



Finance Bulletin

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Economic Update

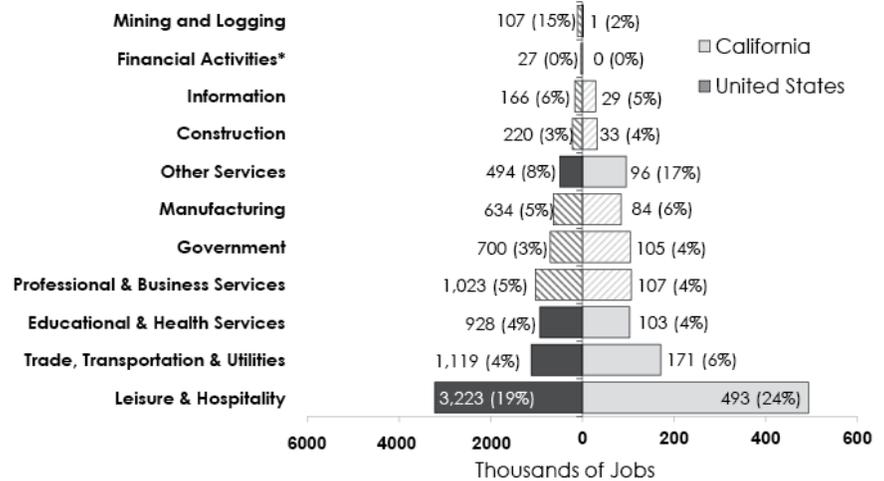
There were 1.5 million fewer employed Californians in December 2020 than in February 2020, with half a million fewer people in the labor force. California's unemployment rate increased by 0.9 percentage point to 9.0 percent in December 2020, its first increase since April 2020. The U.S. unemployment rate remained at 6.7 percent in December before falling to 6.3 percent in January 2021.

ECONOMIC CONDITIONS IN 2020

■ U.S. real GDP fell by 3.5 percent in 2020, the largest decrease in modern history, after increasing 2.2 percent in 2019. Spending on services (accounting for approximately 45 percent of GDP in 2019), decreased by 7.3 percent, more than offsetting the increase of 3.9 percent in goods spending (accounting for roughly a quarter of GDP).

■ California civilian employment decreased by a record 1.6 million or 8.6 percent in 2020 after increasing by 0.9 percent in 2019. Unemployment increased from 785,000 in 2019 to 1.9 million in 2020. The labor force fell by a record 450,000 people. California's unemployment rate averaged 10.2 percent in 2020 following 4.1 percent in 2019. U.S. civilian employment decreased by 9.7 million or 6.2 percent in 2020, following an increase of 1.1 percent in 2019. There were 6.9 million more unemployed and 2.8 million fewer people in the labor force compared to 2019. The U.S. unemployment rate averaged 8.1 percent in 2020 following 3.7 percent in 2019.

U.S. and California Job Loss by Industry
Job losses in 2020 relative to 2019
Solid bars represent low-wage sectors



* California's financial activities sector has gained 400 jobs over 2019.
Source: U.S. Bureau of Labor Statistics; CA EDD Labor Market Information Division

■ California nonfarm jobs decreased by a record 1.2 million or 7.0 percent in 2020 following an increase of 1.5 percent in 2019. U.S. nonfarm jobs decreased by 8.6 million or 5.7 percent in 2020 following an increase of 1.3 percent in 2019. For California and the nation, job losses were largest for low-wage sectors, which lost 10.2 percent and 7.8 percent of their jobs respectively, compared to high-wage sector job losses of 4.0 percent and 3.8 percent, respectively.

■ California housing units authorized by building permits averaged 102,800 in 2020, down 8.8 percent from 2019. This follows a decline of 3.8 percent in 2019. Multi-family units fell by 18.5 percent to 44,300, while single-family units increased by 0.3 percent to 58,500. California's nonresidential building valuation decreased by 30.4 percent to \$22.4 billion in 2020, following a decrease of 3.9 percent in 2019.

