



Finance Bulletin

Joe Stephenshaw, Director

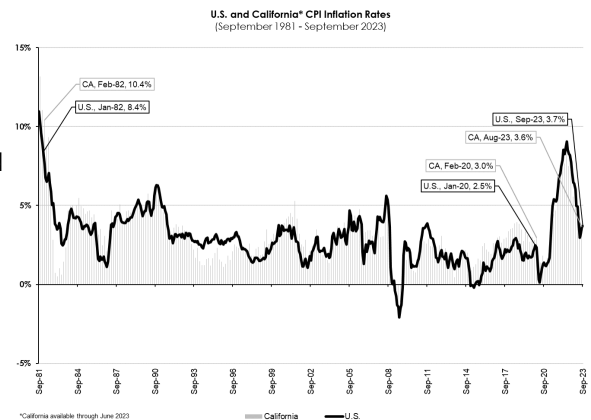
Economic Update

The U.S. unemployment rate remained unchanged in September 2023 at 3.8 percent, as both civilian unemployment and employment increased by 5,000 and 86,000 persons, respectively, and 90,000 people joined the labor force. Year-to-date, the U.S. labor force increased by nearly 3 million participants, bringing the labor force participation rate to 62.8 percent, unchanged in September from August 2023. The U.S. added 336,000 nonfarm jobs in September 2023, higher than the average monthly gain of around 250,000 during the first eight months of 2023. Leisure and hospitality (96,000), government (73,000), and private education and health services (70,000) had the largest job gains. Conversely, information shed 5,000 jobs, losing jobs for five consecutive months for a total of around 59,000 lost jobs since May 2023.

California's unemployment rate increased by 0.1 percentage point to 4.7 percent in September 2023, as unemployment rose by 19,000 persons, civilian employment fell by 36,000 persons, and 18,000 people left the labor force. California's labor force participation rate decreased from 62.5 percent in June to 62.3 percent in September 2023, following three consecutive months of labor force declines. The state added 8,700 nonfarm payroll jobs in September, while August's job gain was revised down from 23,100 to just 3,200 jobs. Five of the eleven major sectors added jobs in September, driven by gains in private education and health services (18,200), followed by leisure and hospitality (11,300), trade, transportation, and utilities (2,400), construction (2,200), and government (300). Six sectors lost jobs: professional and business services (-10,900) had the largest job loss of any sector, followed by information (-7,300), manufacturing (-4,600), financial activities (-1,600), other services (-1,100), and mining and logging (-200).

U.S. INFLATION AND INTERNATIONAL TRADE

- U.S. headline consumer price inflation remained unchanged at 3.7 percent year-over-year in September 2023. Core inflation—which excludes food and energy—decelerated to 4.1 percent year-over-year from 4.3 percent in August. Transportation inflation—which includes gasoline—accelerated to 2.4 percent in September from 1.4 percent in August, while shelter inflation slowed previous month. Year to date, U.S. headline inflation averaged 4.4 percent, down from 8.3 percent in the same period last year. U.S. core inflation averaged 5.1 percent year-to-date, down from 6.2 percent in the same period last year. California headline inflation rose to 3.6 percent year-over-year in August from 3.1 percent in June. California's core inflation, however, slowed to 4 percent year-over-year in August from 4.6 percent in June.
- U.S. real GDP grew at a 2.1 percent seasonally adjusted annualized rate (SAAR) in the second quarter of 2023, following 2.2 percent growth in the first quarter and was slightly lower than its pre-pandemic (2015-2019 average) level of 2.4 percent. Growth in the second quarter of 2023 was primarily driven by personal consumption expenditures and fixed investment, which contributed 0.6 percentage point and 0.9 percentage point, respectively. The Bureau of Economic Analysis delayed their release of state GDP for the second quarter of 2023, which was originally scheduled for release on September 29, 2023. First quarter state GDP was 1.2 percent (SAAR).
- California's personal income increased by 4.7 percent (SAAR) in the second quarter of 2023 and was 4.9 percent above the second quarter of 2022. Growth was mainly driven 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.



