

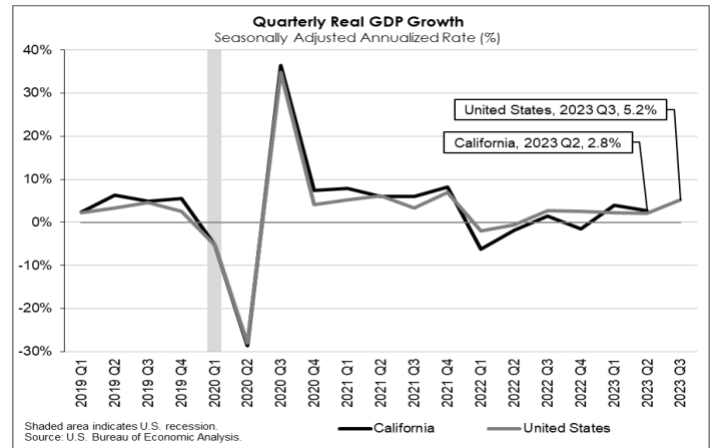


Finance Bulletin

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Economic Update

- U.S. headline inflation decelerated 0.1 percentage point to 3.1 percent year-over-year in November 2023, largely reflecting a decline in gasoline prices. Core inflation—which excludes food and energy—held steady at 4 percent year-over-year. Transportation inflation—which includes gasoline—increased slightly to 0.9 percent from 0.8 percent in October, while shelter inflation slowed for the eighth consecutive month to 6.5 percent from 6.7 percent. Year-to-date, U.S. headline inflation averaged 4.2 percent through November, down from 8.1 percent over the same period last year.
- In the second estimate, U.S. real GDP grew at a 5.2-percent seasonally adjusted annualized rate (SAAR) in the third quarter of 2023, revised up from 4.9 percent. This followed 2.1-percent growth in the second quarter. The third quarter growth was driven by consumption, which contributed 2.4 percentage points (ppt), and inventory accumulation (1.4 ppt). California real GDP grew at 2.8 percent (SAAR) in the second quarter of 2023, following growth of 4 percent (revised) in the first quarter, and was 6.3 percent above its pre-pandemic 2019 fourth quarter level.
- California personal income increased by 4.7 percent (SAAR) in the second quarter of 2023. Growth was driven mainly by wages and salaries, although all components contributed. California's share of U.S. personal income was 13.7 percent, down from 14.1 percent in 2020 and 2021 and just below the 2019 average of 13.8 percent.



LABOR MARKET CONDITIONS

- The U.S. unemployment rate decreased 0.2 percentage point to 3.7 percent in November 2023 as U.S. civilian household employment increased by 747,000 while unemployment decreased by 215,000. The labor force increased by 532,000 people, bringing the labor force participation rate up 0.1 percentage point to 62.8 percent, still 0.5 percentage point below its February 2020 rate. The U.S. added 199,000 nonfarm payroll jobs. Eight of the eleven major sectors added jobs: private educational and health services (99,000), government (49,000), leisure and hospitality (40,000), manufacturing (28,000), other services (12,000), information (10,000), financial activities (4,000), and construction (2,000). Trade, transportation, and utilities lost 35,000 jobs followed by professional and business services (-9,000), and mining and logging (-1,000).
- California's unemployment rate rose 0.1 percentage point to 4.8 percent in October 2023. California civilian unemployment increased by 17,700, civilian household employment decreased by 28,800, and 11,100 people dropped out of the labor force. The state's labor force participation rate remained unchanged from September at 62.3 percent. California added 40,200 nonfarm payroll jobs driven by gains in private educational and health services (13,200), followed by trade, transportation, and utilities (6,900), leisure and hospitality (5,100), construction (4,500), manufacturing (3,400), professional and business services (2,500), government (2,400), other services (2,000), information (400) and mining and logging (100). Financial activities was the only sector that shed jobs (-300).

BUILDING ACTIVITY

- Year-to-date through October 2023, California permitted 111,200 housing units (SAAR), down 1.7 percent from September 2023 and down 7.8 percent from a year ago in October 2022. October permits consisted of 55,500 single-family units (down 0.1 percent from September, and down 13.5 percent year over year) and 55,700 multi-family units (down 3.4 percent from September, and down 1.3 percent year over year).
- The statewide median sale price of existing single-family homes decreased to \$840,360 in October 2023, down 0.4 percent from September but up 4.9 percent from October 2022. Sales of existing single-family homes in California increased slightly to 241,770 (SAAR) in October 2023, up 0.3 percent from September and down nearly 12 percent from October 2022.

