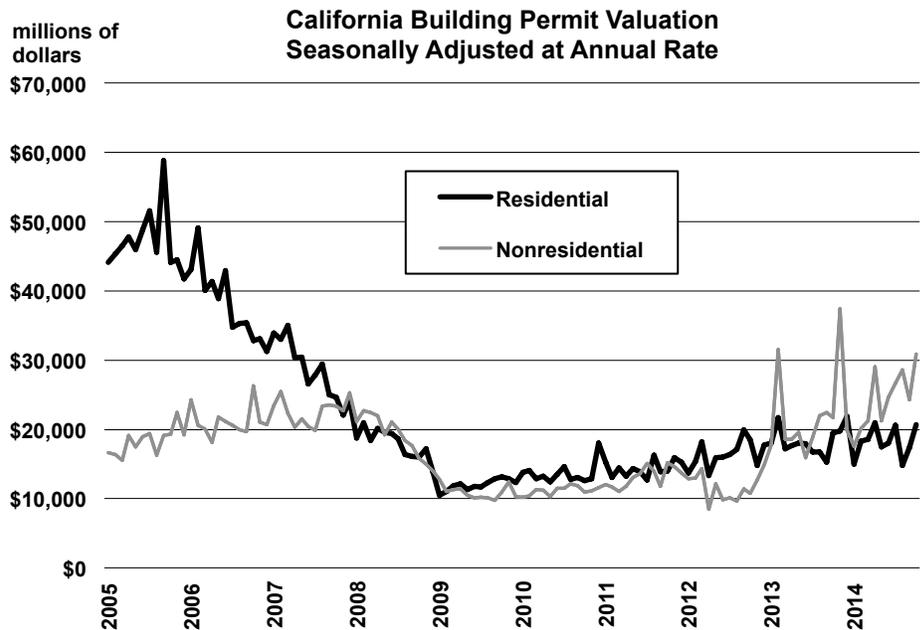
Both California and the U.S. continue to add jobs. The U.S. real Gross Domestic Product growth rate was revised up by 0.5 of a percentage point to 3.9 percent for the third quarter of 2014. The number of California housing permits issued in October was the highest since March 2007. Overall consumer price inflation has been low, averaging less than 2 percent in California during the first ten months of 2014. Falling fuel prices have kept inflationary pressures mild across the nation.

LABOR MARKET CONDITIONS

- The U.S. unemployment rate remained at 5.8 percent and the labor force participation rate held at 62.8 percent in November. U.S. total nonfarm jobs rose by 321,000 in November, the biggest increase since January 2012, after an upward revision of the October number to 243,000.
- California's unemployment rate was unchanged in October at 7.3 percent. After the historic low of 61.9 percent in July and August, the labor force participation rate increased by 0.2 percentage point in October to 62.3 percent.
- California's nonfarm payroll employment grew by 41,500 jobs in October, higher than the 22,500 monthly average for the first nine months of 2014. Eight sectors gained jobs, three lost jobs. The largest job gains were in professional and business services (12,500) and trade, transportation and utilities (12,400). Other sectors that gained jobs were leisure and hospitality (7,500), government (3,500), educational and health services (3,100), information (1,900), construction (800), and manufacturing (700). The three sectors that had small job losses were other services (400), financial activities (400), and mining and logging (100).

BUILDING ACTIVITY

- More than 126,000 permits were issued in October, which was 44,000 higher than the January-to-September average of 82,000. Compared with September, single-family permits were unchanged at 34,000 and multifamily permits increased by 40,000 to 93,000. For residential valuation, the month-over and year-over growth rates were 18.9 percent and 6 percent, respectively.
- Nonresidential construction value also grew strongly in October. The month-over and the year-over growth rates were 27.4 percent and 42.4 percent, respectively. The year-to-date valuation totaled \$24.4 billion on an annualized basis, up 18 percent compared with the same period in 2013.



Source: Construction Industry Research Board; California Homebuilding Foundation

REAL ESTATE

- The median sales price of an existing single-family home fell in October by 2.3 percent to \$450,620. Compared to a year ago, the median price was up by 5.4 percent. Home sales in October, at a seasonally adjusted annual rate of 396,220, were unchanged from September. On a year-over basis, however, sales were down by 1.9 percent.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for November was \$154 million above the 2014-15 Budget Act forecast of \$5.682 billion. Year-to-date revenues are \$1.206 billion above the expected \$33.638 billion.

- Personal income tax revenues to the General Fund were \$233 million below the month's forecast of \$3.502 billion. Withholding receipts were \$260 million below the estimate of \$3.599 billion. Other receipts were \$31 million below the forecast of \$527 million. Refunds issued in November were \$54 million below the forecasted \$562 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 November was \$4 million below the forecast of \$63 million. Year-to-date General Fund income tax revenues are \$708 million above forecast.
- Sales and use tax receipts were \$25 million below the month's forecast of \$1.898 billion. November cash includes a portion of the final payment for third quarter sales, as well as the first prepayment for fourth quarter sales. Year-to-date, the sales tax cash is \$540 million below forecast.
- Corporation tax revenues were \$153 million above the month's forecast of -\$80 million. Prepayments were \$13 million above the forecast of \$81 million and other payments were \$27 million higher than the \$95 million forecast. Total refunds for the month were \$112 million lower than the forecast of \$256 million. Year-to-date revenues are \$863 million above forecast.
- Insurance tax revenues were \$237 million above the month's estimate of \$191 million. Since fourth quarter insurance prepayments were due December 1, and some payments are received a day or two prior to the due date, most of the \$237 million gain is likely due to timing and could be offset in December. Year-to-date insurance tax revenues are \$274 million above the forecasted \$770 million. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$1 million above the \$39 million forecast. "Other" revenues were \$22 million above the month's forecast of \$131 million.

2014-15 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	NOVEMBER 2014				2014-15 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$3,502	\$3,269	-\$233	-6.6%	\$21,234	\$21,942	\$708	3.3%
Sales & Use	1,898	1,873	-25	-1.3%	9,845	9,305	-540	-5.5%
Corporation	-80	73	153	n/a	1,078	1,940	863	80.0%
Insurance	191	427	237	123.9%	770	1,044	274	35.6%
Estate	0	0	0	n/a	0	2	2	n/a
Pooled Money Interest	2	1	-1	-44.9%	8	6	-2	-29.3%
Alcoholic Beverages	30	32	1	4.6%	155	157	2	1.2%
Tobacco	7	8	1	7.0%	36	37	0	0.4%
Vehicle License Fees	0	0	0	n/a	0	0	0	n/a
Other	131	153	22	16.6%	512	412	-100	-19.5%
Total	\$5,682	\$5,836	\$154	2.7%	\$33,638	\$34,844	\$1,206	3.6%

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 2014 Budget Act.