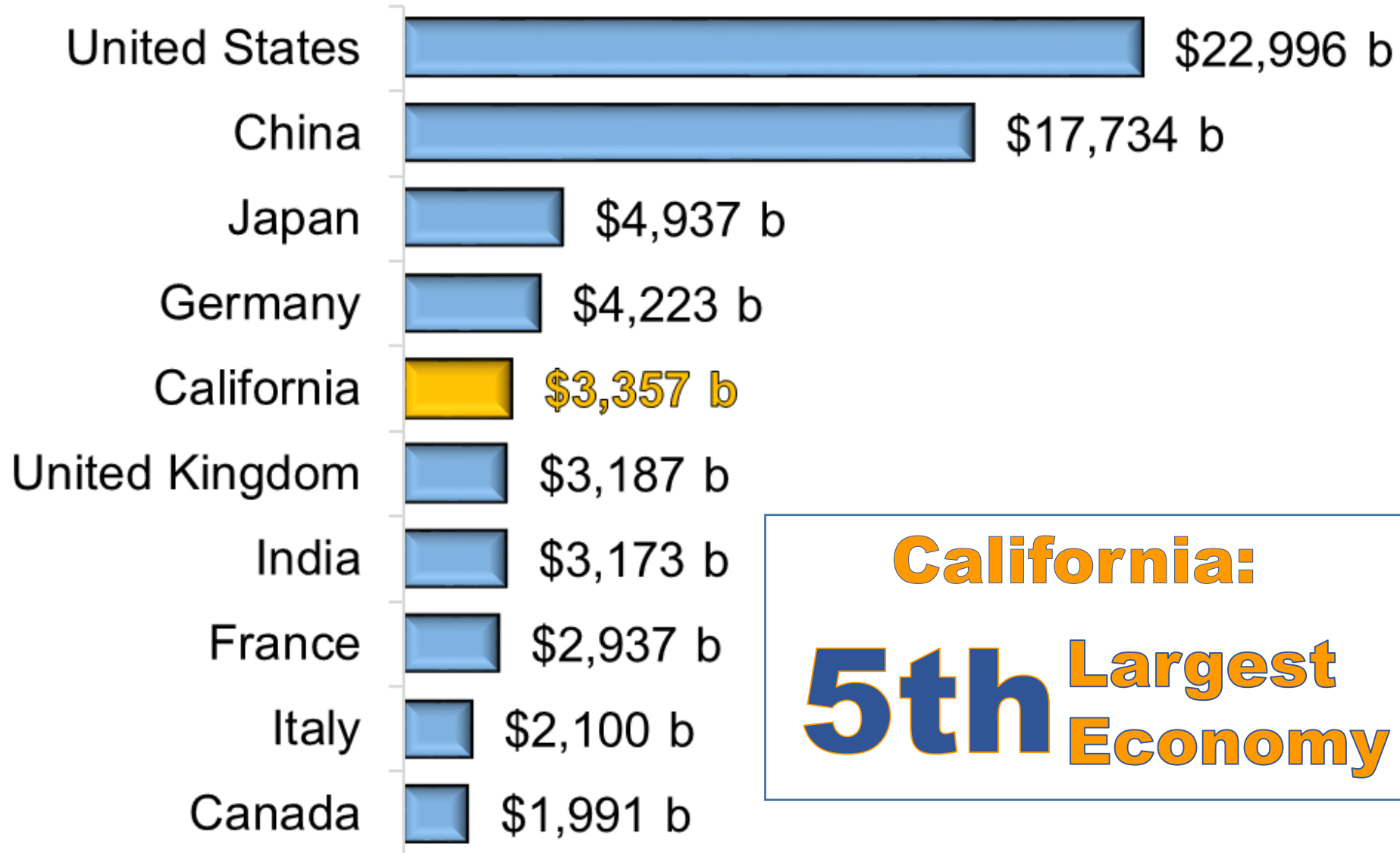




California Economic Overview for Judicial Council

September 20, 2022

Somjita Mitra, Chief Economist
California Department of Finance



California:
5th Largest Economy

Source: The World Bank, U.S. Bureau of Economic Analysis (BEA)



