



Finance Bulletin

Keely Bosler, Director

Economic Update

California real GDP decreased by 4.7 percent on a seasonally adjusted annualized basis in the first quarter of 2020—the largest decrease since the second quarter of 2009. In comparison, U.S. real GDP declined by 5.0 percent in the first quarter of 2020—the largest decline since the fourth quarter of 2008. Personal income in California increased by 2.3 percent on a seasonally adjusted annualized basis in the first quarter of 2020, following a 7.4-percent increase in the fourth quarter of 2019. U.S. personal income also increased by 2.3 percent in the first quarter of 2020, a deceleration from the 3.6-percent increase in the fourth quarter of 2019. Transfer receipts—which include payments from unemployment insurance and welfare assistance—were the largest driver of personal income growth in California and the U.S. in the first quarter.

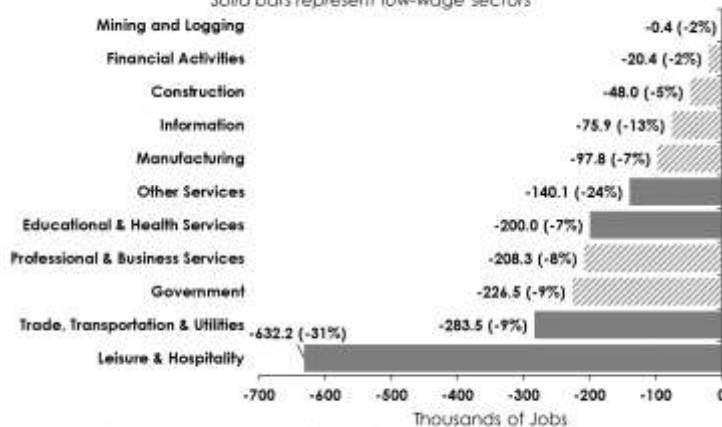
LABOR MARKET CONDITIONS

- California's unemployment rate rose to a record-high 16.4 percent in April and May before decreasing to 14.9 percent in June, and is now 11 percentage points higher than the pre-recession low of 3.9 percent in February. The U.S. unemployment rate increased to a record-high 14.7 percent in April before decreasing to 13.3 percent in May and to 11.1 percent in June, compared to the pre-recession low of 3.5 percent in February. The state's labor force increased by 441,200 persons in June, after decreasing by over 1 million persons over the prior three months, resulting in 568,000 fewer Californians in the labor force in June than in February.
- The state lost a total of 2.6 million nonfarm jobs in March and April, but gained about one quarter of total losses, or 692,400 nonfarm jobs in May and June, as the economy reopened. Despite June's record gain of 558,200 jobs, California's nonfarm employment of 15.7 million remains 11 percent below February's pre-recessionary peak of 17.6 million (a 1.9-million net job loss from February to June). California's June nonfarm employment is 1.7 million lower than three months ago and 1.9 million lower than six months ago. All 11 major industry sectors incurred job losses from February through June: leisure and hospitality (632,200); trade, transportation & utilities (283,500); government (226,500); professional & business services (208,300); educational & health services (200,000); other services (140,100); manufacturing (97,800); information (75,900); construction (48,000); financial activities (20,400); mining and logging (400).

California Jobs by Industry in June 2020

(Jobs and Percentage Changes relative to February 2020)

Solid bars represent low-wage sectors



Source: CA EDD, Labor Market Information Division

BUILDING ACTIVITY

- California housing units authorized by building permits totaled 69,100 in May 2020, up by 15.0 percent from April 2020 but down by 45.0 percent from February's 125,800 units. In May, single-family units increased by 14.5 percent from April to 30,700 units while multifamily permits increased by 15.4 percent to 38,400 units. Both remain below February 2020 levels (by 60.2 percent for single-family units and by 21.0 percent for multifamily units). California's nonresidential building valuation in May was \$14.6 billion, down by 13.0 percent from April and down by 44.8 percent from February's \$26.5-billion valuation.

