

DOF Releases June Finance Bulletin



July 8, 2020

The Department of Finance (DOF) released its June Finance Bulletin, which summarizes significant economic data points including labor market conditions, real estate trends, and the state's monthly cash report.

February 2020 marked the end of the U.S. economic expansion that lasted 128 months, and as such, most economic indicators are presented in reference to February. Market decline driven by COVID-19 accelerated the nation's unemployment rate, which reached 14.7% in April before declining to 13.3% in May. Projecting these numbers across the country, 22 million fewer Americans were employed in May than in February. As goes the nation, so goes California, where unemployment moved from its seven-month low of 3.9% to a record high of 16.4% in April before decreasing slightly in May to 16.3%—indicating a loss of 3.3 million jobs in two and a half months. To provide perspective, during the Great Recession, California lost 1.3 million non-farm jobs over the 31-month period from July 2007 through February 2010. Job losses are heaviest in low-wage sectors, with the leisure and hospitality industry taking the biggest hit with net job losses of 917,600 (or 45%) since February. Following closely behind are trade, transportation, and utilities industries losing 391,700 jobs, or 13%, while educational and health services have lost 10% of its low-wage workforce (or 283,200 jobs) since February.

Building permits for April totaled 60,100, down 52.2% from February. Over March and April, authorized single-family units fell 65.2% to 26,800 units, while multifamily units similarly dropped 31.5% to 33,300 units in April. This is the lowest level of housing permits authorized since September 2013, and will continue to perpetuate the lack of housing supply in California. In April, non-residential valuations were down 36.6% from the February numbers.

In May, California single-family home sales totaled 238,740 units, seasonally adjusted, which is a 43.4% decline from February. The statewide single-family median home price in May was \$588,070, an increase of 1.4% from February but down 3.7% from May 2019. This ended 98 consecutive months of increasing single-family home prices from March 2012 to April 2020.

The state reduced revenue expectations from Governor Gavin Newsom's State Budget proposal to the May Revision by 6.3%, and included the delay of income tax filings to July 15th in their cash flow model. Year-to-date cash collections through May track slightly ahead of the revised forecast by \$793 million, or 0.6%—buoyed by personal income tax receipts of \$533 million, 0.7% above forecast. Sales and use tax collections are \$40 million, or 0.2%, below forecast, while corporate tax collections are \$21 million, or 0.2%, below forecast. Examination of month-specific data for May shows that personal income tax receipts beat expectations by \$521 million, or 12.7%, continuing strong performance in this revenue stream despite the economic conditions. Sales and use tax and corporate tax failed to meet expectations in May by \$40 million and \$21 million, respectively.

The DOF's June Finance Bulletin can be found [here](#).