Department of Finance Forecasting Unit

Demographics



Economics



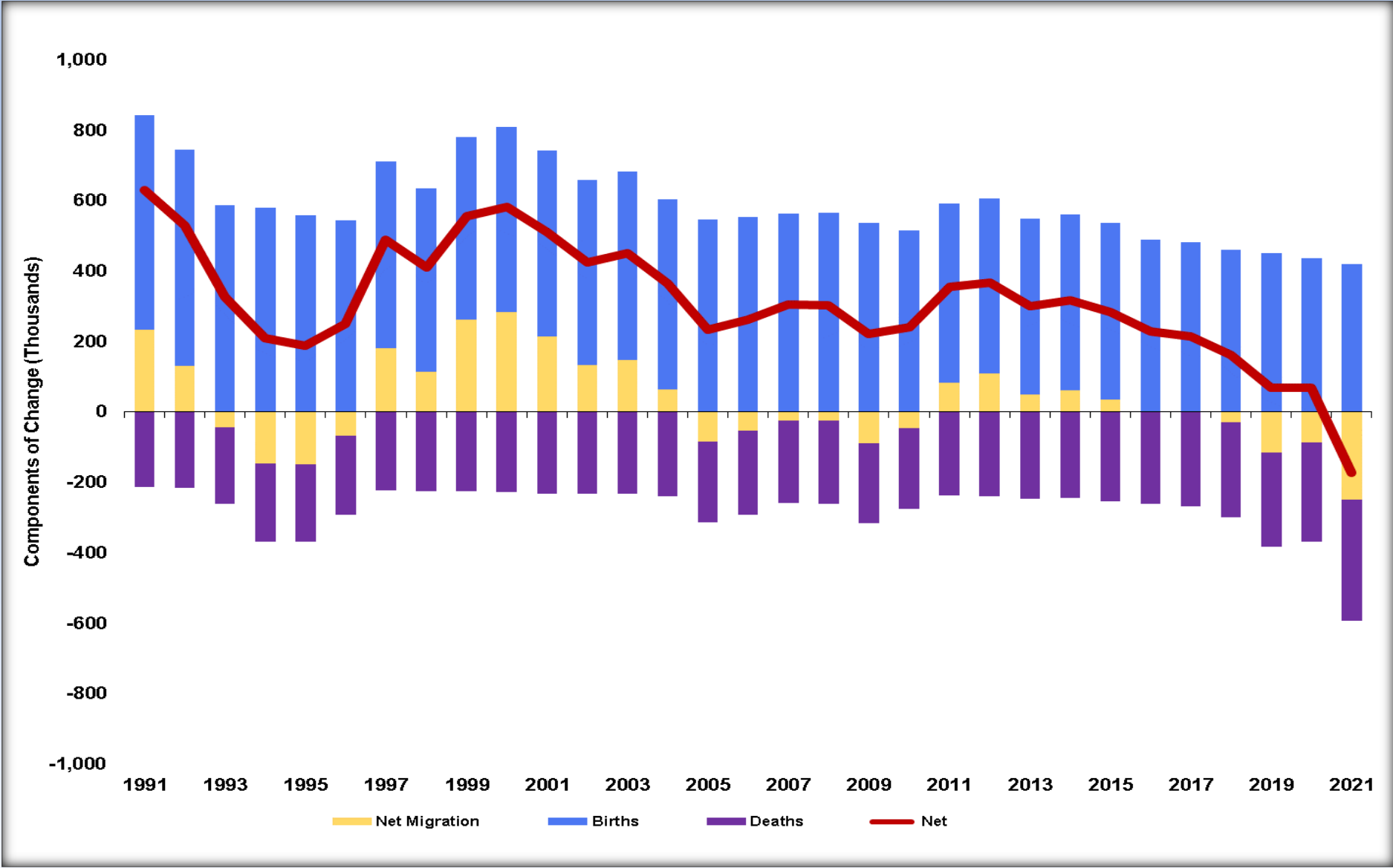
Revenues



Demographic Research Unit



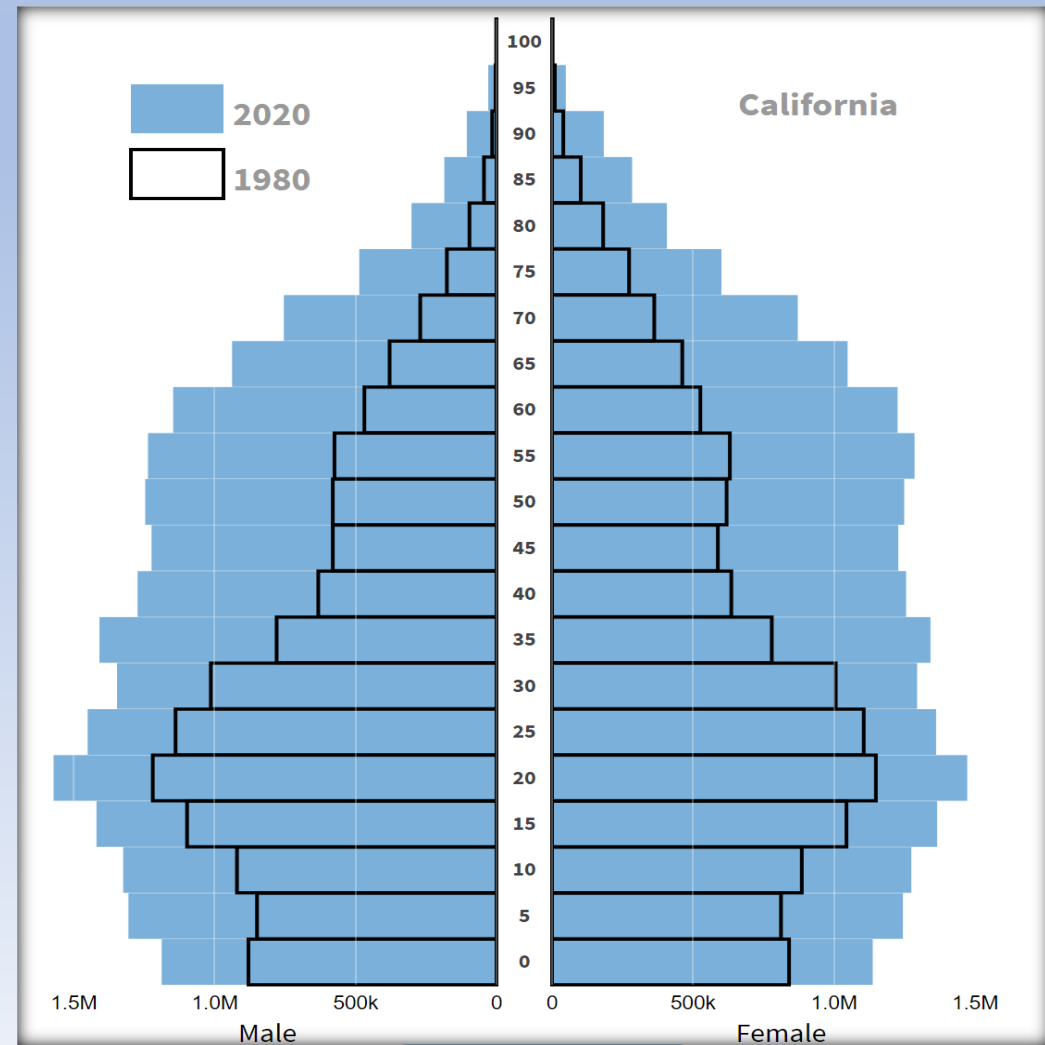
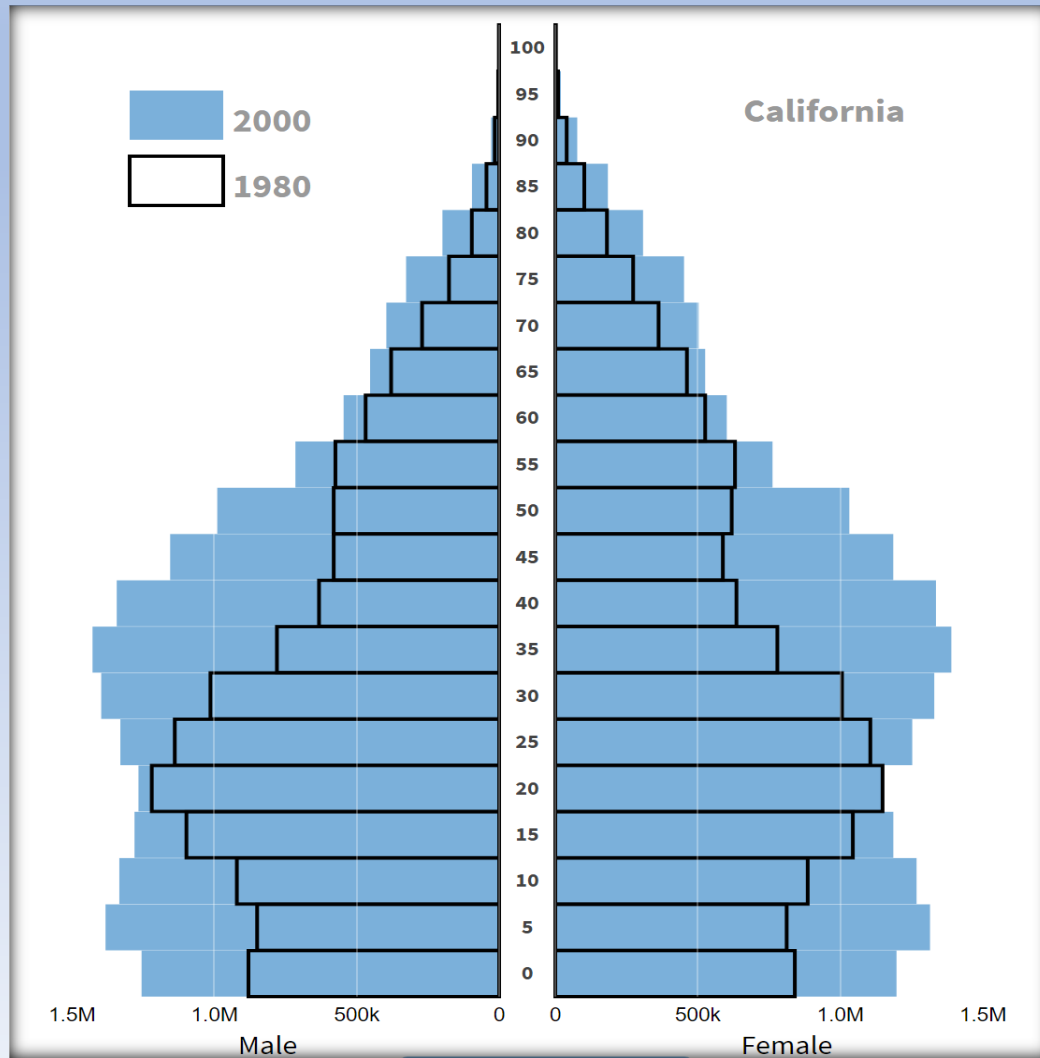
California's Population on the Decline



