

DOF Releases August Finance Bulletin

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

Summarizing the second quarter data, the report highlights the precipitous economic decline driven by the COVID-19 pandemic, which essentially turned off the economic spigot and caused the seasonally adjusted annualized real gross domestic product (GDP) to drop 32.9% during the second quarter of 2020, following a 5.0% drop in the first quarter.

To put these numbers into perspective, during the Great Recession, real GDP dropped 4.0% between the first quarter of 2007 and the second quarter of 2009. Nationally, the COVID-19 pandemic has caused 20.1 million people, or 12.80%, to leave the workforce, which is nearly three times the number as during the Great Recession. This has pushed national unemployment from a low of 3.8% in early 2020 to an average 13.0% in the second quarter—settling at 10.2% at the end of July. Similarly, California lost 2.8 million people, or 15.3%, from the workforce, with 2.1 million moving onto unemployment rolls, while 576,000 workers were furloughed and another 660,000 were reduced to part-time status. These numbers are stark when compared to the 5.5% decline in the workforce that was seen during the Great Recession. California's unemployment rate averaged 15.9% during the second quarter, a full 3.6% higher than the previous record high of 12.3% during the Great Recession. The leisure and hospitality industry has been hit the hardest, losing 40.0% of sector jobs over one quarter.

Building permits for June 2020 totaled 71,100, which is up 2.8% from May, but down 43.5% from February. Year-to-date, authorized residential housing units averaged 92,600 (down 12.3 percent from the same period in 2019), with a nearly equal split between single-family and multifamily units. Lackluster building perpetuates the low housing supply in California.

July 2020 General Fund preliminary cash receipts were \$2.58 billion more than estimated in the 2020–21 State Budget Act. The impact of the delayed 2019 income tax receipts from April to July accounts for \$1.135 billion of the higher revenue. As July is the first month of the fiscal year, the monthly and year-to-date numbers are the same. July personal income tax receipts beat expectations by \$2.65 billion, or 12.6%, continuing strong performance in this revenue stream despite the economic conditions and continued threats of further economic shutdowns. Sales and use tax receipts exceeded expectations, beating estimates by \$602 million, or 46.9%. Corporate tax receipts fell short of expectations by \$306 million, or 6.4%.

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