MONTHLY CASH REPORT

- This Finance Bulletin issue reports October and November cash results combined due to the tax deadline delays that shifted various personal income tax (PIT) and corporation tax deadlines to November 16, including the late extension announced on October 16. Preliminary General Fund agency cash receipts were \$25.218 billion, or 39.9 percent, below the 2023 Budget Act forecast of \$63.192 billion in October and November combined due to PIT and corporation income tax falling significantly below projections. The 2023 Budget Act forecast assumed around \$42 billion in PIT and corporation tax receipts would shift from January through September to October due to the initial extension of various payments and filing deadlines for most Californians to October 16. Cash results through the end of November, which capture all shifted payments, indicate the size of the actual shift was much smaller than assumed in the 2023 Budget Act forecast. Since April when the Budget Act revenue forecast was finalized, General Fund agency cash receipts were cumulatively \$23.338 billion below the 2023 Budget Act forecast.
 - Personal income tax cash receipts were \$18.327 billion, or 42.8 percent, below the forecast of \$42.854 billion in October and November combined. Non-withholding payments, which include estimated payments, final payments, and other payments, were down \$17.421 billion in October and November combined and down \$17.559 billion cumulatively since April, reflecting weakness in payments related to tax years 2022 and 2023. PIT refunds were \$1.837 billion higher than projected in October and November combined. Delayed PIT deadlines included January estimated payments and April final and extension payments related to tax year 2022 as well as April, June, and September estimated payments related to tax year 2023. Extension payments due in April are normally included in "Other Payments." Due to the tax deadline delay, tax year 2022 extension payments were generally categorized as final payments (due to their receipt in October and November with the taxpayer's final tax return), while the Budget Act forecast assumed they would be included in "Other Payments". As a result of the different categorization, the two payment types should be viewed together, yielding a \$7.568-billion shortfall on net across October and November. PIT withholding receipts were \$614 million above forecast across both months, up 8.2 percent year-over-year, and up \$1.303 billion cumulatively since April. Despite some volatility in recent months, withholding was 5 percent higher cumulatively from May through November compared to the same period in 2022.
 - Corporation tax cash receipts were \$8.113 billion, or 57.5 percent, below the forecast of \$14.107 billion in October and November combined. Pass-Through Entity Elective Tax (PTET) payments were \$4.489 billion below forecast in October and November combined and were \$2.008 billion lower than projected cumulatively since April. Corporate tax refunds were \$394 million higher than projected in October and November combined and were \$1.167 billion higher cumulatively since April. Excluding PTET payments, net corporation tax revenues were down \$3.624 billion relative to the forecast in October and November combined and down \$4.585 billion cumulatively since April. Delayed corporation income tax deadlines impacted all payments due January through September, including those related to PTET.
 - Sales and use tax cash receipts were \$787 million, or 15.5 percent, above the forecast of \$5.091 billion for October and November combined. A significant portion of this overage is likely related to timing and will be offset in December as actual processing of transactions is faster than assumed in the Budget Act forecast. Sales and use tax receipts were \$759 million above the forecast cumulatively since April.

2023-24 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	OCTOBER & NOVEMBER 2023				2023-24 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$42,854	\$24,527	-\$18,327	-42.8%	\$65,447	\$47,093	-\$18,354	-28.0%
Withholding	14,860	15,474	614	4.1%	35,782	36,157	375	1.0%
Estimated Payments	15,638	5,786	-9,853	-63.0%	17,600	7,615	-9,984	-56.7%
Final Payments	6,469	7,286	817	12.6%	7,136	8,516	1,380	19.3%
Other Payments	9,493	1,108	-8,386	-88.3%	10,705	2,561	-8,144	-76.1%
Refunds	-2,795	-4,632	-1,837	65.7%	-4,503	-6,821	-2,318	51.5%
MHSE Transfer	-762	-439	323	-42.4%	-1,166	-844	322	-27.7%
Corporation	\$14,107	\$5,994	-\$8,113	-57.5%	\$17,493	\$9,919	-\$7,573	-43.3%
Estimated Payments	2,330	1,612	-718	-30.8%	4,503	3,544	-958	-21.3%
PTET Payments	8,607	4,118	-4,489	-52.2%	9,080	5,822	-3,259	-35.9%
Other Payments	3,938	1,426	-2,512	-63.8%	5,239	2,604	-2,635	-50.3%
Refunds	-768	-1,163	-394	51.3%	-1,329	-2,050	-721	54.2%
Sales & Use	\$5,091	\$5,879	\$787	15.5%	\$13,262	\$13,960	\$698	5.3%
Insurance	\$706	\$713	\$7	1.0%	\$1,626	\$1,647	\$20	1.2%
Pooled Money Interest	\$290	\$636	\$346	119.1%	\$764	\$1,170	\$406	53.2%
Alcohol	\$75	\$71	-\$4	-5.1%	\$189	\$183	-\$6	-3.2%
Tobacco	\$7	\$10	\$3	42.7%	\$19	\$24	\$5	26.1%
Other	\$61	\$144	\$82	134.1%	\$273	\$752	\$479	175.4%
Total	\$63,192	\$37,974	-\$25,218	-39.9%	\$99,072	\$74,748	-\$24,325	-24.6%

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. The personal income total includes Individual Shared Responsibility Penalty transfers. The forecast is from the 2023 Budget Act.