Source: California Department of Finance, Governor's Budget



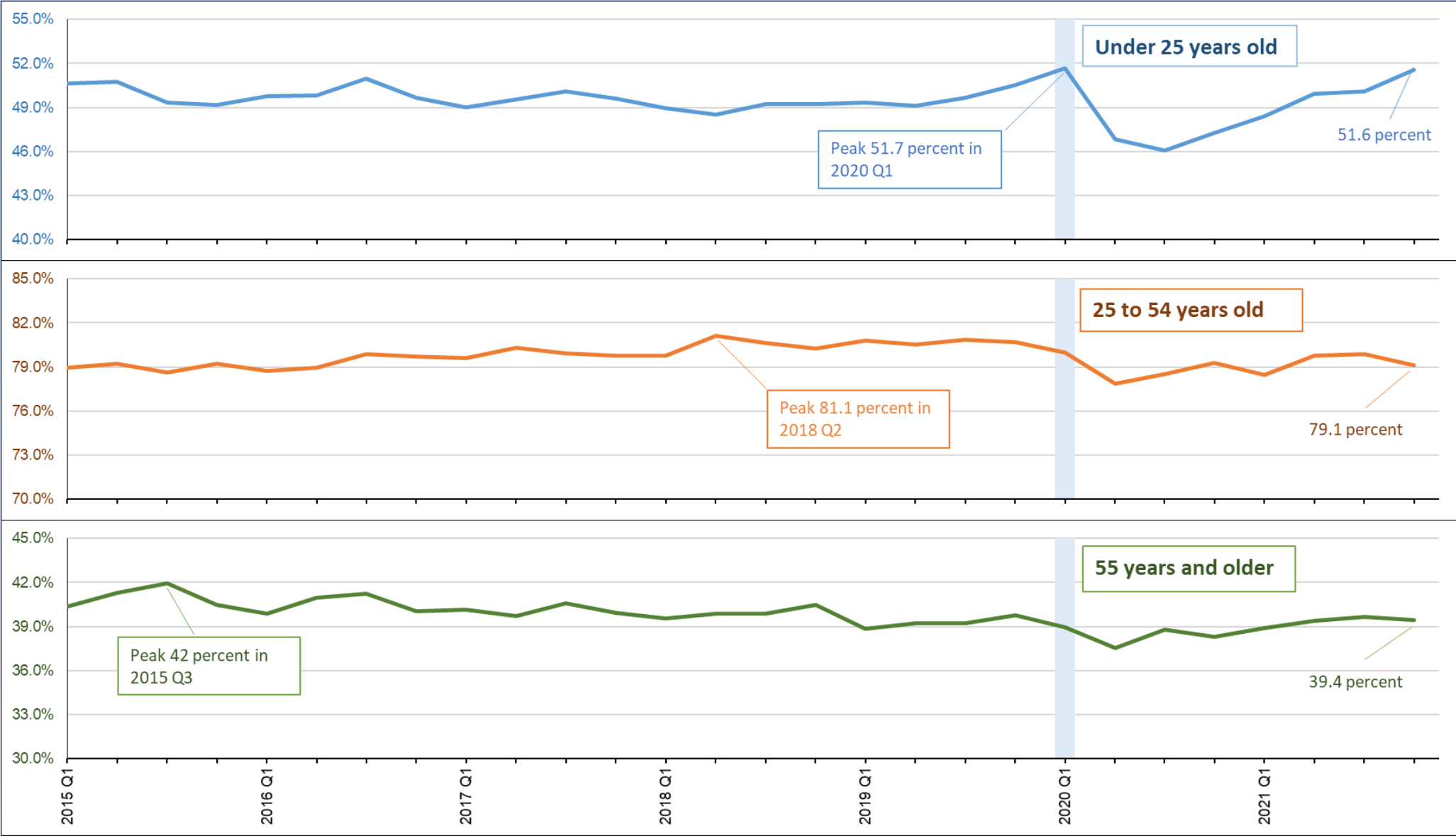
Aging Population



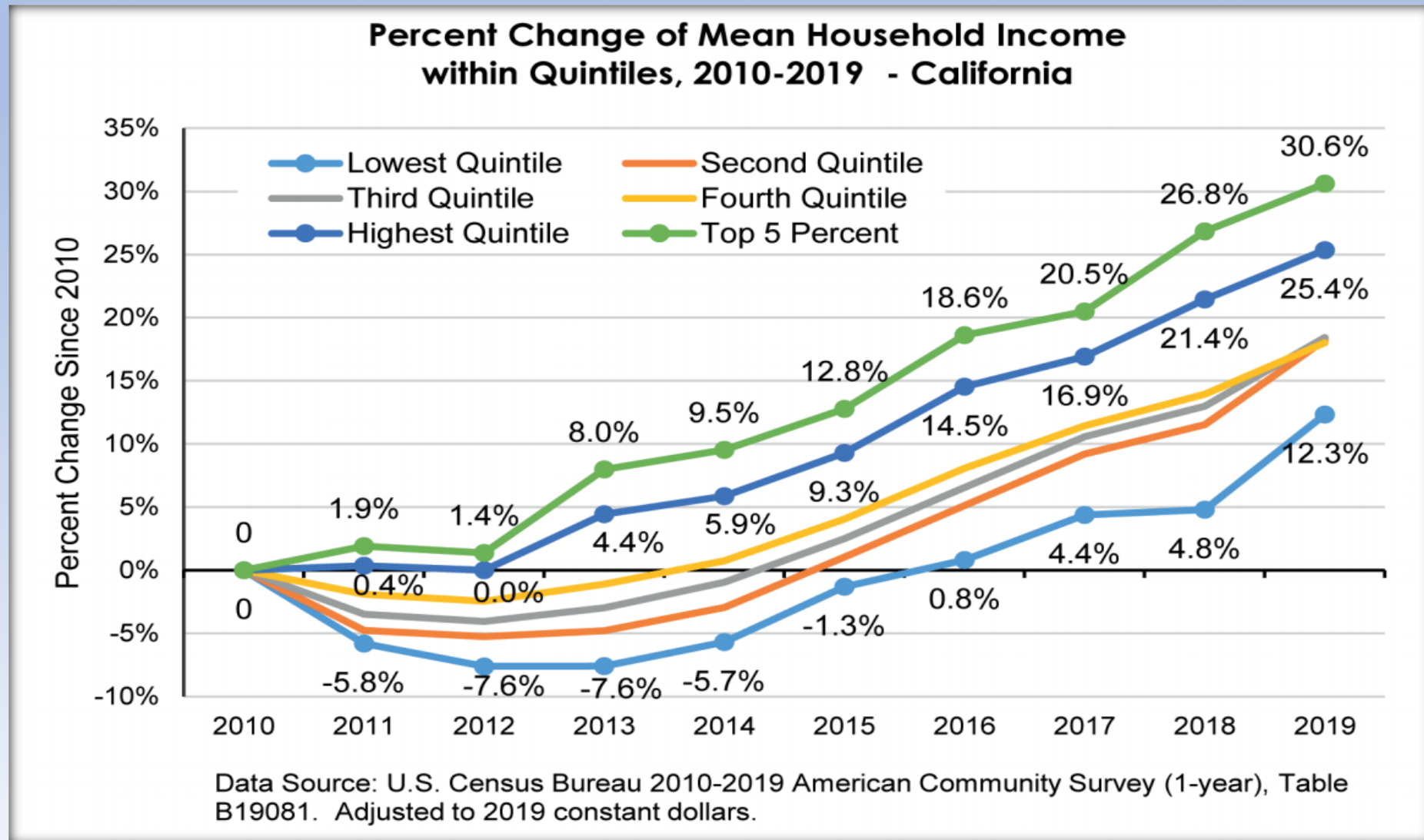
Source: California Department of Finance, Demographics



Labor Force Participation by Age



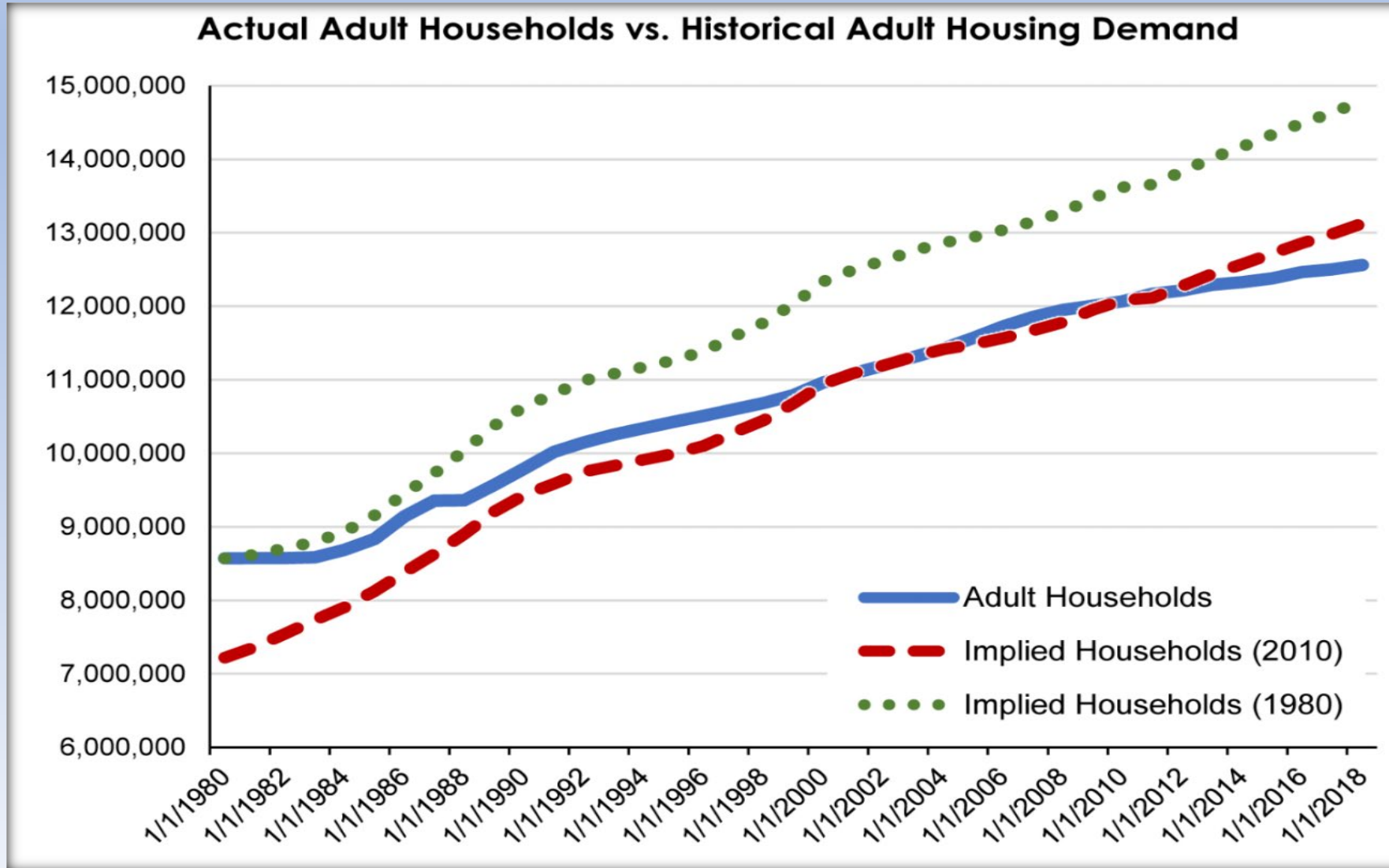
Inequality in California



Source: California Department of Finance, Governor's Budget



Critical Housing Shortage



Source: California Department of Finance, Governor's Budget



Economic Research Unit





Impact of COVID-19



January 2020

10+ years of economic expansion;

118 consecutive months job growth

U.S. Real GDP:

1.9% in 2019 Q1

Unemployment Rate:

3.5% U.S.

4.1% CA

Non-farm Jobs Added:

1 in **7** new jobs U.S. jobs created in CA

COVID-19 Pandemic (Official Recession: February to April 2020)

U.S. Real GDP:
(2020Q2) **-31.2%**

Unemployment Rate:
14.7% (U.S., April 2020)
16.1% (CA, May 2020)

Non-farm Jobs Lost:
1 in **6** jobs CA lost in March and April 2020.

Current Economic Conditions:

U.S. Real GDP
in 2022Q1 **-1.6%**
in 2022Q2 **-0.6%**

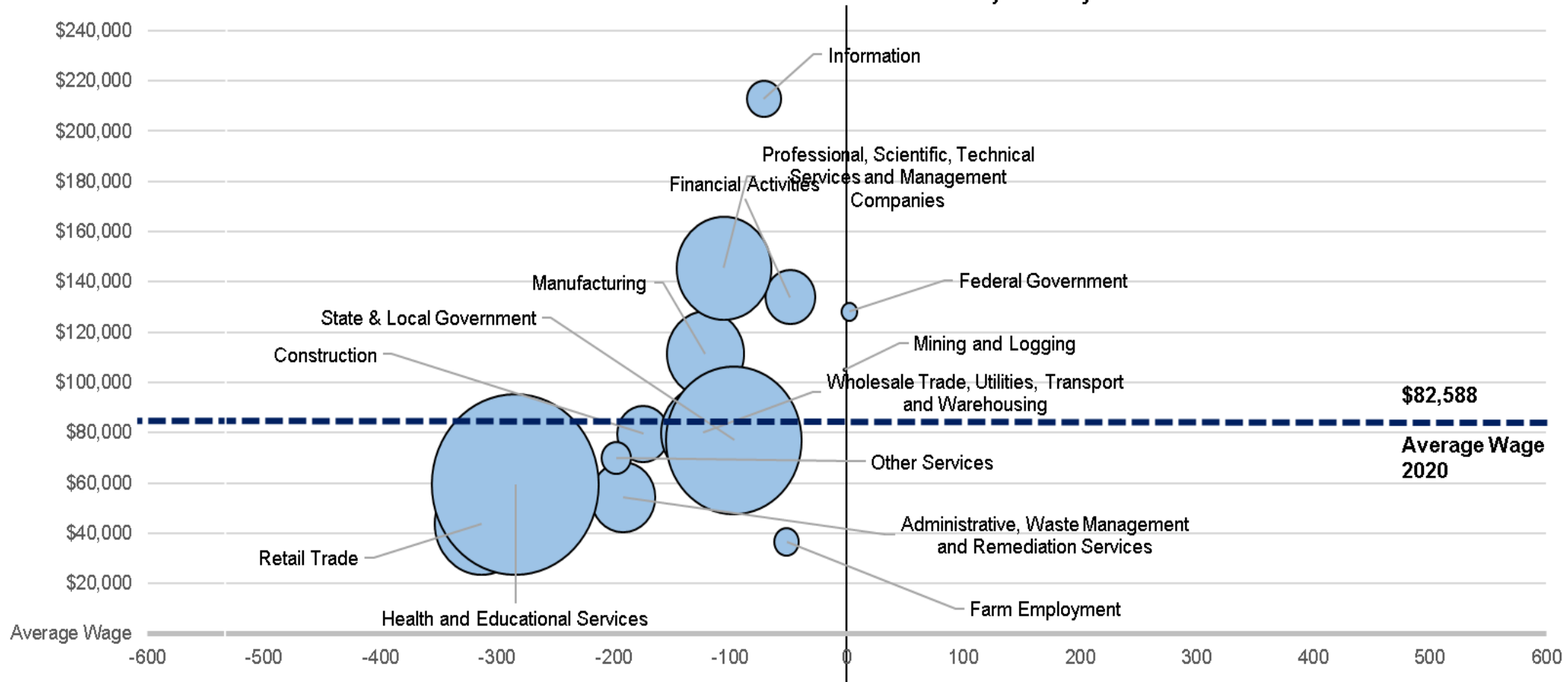
Unemployment Rate:
August 2022
3.7% U.S.
4.1% CA