REAL ESTATE

- After falling in May to the lowest level since the Great Recession, California sales of existing, single-family homes rebounded in June, increasing at a record 42.4-percent over the month to a seasonally adjusted annualized total of 339,900 homes sold in June. However, this remains 19.4 percent below February's level of 421,700. The statewide median sales price reached a new record high of \$626,200 in June, an increase of 6.5 percent from May and 8.0 percent from February. This is 1.4 percent higher than the previous record high of \$617,400 reached in August 2019.

Monthly Cash Report

Preliminary General Fund agency cash receipts for the entire 2019-20 fiscal year are \$1.084 billion above the 2020-21 Budget Act forecast of \$123.395 billion, or 0.9 percentage point above forecast. Cash receipts for June were \$1.054 billion above the month's forecast of -\$94 million, which includes a transfer out of \$9.5 billion of federal CARES Act funds that had been transferred to the state General Fund in April. In addition, much of the tax payments that are typically made in April and June were deferred to July due to the extension of payment deadlines.

- Personal income tax cash receipts for the entire 2020-21 fiscal year are \$662 million above the forecast of \$81.845 billion. Cash receipts to the General Fund in June were \$892 million above the month's forecast of \$5.353 billion. Withholding receipts were \$1 billion above the forecast of \$4.044 billion. Other cash receipts were \$477 million higher than the forecast of \$1.991 billion. Refunds issued in June were \$569 million above the expected \$585 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 \$16 million higher than the forecast of \$96 million.
- Sales and use tax cash receipts for the entire 2019-20 fiscal year are \$643 million above the forecast of \$25.426 billion. Cash receipts for June were \$683 million above the month's forecast of \$1.719 million. June cash includes the second prepayment for second quarter taxable sales.
- Corporation tax cash receipts for the entire 2019-20 fiscal year are \$49 million above the forecast of \$9.787 billion. Cash receipts for June were \$71 million above the month's forecast of \$1.129 billion. Estimated payments were \$2 million above the forecast of \$1.072 billion, and other payments were \$87 million higher than the \$150 million forecast. Total refunds for the month were \$18 million higher than the forecast of \$94 million.
- Insurance tax cash receipts for the entire 2019-20 fiscal year are \$76 million above the forecast of \$3.052 billion. Cash receipts for June were \$44 million above the month's forecast of \$148 million. Cash receipts from pooled money interest, alcoholic beverage taxes, and tobacco taxes for the entire fiscal year are \$7 million above forecast, and were \$13 million above forecast for the month of June. "Other" cash receipts for the entire fiscal year are \$353 million below forecast, and were \$649 million below forecast for the month of June. Other receipts for June is dominated by a \$9.5 billion transfer from the General Fund to the Coronavirus Relief Fund. This \$9.5 billion is federal CARES Act dollars that were deposited into the General Fund in April.

2019-20 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	JUNE 2020					2019-20 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$5,353	6,245	\$892	16.7%		\$81,845	\$82,507	\$662	0.8%
Sales & Use	1,719	2,402	683	39.8%		25,426	26,070	643	2.5%
Corporation	1,129	1,200	71	6.3%		9,787	9,836	49	0.5%
Insurance	148	192	44	29.6%		3,052	3,128	76	2.5%
Estate	0	0	0	0.0%		0	0	0	0.0%
Pooled Money Interest	32	49	17	53.5%		587	599	12	2.0%
Alcoholic Beverages	33	28	-5	-14.0%		385	381	-5	-1.2%
Tobacco	5	5	0	9.4%		60	60	0	-0.5%
Other	-8,512	-9,161	-649	7.6%		2,253	1,899	-353	-15.7%
Total	-\$94	\$960	\$1,054	-1122.7%	 	\$123,395	\$124,479	\$1,084	0.9%

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 2020-21 Budget Act.