

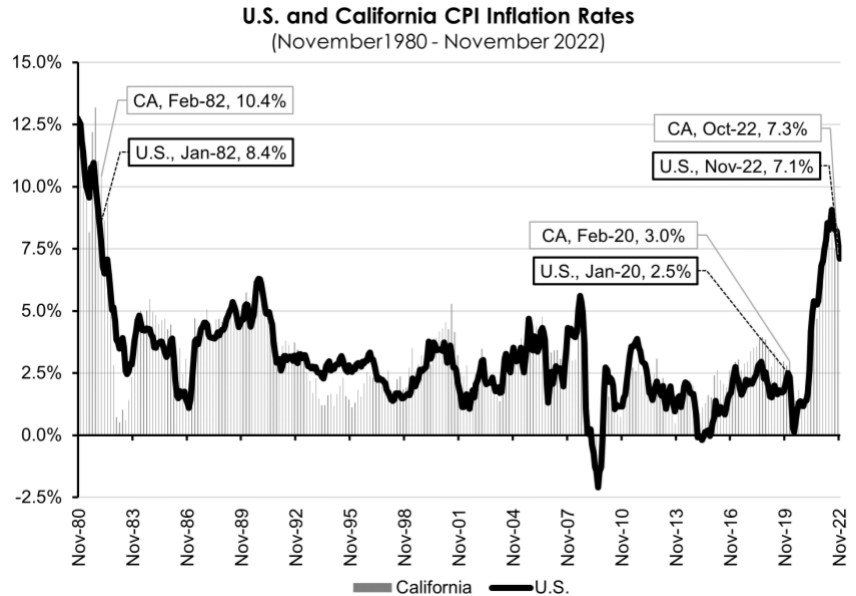


Finance Bulletin

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Economic Update

U.S. headline inflation slowed for the fifth consecutive month to 7.1 percent year-over-year in November 2022, down from 7.7 percent in October and from the peak of 9.1 percent in June. Core inflation, which excludes food and energy, slowed to 6.0 percent year-over-year, down 0.3 percentage point from October. Food and energy inflation remain elevated at 10.6 and 13.1 percent year-over-year respectively, despite the notable decline of food inflation from 10.9 percent and energy inflation from 17.6 percent in October. Shelter inflation, which measures rent currently paid by tenants, rose 7.1 percent as the measure does not fully reflect recent declines in asking rents and it is lagged by about six to twelve months.



LABOR MARKET CONDITIONS

- The U.S. unemployment rate remained unchanged from October 2022 at 3.7 percent in November 2022. Both U.S. civilian employment and unemployment decreased in November by 138,000 and 48,000, respectively. During the month, the labor force decreased for a third consecutive month by 186,000 people in November, bringing the labor force participation rate down 0.1 percentage point to 62.1 percent, 1.3 percentage points below the February 2020 rate. The U.S. added 263,000 nonfarm jobs in November 2022, the smallest job gain since April 2021 and slower than the average monthly gain of 405,000 for the first ten months of 2022. Ten of the eleven major sectors added jobs: leisure and hospitality (88,000), educational and health services (82,000), government (42,000), other services (24,000), construction (20,000), information (19,000), manufacturing (14,000), financial activities (14,000), professional and business services (6,000), and mining and logging (3,000). Trade, transportation, and utilities lost 49,000 jobs in November. U.S. nonfarm payroll employment was over 1 million (0.7 percent) above its February 2020 level in November 2022.
- California's unemployment rate rose 0.1 percentage point to 4.1 percent in November 2022. California civilian unemployment increased by 21,800 while civilian employment decreased by 42,700, and 21,000 people dropped out of the labor force. There were 273,400 (1.5 percent) fewer employed and around 282,000 (1.4 percent) fewer persons in the labor force in November 2022 than in February 2020. California added 26,800 nonfarm jobs in November 2022, driven by gains in leisure and hospitality (13,900), educational and health services (13,400), information (6,300), professional and business services (4,700), other services (2,800), financial activities (2,500), government (2,200), manufacturing (1,100), construction (200), and mining and logging (100). Trade, transportation, and utilities lost 20,400 jobs in November. California had 60,700 jobs (0.3 percent) more jobs in November 2022 than February 2020.