Non-farm Jobs Recovery:
CA **98%** of **2.7 million** lost
U.S. **100%** of **22 million** lost



COVID-19 Impact on Jobs

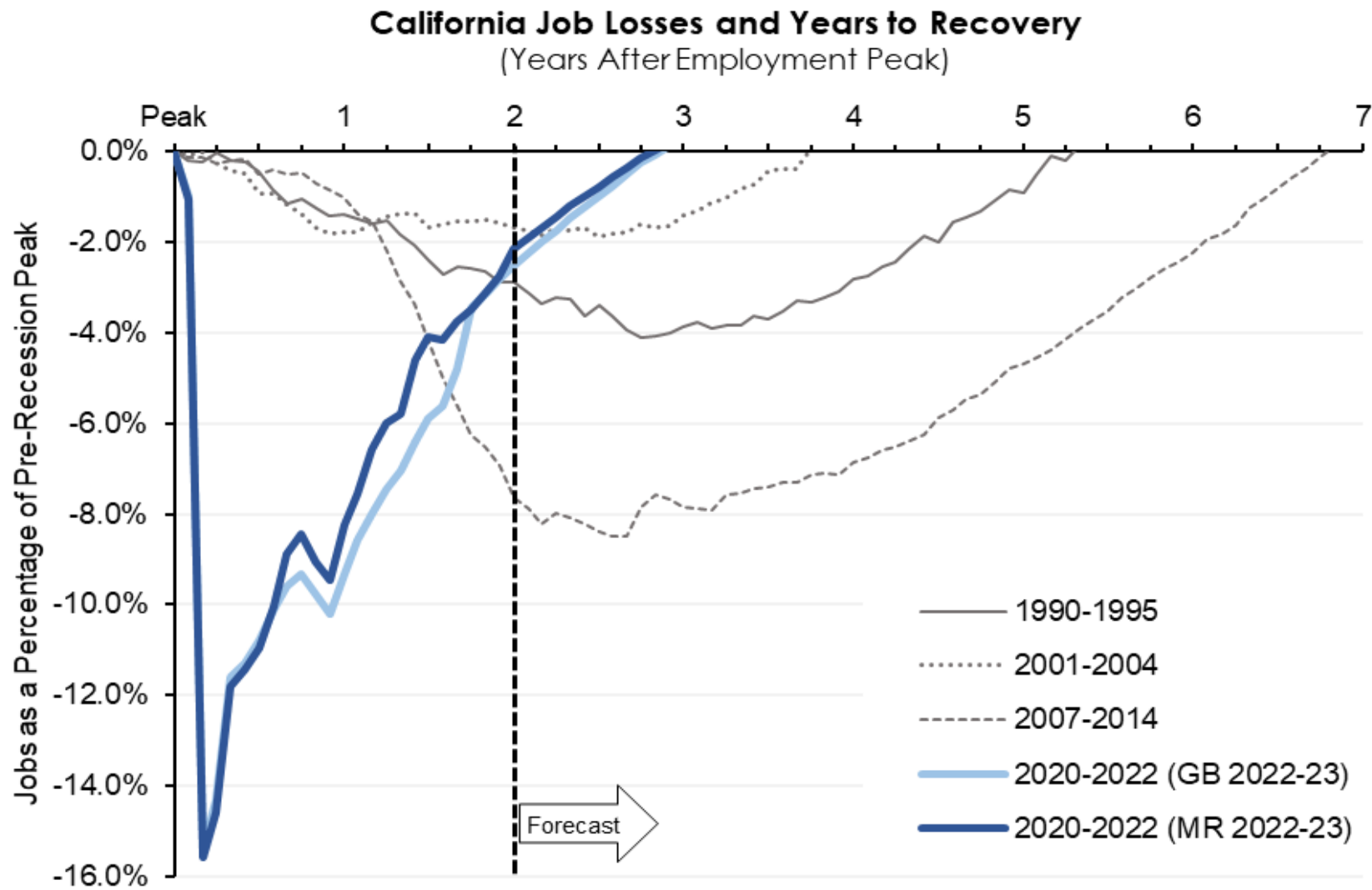
Change in Jobs by Sector: April 2020 relative to February 2020
Bubble size indicates total number of February 2020 jobs



Source: CA EDD, LMID; CA Department of Finance, Governor's Budget Forecast.



Deepest But Shortest Recession

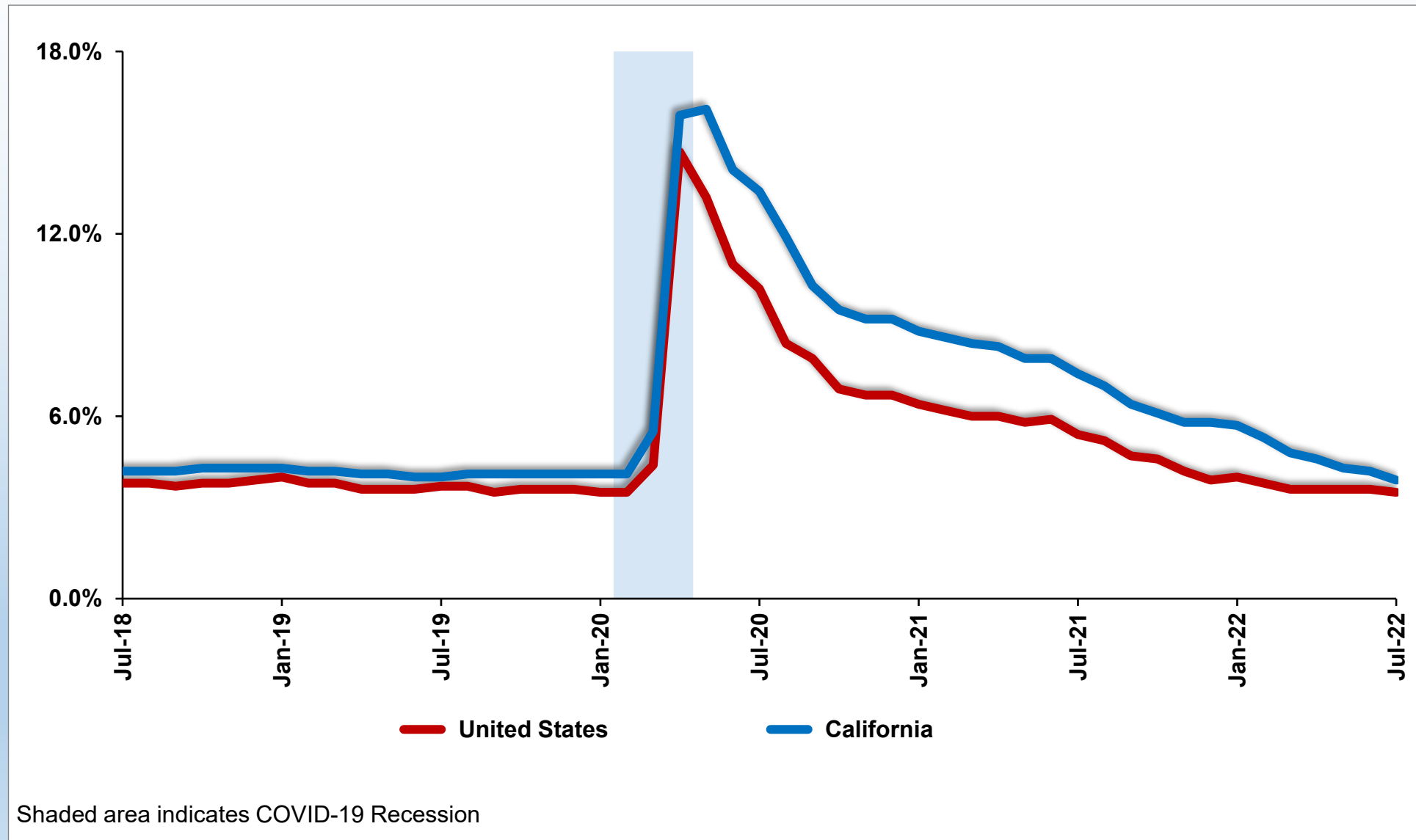


Lines start from the quarter of each nonfarm employment pre-recession peak.

Source: CA Employment Development Department, Labor Market Information Division; CA Department of Finance, May Revision Forecast.



