



Finance Bulletin

Keely Bosler, Director

Economic Update

U.S. real GDP grew at a seasonally adjusted annualized rate of 6.5 percent in the second quarter of 2021, surpassing its fourth quarter of 2019 pre-pandemic peak by 0.8 percent. U.S. real GDP has recovered from a total peak-to-trough decrease of over 10 percent within six quarters from the COVID-19 Recession. In comparison, during the Great Recession, U.S. real GDP took three and a half years to recover from a peak-to-trough drop of 3.8 percent.

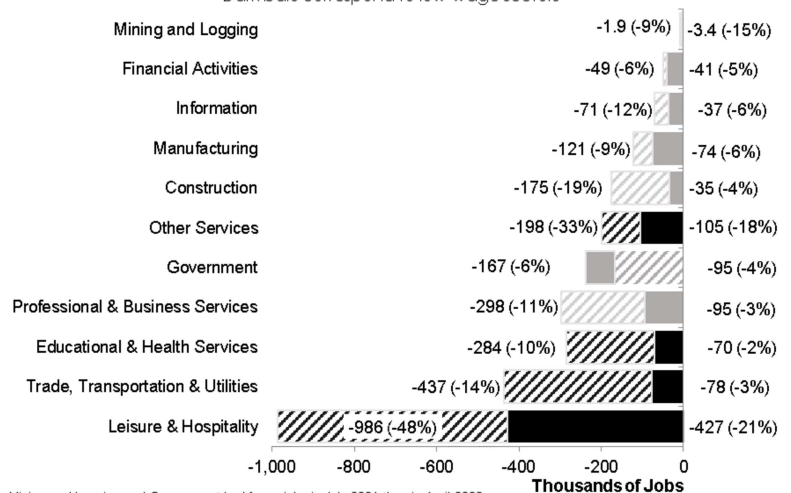
LABOR MARKET CONDITIONS

- The U.S. unemployment rate fell 0.5 percentage point to 5.4 percent in July 2021, with civilian employment increasing by over 1 million. Civilian unemployment decreased by 782,000 and labor force increased by 261,000. The U.S. added 943,000 nonfarm jobs in July 2021, with all eleven major industry sectors gaining jobs: leisure and hospitality (380,000), government (240,000), educational and health services (87,000), professional and business services (60,000), trade, transportation and utilities (47,000), other services (39,000), manufacturing (27,000), information (24,000), financial activities (22,000), construction (11,000), and mining and logging (6,000). As of July 2021, the U.S. has recovered 74.5 percent of the 22.4 million jobs lost in March and April 2020.

- California unemployment rate remained unchanged at June's revised rate of 7.6 percent in July 2021. California civilian employment increased by 56,000 in July 2021 with 50,000 more people entering the labor force and 6,000 fewer unemployed. After adding 114,400 nonfarm jobs in July 2021, California has now recovered 58.3 percent of the 2.7 million jobs lost in March and April 2020. Nine sectors added jobs: leisure and hospitality (56,600), government (35,900), educational and health services (10,400), other services (6,400), information (4,600), professional and business services (4,000), construction (1,100), trade, transportation, and utilities (1,000), and mining and logging (300). Manufacturing (-4,500) and financial activities (-1,400) lost jobs.

California Jobs by Industry Relative to February 2020

Shaded areas correspond to April 2020; solid areas correspond to July 2021
Dark bars correspond to low-wage sectors



Mining and Logging and Government had fewer jobs in July 2021 than in April 2020.
Source: California Employment Development Department, Labor Market Information Division.

BUILDING ACTIVITY & REAL ESTATE

- California permitted 114,000 housing units (53,000 multi-family units and 61,000 single-family units) in June 2021. This was up 0.8 percent from 113,000 units in May 2021 and up 25.1 percent from the 91,000 units permitted in June 2020. In the first half of 2021, California permitted 124,000 units on average, compared to 97,000 units in the same period in 2020 and 105,000 units in the same period in 2019.
- The statewide median price of existing single-family homes decreased to \$811,170 in July 2021, the fourth consecutive month above \$800,000 and the first month-over-month decrease since February 2021. This was down 1 percent from June but up 21.7 percent from July 2020. Sales of existing single-family homes in California totaled 428,980 units in July 2021, down 1.6 percent from June 2021 and down 2 percent from July 2020, the first year-over-year decline since the decrease of 12.8 percent in June 2020.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for July, the first month of the 2021-22 fiscal year, were \$1.542 billion above the 2021-22 Budget Act forecast of \$8.383 billion. Preliminary General Fund agency cash receipts for the entire 2020-21 fiscal year were \$4.783 billion above the 2021-22 Budget Act forecast of \$201.775 billion, or 2.4 percent above forecast.

- Personal income tax cash receipts to the General Fund for July were \$1.219 billion above the month's forecast of \$6.144 billion. Withholding receipts were \$1.02 billion above the forecast of \$5.748 billion. Other cash receipts were \$382 million above the forecast of \$895 million. Refunds issued in July were \$161 million above the expected \$390 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 July was \$22 million higher than the forecast of \$110 million.
- Sales and use tax cash receipts for July were \$42 million above the month's forecast of \$1.236 billion. July is the first month of the 2021-22 fiscal year and includes a portion of the final payment for calendar year second quarter taxable sales, which was due August 2.
- Corporation tax cash receipts for July were \$375 million above the forecast of \$603 million. Estimated payments were \$220 million above the forecast of \$440 million, and other payments were \$121 million above the \$246 million forecast. Total refunds for the month were \$34 million lower than the forecast of \$83 million.
- Insurance tax cash receipts for July were \$16 million above the forecast of \$31 million. Cash receipts from the alcoholic beverage, tobacco taxes, and pooled money interest were \$11 million above the forecast of \$49 million for July. "Other" cash receipts were \$120 million below the forecast of \$319 million for the month.

2021-22 Comparison of Actual and Forecast Agency General Fund Revenues
(Dollars in Millions)

| Revenue Source | JULY 2021 | | | | 2021-22 YEAR-TO-DATE | | | |
|-----------------------|----------------|----------------|----------------|----------------|----------------------|----------------|----------------|----------------|
| | Forecast | Actual | Change | Percent Change | Forecast | Actual | Change | Percent Change |
| Personal Income | \$6,144 | \$7,362 | \$1,219 | 19.8% | \$6,144 | \$7,362 | \$1,219 | 19.8% |
| Sales & Use | 1,236 | 1,279 | 42 | 3.4% | 1,236 | 1,279 | 42 | 3.4% |
| Corporation | 603 | 978 | 375 | 62.2% | 603 | 978 | 375 | 62.2% |
| Insurance | 31 | 47 | 16 | 49.4% | 31 | 47 | 16 | 49.4% |
| Estate | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Pooled Money Interest | 6 | 13 | 7 | 119.8% | 6 | 13 | 7 | 119.8% |
| Alcoholic Beverages | 39 | 42 | 3 | 7.4% | 39 | 42 | 3 | 7.4% |
| Tobacco | 5 | 5 | 1 | 11.8% | 5 | 5 | 1 | 11.8% |
| Other | 319 | 199 | -120 | -37.7% | 319 | 199 | -120 | -37.7% |
| Total | \$8,383 | \$9,925 | \$1,542 | 18.4% | \$8,383 | \$9,925 | \$1,542 | 18.4% |

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 2021 Budget Act.