



Finance Bulletin

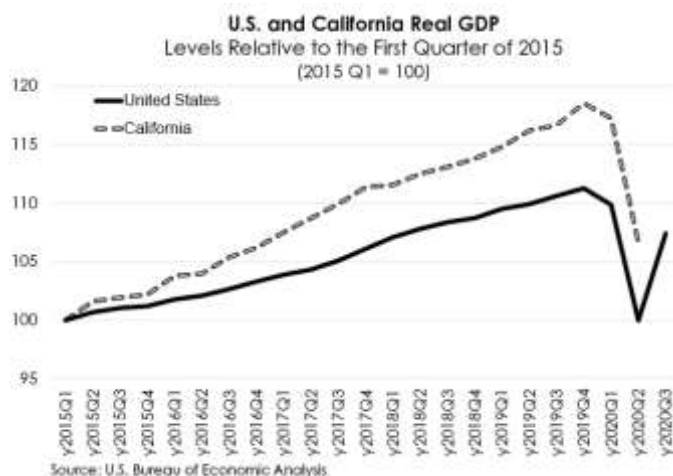
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Economic Update

The U.S. unemployment rate declined for the sixth consecutive month to 6.9 percent in October, twice as high as the February rate of 3.5 percent. The U.S. labor force participation rate rose by 0.3 percentage point to 61.7 percent, and civilian employment rose to 149.8 million in October—remaining below February levels of 63.4 percent and 158.8 million, respectively. The U.S. gained 638,000 nonfarm jobs in October, after adding 1.5 million and 672,000 jobs in August and September, respectively. The U.S. has now added 12.1 million jobs from May through October after losing 22.2 million in March and April.

U.S. AND CALIFORNIA GDP

■ Following two consecutive declines of 5.0 percent and 31.4 percent in the first and second quarter of 2020, respectively, U.S. real GDP grew at a record-high 33.1 percent at a seasonally adjusted annualized rate (SAAR) in the third quarter of 2020. The level of U.S. real GDP in the third quarter was around the same level as in the first quarter of 2018. The growth was driven by personal consumption expenditures (contributing 25.3 percentage points of the real GDP increase). Gross private domestic investment grew by 83.0 percent, contributing 11.6 percentage points. The drags on third quarter growth included net exports (contributing -3.1 percentage points) as imports grew faster than exports, as well as government spending as state and local governments began pulling back (-0.7 percentage point).



■ California real GDP fell by 31.5 percent in the second quarter after falling by 4.3 percent in the first quarter of 2020. Its share of U.S. real GDP remained unchanged at 14.8 percent. All of California's 11 nonfarm major industry sectors' GDP declined in the second quarter, led by leisure and hospitality (contributed -7.3 percentage points to the decline), trade, transportation, and utilities (-6.4 percentage points), manufacturing (-4.3 percentage points), professional and business services (-4.1 percentage points), educational and health services (-3.9 percentage points), government (-2.1 percentage points), other services (-1.6 percentage points), construction (-1.2 percentage points), information (-0.9 percentage point), financial activities (-0.6 percentage point) and mining and logging (-0.1 percentage point).

BUILDING ACTIVITY

■ California's residential housing units authorized by building permits totaled 131,000 units in September, a 36.1-percent increase from August and 0.8 percent lower than in September 2019 as single-family units increased by 25.8 percent on a year-over-year basis to 74,000 units while multi-family units fell by 22.1 percent to 57,000 units. Year-to-date residential permits for the first three quarters of 2020 was just under 100,000 units compared to 111,000 units for the same period in 2019, or 9.8 percent lower. The year-to-date decline was largely driven by multi-family units which were down 18.9 percent (averaging 44,800 units in the first three quarters of 2020), compared to single family units which were down only 0.7 percent (55,100 units) from the same period last year. California nonresidential building permits' annualized valuation in September was \$20.5 billion, down 6.6 percent from a month ago and down 1.5 percent from a year ago. The average nonresidential valuation for the first three quarters of 2020 was \$23.2 billion, down 29.4 percent compared to the same period in 2019.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first four months of the fiscal year were \$11.332 billion above the 2020-21 Budget Act forecast of \$52.552 billion. Cash receipts for the month of October were \$2.619 billion above the 2020-21 Budget Act forecast of \$7.142 billion. Preliminary General Fund agency cash receipts for the entire 2019-20 fiscal year were \$1.135 billion above the 2020-21 Budget Act forecast of \$123.395 billion, or 0.9 percentage point above forecast. Total collections for March through October 2020 were down by 1.3 percent from the same period in 2019.

- Personal income tax cash receipts to the General Fund for the first four months of the fiscal year were \$8.76 billion above forecast. Cash receipts for October were \$2.093 billion above the month's forecast of \$5.257 billion. Withholding cash receipts were \$1.831 billion above the forecast of \$4.869 billion. Other cash receipts were \$337 million above the forecast of \$1.912 billion. Refunds issued in October were \$36 million above the expected \$1.431 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 \$39 million higher than the forecast of \$93 million.
- Sales and use tax cash receipts for the first four months of the fiscal year were \$2.064 billion above forecast. Cash receipts for October were \$423 million above the month's forecast of \$1.315 billion. October included the final payment for third quarter taxable sales.
- Corporation tax cash receipts for the first four months of the fiscal year were \$574 million above the forecast of \$6.815 billion. Cash receipts for October were \$245 million above the month's forecast of \$277 million. Estimated payments were \$8 million below the forecast of \$268 million, and other payments were \$9 million higher than the \$294 million forecast. Total refunds for the month were \$244 million lower than the forecast of \$284 million.
- Insurance tax cash receipts for the first four months of the fiscal year were \$103 million above forecast. Insurance tax cash receipts for October were \$6 million below the forecast of \$37 million. Cash receipts from the alcoholic beverage, tobacco taxes, and pooled money interest for the first four months of the fiscal year were \$40 million below forecast, and were \$8 million below the forecast of \$70 million for October. "Other" Cash receipts for the first four months of the fiscal year were \$129 million below forecast, and were \$128 million below the forecast of \$187 million for October.

2020-21 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	OCTOBER 2020				2020-21 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$5,257	\$7,350	\$2,093	39.8%	\$37,522	\$46,282	\$8,760	23.3%
Sales & Use	1,315	1,737	423	32.2%	6,404	8,468	2,064	32.2%
Corporation	277	522	245	88.3%	6,815	7,389	574	8.4%
Insurance	37	31	-6	-15.9%	731	834	103	14.1%
Estate	0	0	0	0.0%	0	0	0	0.0%
Pooled Money Interest	32	19	-14	-42.5%	129	77	-52	-40.3%
Alcoholic Beverages	33	37	4	13.3%	135	146	11	8.4%
Tobacco	4	5	1	20.9%	20	21	1	6.3%
Other	187	59	-128	-68.3%	795	666	-129	-16.3%
Total	\$7,142	\$9,761	\$2,619	36.7%	\$52,552	\$63,884	\$11,332	21.6%

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 2020-21 Budget Act.