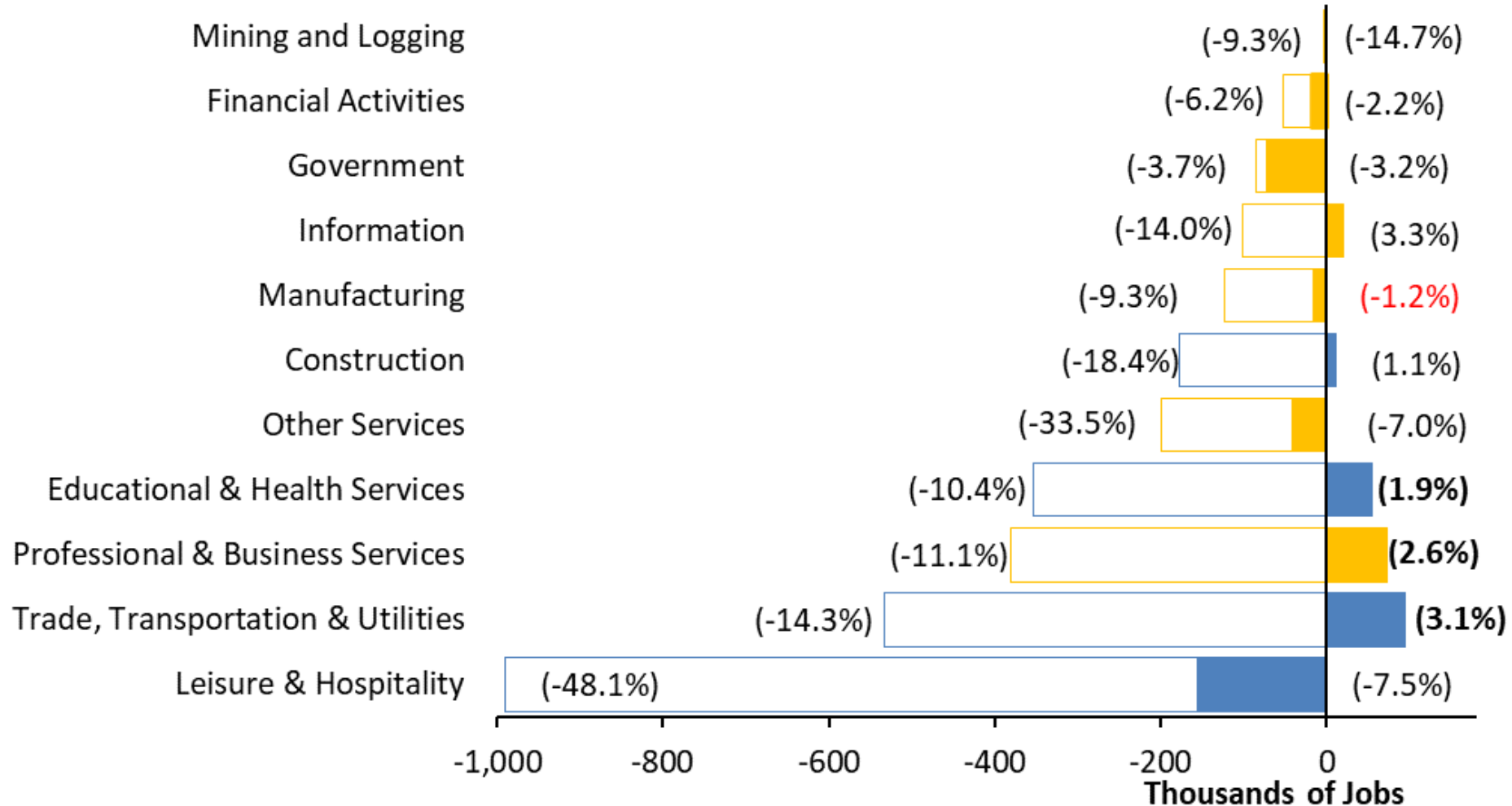
Falling Unemployment Rates



Continued Recovery of Jobs

California Jobs by Industry Relative to February 2020

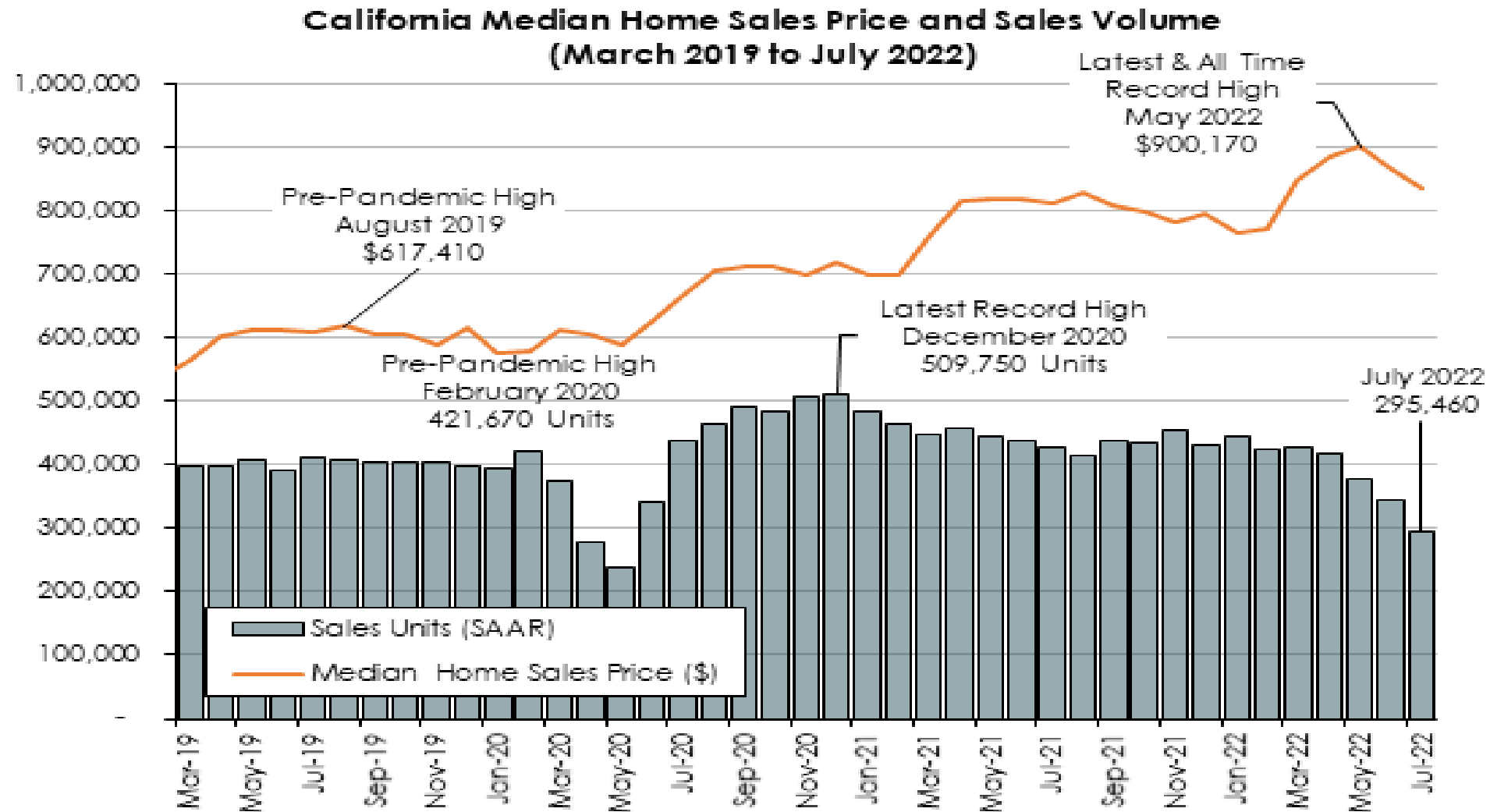
Outlined Areas Correspond to April 2020, Filled Areas Correspond to July 2022, and Blue Bars Represent Low-Wage Sectors



Source: California Employment Development Department, Labor Market Information Division.



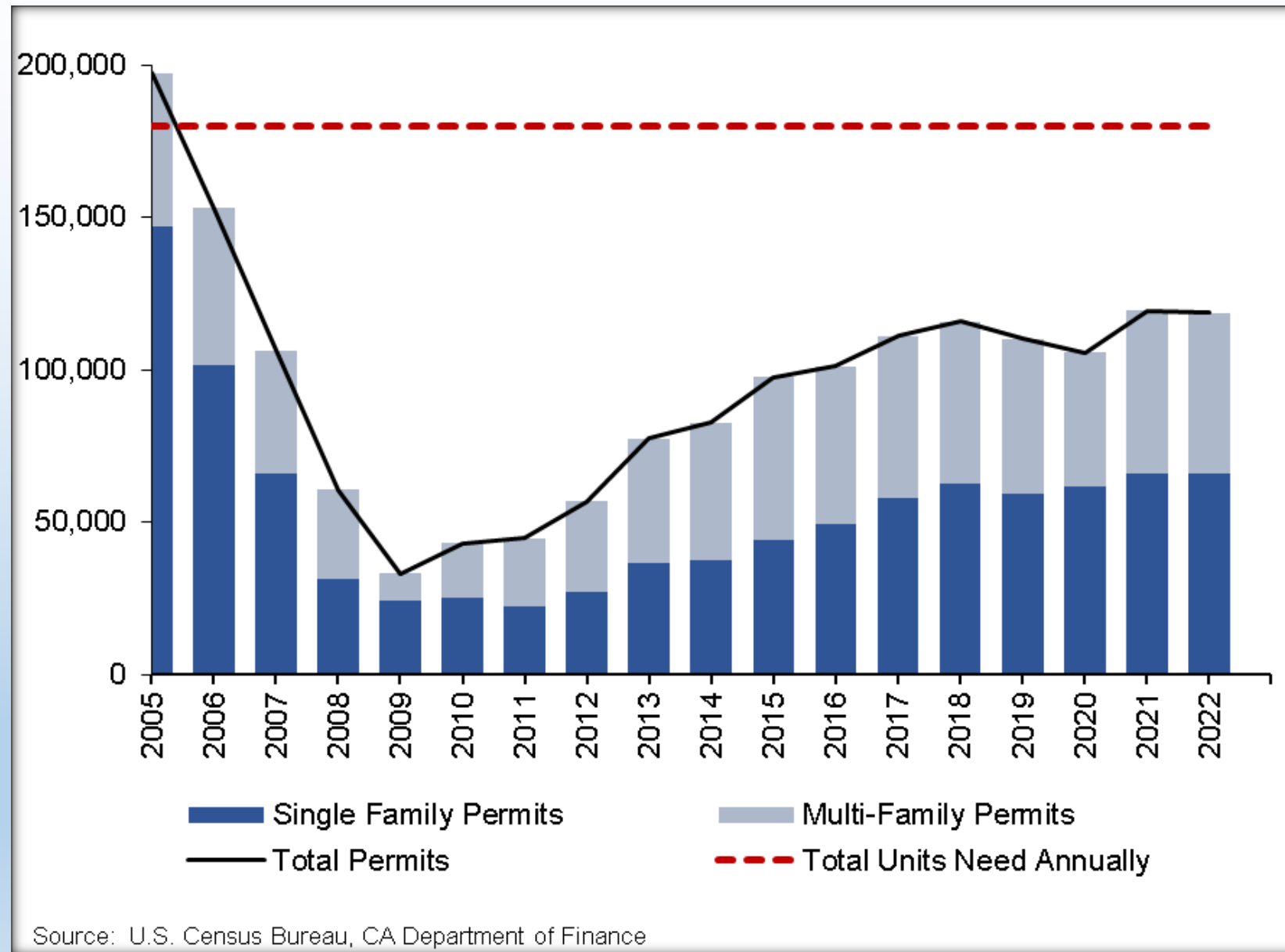
Challenge—Critical Housing Shortage → Expensive