■ California's median home sales price for a single-family home grew by 11.3 percent to an average of \$659,380 in 2020, following an increase of 3.6 percent in 2019. The California median home sales price ended the year at a record-high \$717,930 in December, the fifth time that a new record was set in 2020. Home sales volume averaged 411,870 units in 2020, up 3.5 percent compared to a decline of 1.2 percent in 2019.

■ California headline inflation slowed from 3.0 percent in 2019 to 1.7 percent in 2020. Similarly, U.S. inflation slowed from 1.8 percent in 2019 to 1.2 percent in 2020. This is the slowest inflation since 2015 for both the state and the nation, where deceleration in gasoline and housing prices more than offset the acceleration in food prices and medical care inflation.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first seven months of the fiscal year were \$10.539 billion above the 2021-22 Governor's Budget forecast of \$106.524 billion. Cash receipts for the month of January were \$7.453 billion above the 2021-22 Governor's Budget forecast of \$18.208 billion. \$1.1 billion of the cash overage is due to the 2021-22 Governor's Budget assumption that \$1.1 billion in personal income tax refunds related to the Golden State Stimulus would be issued in January. As of the date of this bulletin, the Golden State Stimulus had not yet been enacted and therefore no tax refunds related to the Golden State Stimulus have been issued.

- Personal income tax cash receipts to the General Fund for the first seven months of the fiscal year were \$9.803 billion above forecast. Cash receipts for January were \$7.389 billion above the month's forecast of \$15.507 billion. Withholding cash receipts were \$31 million below the forecast of \$7.586 billion. Other cash receipts were \$6.206 billion above the forecast of \$9.889 billion. Refunds issued in January were \$1.323 billion below the expected \$1.666 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 January was \$108 million higher than the forecast of \$302 million.
- Sales and use tax cash receipts for the first seven months of the fiscal year were \$167 million above forecast. Cash receipts for January were \$151 million below the month's forecast of \$1.775 billion. January included a portion of the final payment for fourth quarter taxable sales.
- Corporation tax cash receipts for the first seven months of the fiscal year were \$493 million above forecast. Cash receipts for January were \$273 million above the month's forecast of \$711 million. Estimated payments were \$351 million above the forecast of \$499 million, and other payments were \$6 million above the \$284 million forecast. Total refunds for the month were \$85 million higher than the forecast of \$72 million.
- Insurance tax cash receipts for the first seven months of the fiscal year were \$86 million above forecast. Insurance tax cash receipts for January were \$1 million above the forecast of \$32 million. Cash receipts from the alcoholic beverage, tobacco taxes, and pooled money interest for the first seven months of the fiscal year were \$6 million above forecast, and were \$14 million above the forecast of \$54 million for January. "Other" Cash receipts for the first seven months of the fiscal year were \$17 million below forecast, and were \$73 million below the forecast of \$130 million for January.

2021-22 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	JANUARY 2021				2020-21 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$15,507	\$22,897	\$7,389	47.7%	\$76,697	\$86,500	\$9,803	12.8%
Sales & Use	1,775	1,624	-151	-8.5%	15,451	15,618	167	1.1%
Corporation	711	984	273	38.3%	11,517	12,010	493	4.3%
Insurance	32	32	1	2.5%	1,533	1,619	86	5.6%
Estate	0	0	0	0.0%	0	0	0	0.0%
Pooled Money Interest	9	22	14	158.4%	121	124	3	2.3%
Alcoholic Beverages	40	40	0	-0.4%	251	253	1	0.6%
Tobacco	6	6	1	17.2%	35	37	2	5.0%
Other	130	57	-73	-56.4%	919	902	-17	-1.8%
Total	\$18,208	\$25,662	\$7,453	40.9%	\$106,524	\$117,062	\$10,539	9.9%

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 2021-22 Governor's Budget.