BUILDING ACTIVITY

- Year-to-date through August 2023, California permitted 113,000 units (SAAR), up 4.5 percent from July, but down 7.7 percent from August 2022. August 2023 total permits consisted of 55,000 single-family units (up 1.8 percent from July, but down 18.4 percent year over year) and 58,000 multi-family units (up 7.1 percent from July and up 5.5 percent year over year).
- The statewide median price of existing single-family homes increased to \$859,800 in August 2023, up 3.3 percent from July 2023 and 2.4 percent from August 2022. Sales of existing single-family homes in California totaled 254,740 units (SAAR) in August 2023, down 5.3 percent from July and down nearly 19 percent from August 2022.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts were \$796 million, or 5.7 percent, above the forecast of \$13.974 billion in September largely due to Pass-Through Entity Elective Tax (PTET) payments exceeding the forecast by \$918 million for the month. Receipts for the first three months of the 2023-24 fiscal year were \$879 million, or 2.4 percent, above the forecast of \$35.881 billion. General Fund agency cash receipts for the entire 2022-23 fiscal year were \$980 million above the 2023-24 Budget Act forecast of \$167.627 billion. The Budget Act monthly cashflow assumes an extended payment and filing deadline for Californians in most counties to October 16. The delay affects personal and corporate income tax categories other than withholding, however the extent to which variance relative to the forecast is caused by taxpayers' behavior differing from assumptions is unknown. On October 16, the delayed filing and payment deadline was further extended to November 16.

- Personal income tax (PIT) cash receipts were \$16 million above the forecast of \$8.561 billion in September. PIT withholding receipts were \$202 million below forecast in September, down 0.9 percent year-over-year. Withholding growth has been somewhat volatile in recent months but remained 3.6 percent higher cumulatively from May to September compared to the same period last year. September PIT refunds were \$146 million higher than projected, bringing the cumulative overage since April when the Budget Act forecast was finalized to \$1.427 billion. PIT estimated payments, final payments, and other payments combined were \$358 million above forecast in September.
- Corporation tax cash receipts were \$848 million above the forecast of \$2.118 billion in September, due to higher-than-expected PTET payments. PTET payments were \$918 million above forecast in September and were \$2.481 billion higher than projected cumulatively since April. Corporate tax refunds were \$35 million lower than projected in September but were \$773 million above forecast cumulatively since April. Excluding PTET payments, net corporation tax revenues were down \$70 million relative to the forecast in September and down \$962 million cumulatively since April.
- Sales and use tax cash receipts were \$91 million below the forecast of \$2.788 billion in September. Sales and use tax receipts were \$54 million above forecast for the entire 2022-23 fiscal year and were \$104 million below forecast in the first three months of the 2023-24 fiscal year.

2023-24 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	SEPTEMBER 2023				2023-24 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$8,561	\$8,576	\$16	0.2%	\$22,593	\$22,566	-\$27	-0.1%
Withholding	7,112	6,910	-202	-2.8%	20,922	20,683	-239	-1.1%
Estimated Payments	1,461	1,357	-105	-7.2%	1,961	1,830	-131	-6.7%
Final Payments	283	656	373	131.7%	667	1,230	563	84.4%
Other Payments	544	634	90	16.6%	1,212	1,454	242	19.9%
Refunds	-671	-817	-146	21.7%	-1,708	-2,189	-480	28.1%
MHFS Transfer	-153	-154	-1	0.4%	-404	-404	0	0.1%
Corporation	\$2,118	\$2,966	\$848	40.1%	\$3,386	\$3,925	\$539	15.9%
Estimated Payments	1,455	1,391	-64	-4.4%	2,173	1,932	-241	-11.1%
PTE Payments	344	1,261	918	267.1%	473	1,703	1,230	260.2%
Other Payments	663	623	-41	-6.1%	1,302	1,178	-124	-9.5%
Refunds	-344	-309	35	-10.1%	-561	-888	-327	58.2%
Sales & Use	\$2,788	\$2,697	-\$91	-3.3%	\$8,171	\$8,067	-\$104	-1.3%
Insurance	\$189	\$204	\$16	8.3%	\$921	\$934	\$13	1.5%
Pooled Money Interest	\$196	\$110	-\$86	-44.1%	\$474	\$534	\$61	12.8%
Alcohol	\$36	\$36	\$0	-0.5%	\$114	\$112	-\$2	-1.9%
Tobacco	\$4	\$5	\$1	18.5%	\$12	\$13	\$2	15.7%
Other	\$83	\$177	\$94	112.5%	\$212	\$608	\$396	187.4%
Total	\$13,974	\$14,770	\$796	5.7%	\$35,881	\$36,760	\$879	2.4%

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