Source: California Association of Realtors (CAR); CA Department of Finance.

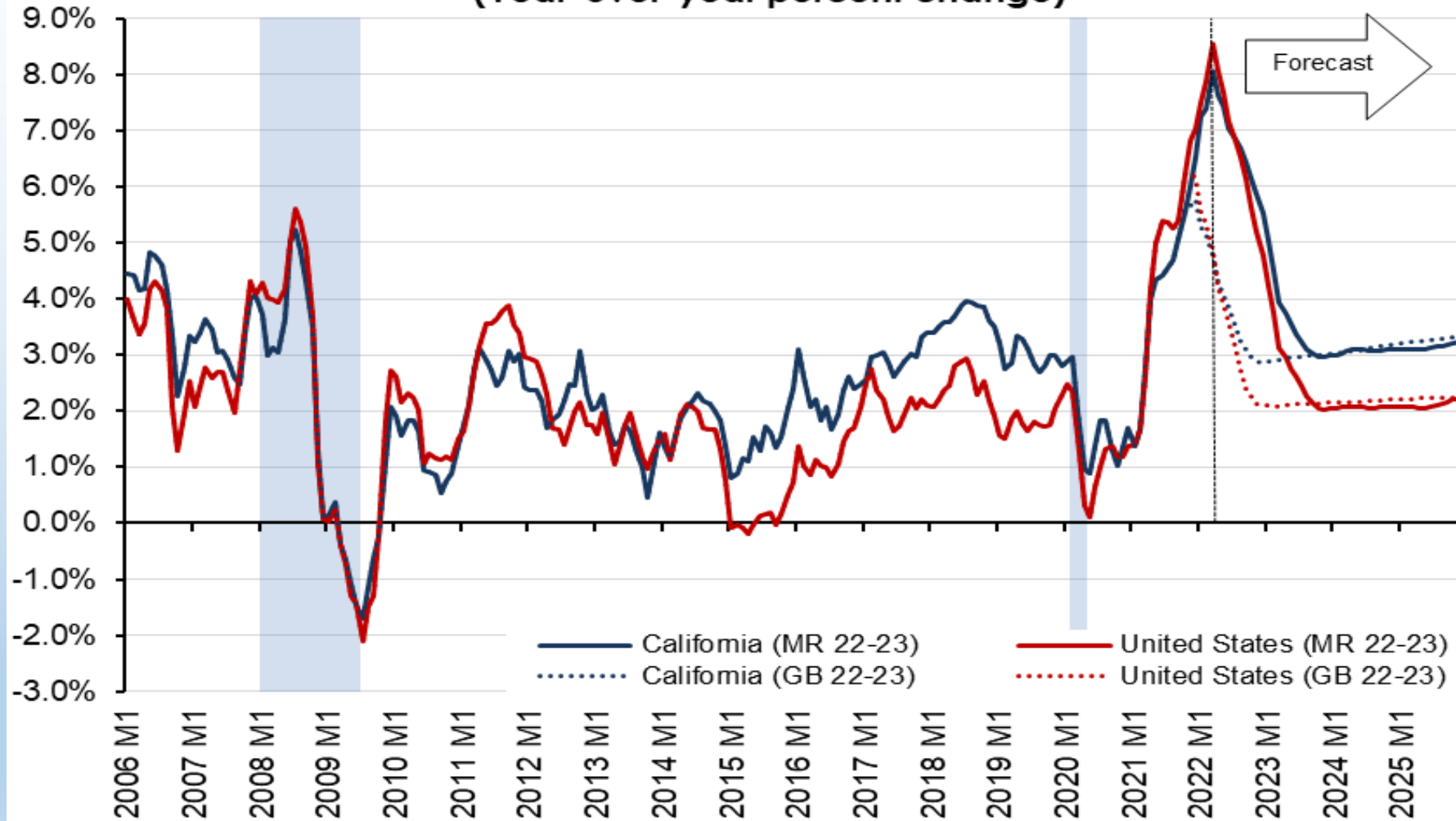


Are We Building Enough?



Inflation!

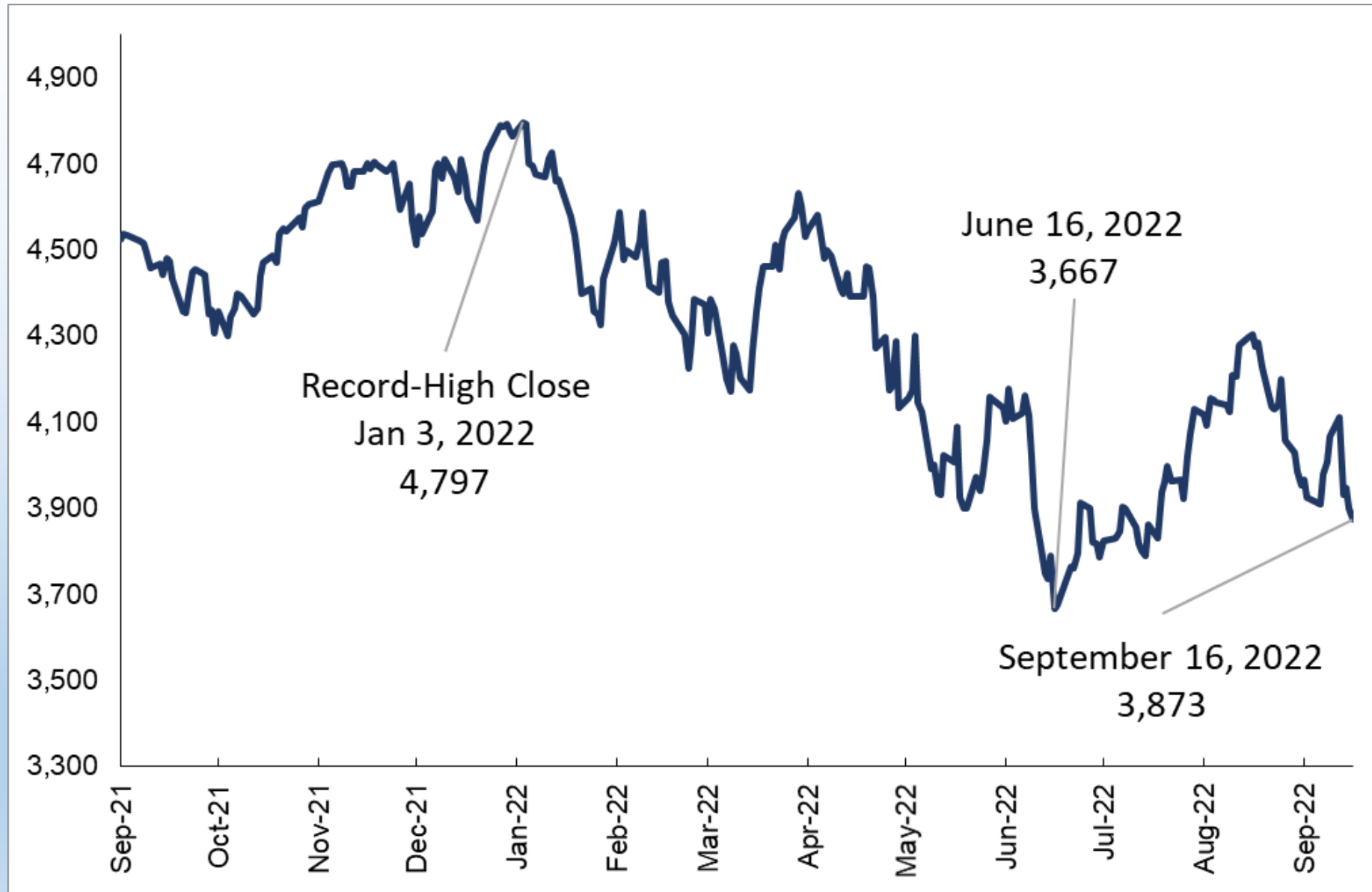
California and U.S. CPI Inflation
(Year-over-year percent change)



Shaded areas indicate previous U.S. recessions. California inflation rates for odd-numbered months are unofficial imputed data.
Source: U.S. Bureau of Labor Statistics; CA Department of Industrial Relations; CA Department of Finance, May Revision Forecast.