BUILDING ACTIVITY

- The statewide median price of existing single-family homes decreased to \$777,500 in November 2022, down 3 percent from October and down 0.6 percent from November 2021. Sales of existing single-family homes in California decreased to 237,740 units (SAAR) in November 2022, down 13.2 percent from October and down 47.7 percent from November 2021.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first five months of the 2022-23 fiscal year were \$1.088 billion above the 2022 Budget Act forecast. However, this includes an estimated net positive impact from the timing of Pass-Through Entity (PTE) Elective Tax credit usage and payments of \$5.7 billion. Excluding the impact of the PTE Elective Tax, 2022-23 year-to-date cash receipts would be an estimated \$4.6 billion below forecast, largely driven by personal income tax payments related to tax year 2022. November cash receipts were \$1.192 billion below the forecast of \$12.669 billion due to lower personal income tax revenues.

- Personal income tax cash receipts for the first five months of the fiscal year were \$35 million below the forecast of \$38.733 billion. Lower PTE Elective Tax credit usage is estimated to have increased personal income tax cash receipts by \$4.6 billion for the fiscal year. Personal income tax cash receipts for November were \$2.755 billion below the forecast of \$8.441 billion, largely due to higher refunds and lower withholding. November refunds exceeded the forecast by \$1.508 billion due to higher PTE Elective Tax credit usage of an estimated \$1 billion. November withholding receipts were below projections for the sixth consecutive month, falling \$1.299 billion below forecast. Withholding receipts declined 9.5 percent year-over-year, which is larger than the 2.4-percent average year-over-year decline observed between June and October.
- Corporation tax cash receipts for the first five months of the fiscal year were \$566 million above the forecast of \$4.228 billion. Higher PTE Elective Tax payments increased corporation tax receipts by \$1.1 billion for the fiscal year. Corporation tax cash receipts for November were \$264 million above the month's forecast of \$232 million, with \$160 million due to higher Elective PTE Tax payments. November is not a significant month for the corporation tax.
- Sales and use tax cash receipts for the first five months of the fiscal year were \$210 million above the forecast of \$14.04 billion. Sales and use tax cash receipts for November were \$1.12 billion above the forecast of \$3.213 billion. Higher receipts were partially due to the shifting of some October payments to November, which led to October receipts falling short of projections. For October and November combined, sales and use tax cash receipts were \$487 million above forecast. November included a portion of the final payment for third quarter taxable sales.

2022-23 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	NOVEMBER 2022				2022-23 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$8,441	\$5,686	-\$2,755	-32.6%	\$38,733	\$38,698	-\$35	-0.1%
Withholding	8,419	7,120	-1,299	-15.4%	39,013	34,815	-4,198	-10.8%
Estimated Payments	391	284	-107	-27.4%	7,292	4,454	-2,838	-38.9%
Final Payments	260	309	48	18.5%	2,906	3,948	1,042	35.9%
Other Payments	475	540	65	13.6%	2,670	2,852	183	6.8%
Refunds	-917	-2,425	-1,508	164.5%	-12,270	-6,573	5,697	-46.4%
MHSF Transfer	-152	-102	50	-32.9%	-697	-693	3	-0.5%
Corporation	\$232	\$496	\$264	114.0%	\$4,228	\$4,795	\$566	13.4%
Estimated Payments	229	213	-17	-7.3%	3,220	2,987	-234	-7.3%
PTE Payments	0	160	160	N/A	0	1,149	1,149	N/A
Other Payments	304	377	73	24.0%	2,098	2,035	-64	-3.0%
Refunds	-302	-255	47	-15.7%	-1,090	-1,376	-286	26.2%
Sales & Use	\$3,213	\$4,332	\$1,120	34.8%	\$14,040	\$14,249	\$210	1.5%
Insurance	\$614	\$608	-\$6	-1.0%	\$1,530	\$1,542	\$13	0.8%
Pooled Money Interest	\$27	\$131	\$104	385.2%	\$153	\$462	\$309	201.9%
Alcohol	\$38	\$35	-\$3	-7.2%	\$188	\$188	\$1	0.3%
Tobacco	\$4	\$4	\$0	-3.5%	\$21	\$22	\$1	3.5%
Other	\$100	\$185	\$85	84.5%	\$661	\$685	\$24	3.7%
Total	\$12,669	\$11,477	-\$1,192	-9.4%	\$59,554	\$60,642	\$1,088	1.8%

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. The personal income total includes Individual Shared Responsibility Penalty transfers. The forecast is from the 2022 Budget Act.