Volatile S&P 500 over past 12 months



Source: S&P Dow Jones Indices



Current Economic News

- **Two quarters of declining GDP—Recession?**
- **40-year high inflation**
- **Gas prices**
- **Federal funds rate hikes**
- **Declining consumer confidence**
- **Pre-pandemic employment recovery and job gain**
- **Declining unemployment rate**
- **Slowing housing market**
- **Russian invasion of Ukraine**
- **“Quiet Quitting”**



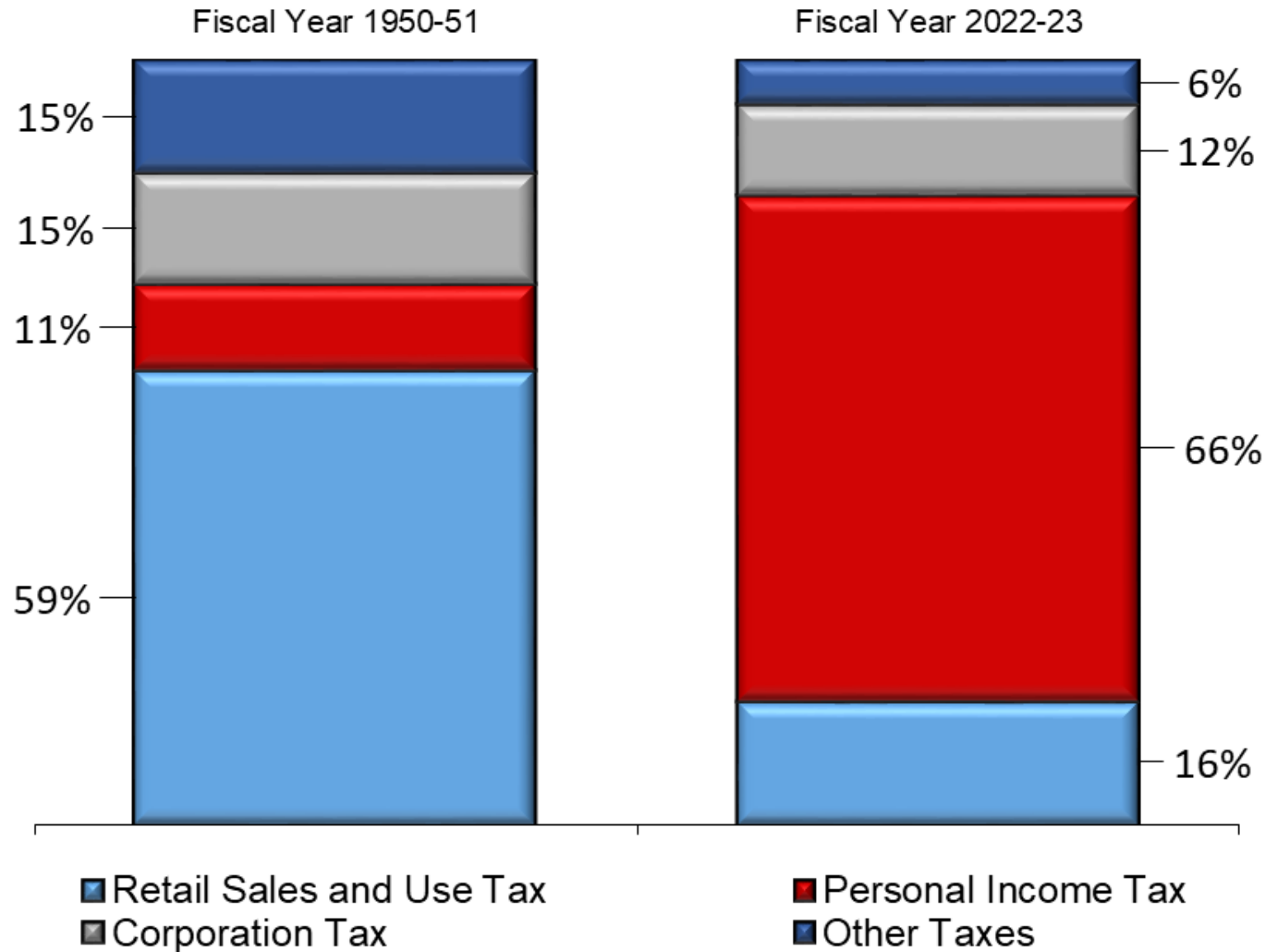
Revenue and Taxes

MAY REVISION

**\$97.5 Billion
Surplus**



Sources of State Revenues



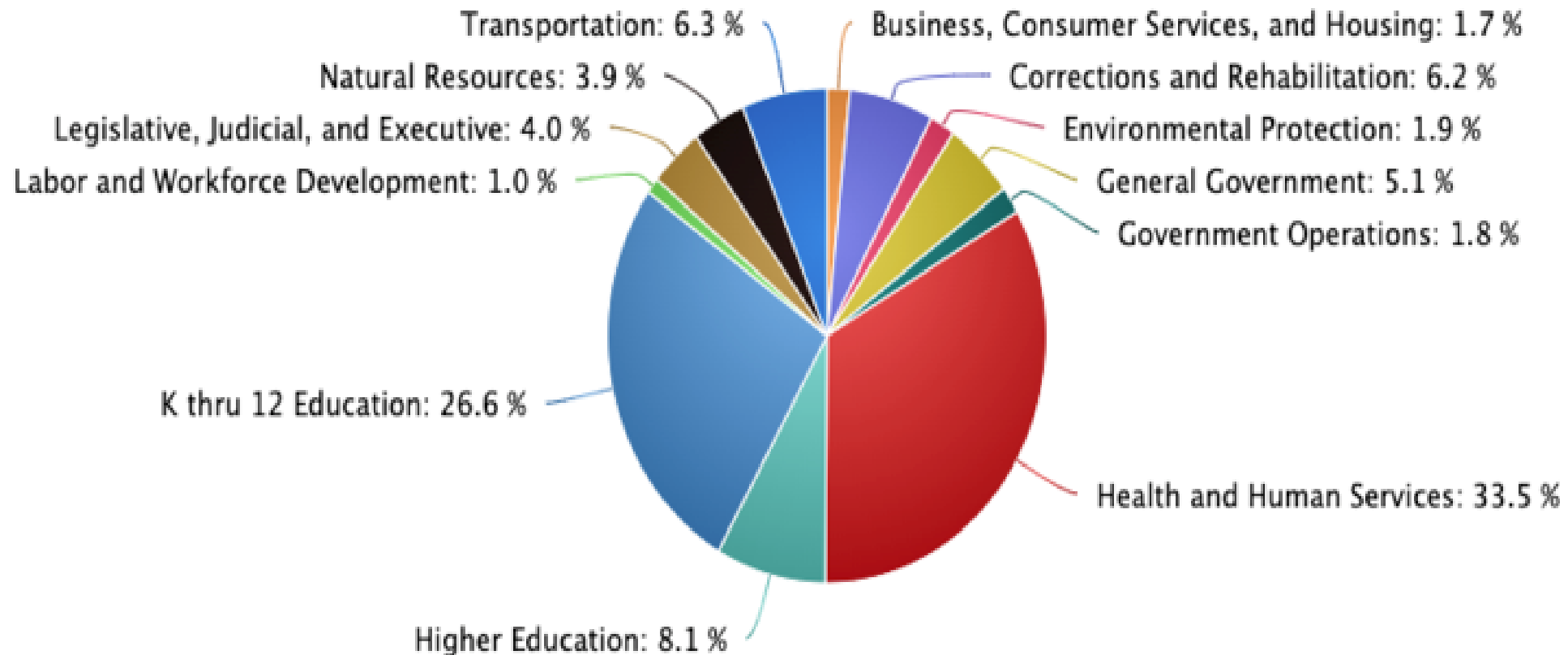
Source: California Department of Finance, May Revision Forecast, April 2022



What State Revenues Fund

Total State Funds

Total \$301 Billion



Long-Term Revenue Forecast

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Average Year-Over- Year Growth
Personal Income Tax	\$ 128.9	\$ 136.4	\$ 137.5	\$ 143.8	\$ 148.9	\$ 156.2	3.9%
Sales and Use Tax	\$ 29.1	\$ 32.7	\$ 34.0	\$ 35.1	\$ 36.2	\$ 37.3	5.2%
Corporation Tax	\$ 22.6	\$ 46.4	\$ 38.5	\$ 42.0	\$ 45.4	\$ 38.6	18.1%
Total	\$ 180.5	\$ 215.5	\$ 209.9	\$ 220.9	\$ 230.6	\$ 232.2	5.4%
Growth	29.5%	19.4%	-2.6%	5.3%	4.4%	0.7%	

Source: California Department of Finance, May Revision





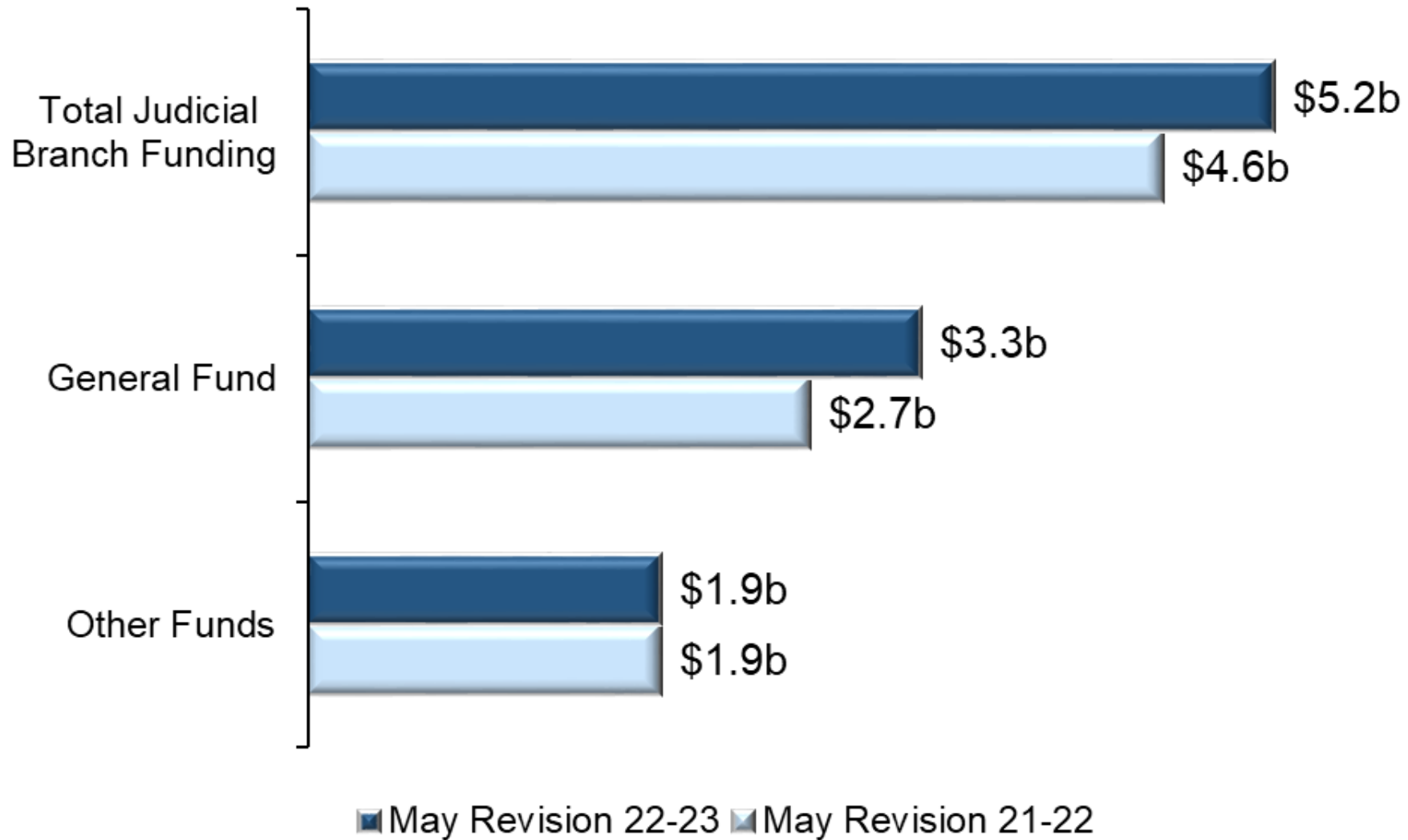
Judicial Branch Summary



JUDICIAL COUNCIL
OF CALIFORNIA



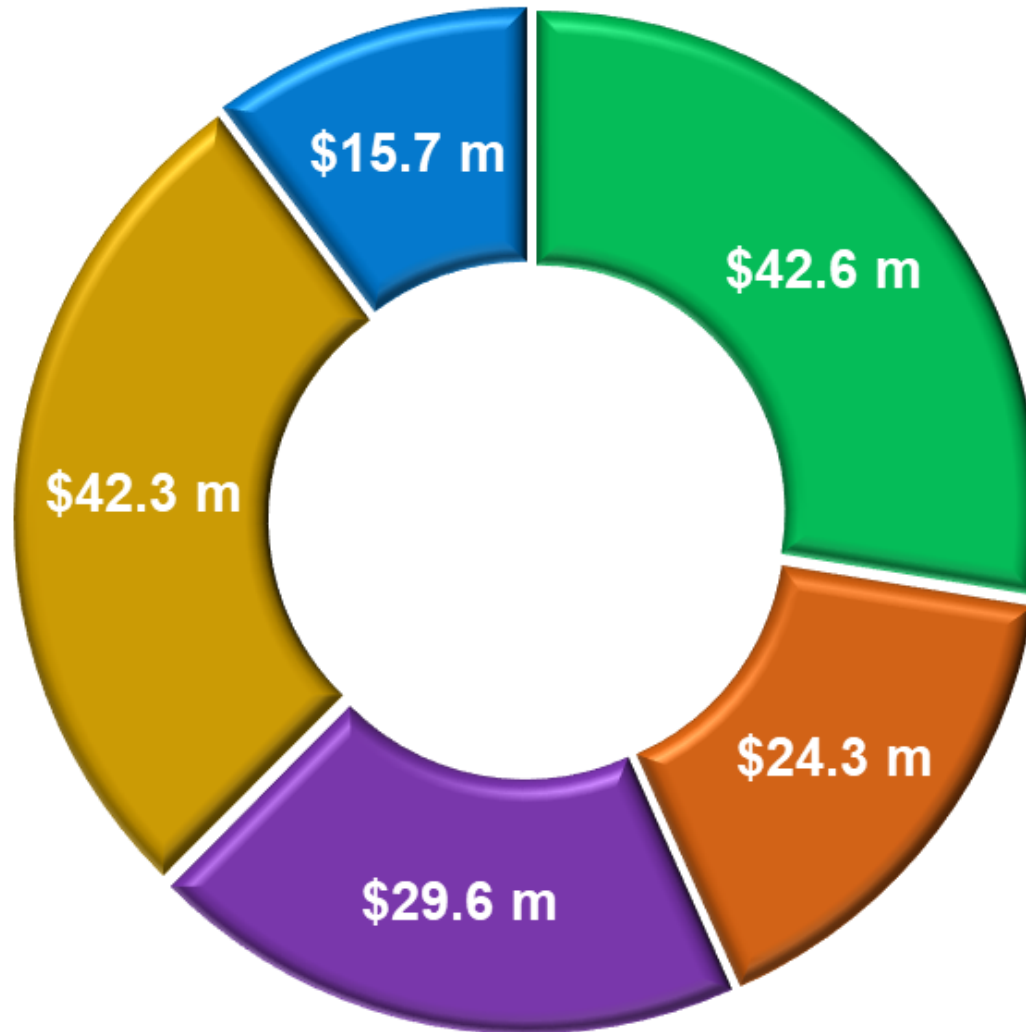
Judicial Branch Funding



Source: California Department of Finance, May Revision Forecast April 2021, April 2022



Judicial Branch Budget Has Significant Adjustments

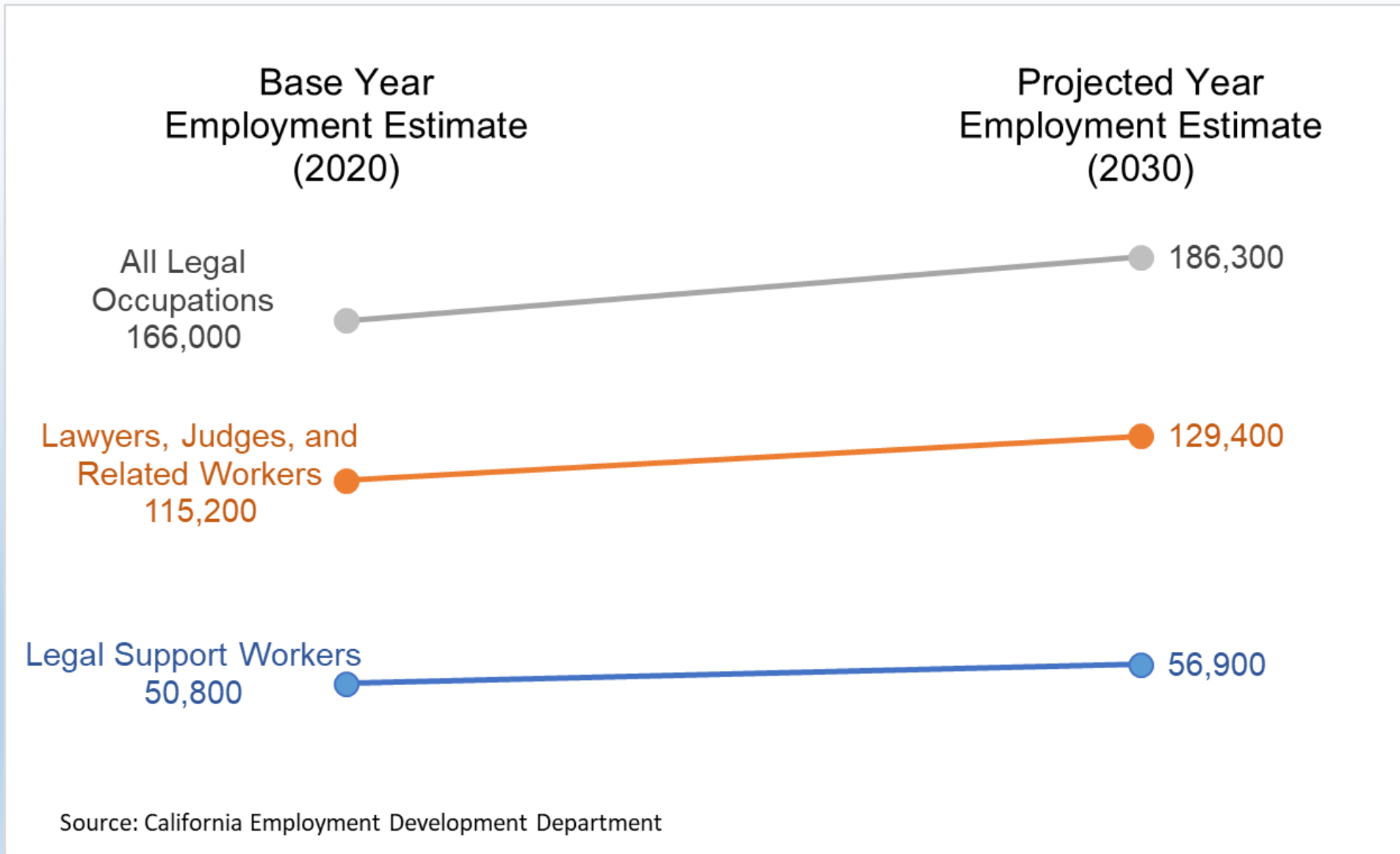


- General Fund
- Modify Existing Court Facilities
- Construction of New Courtrooms
- 23 Additional Superior Court Judgeships
- Address Fire, Life and Safety Issues at Court Facilities

Source: California Department of Finance, May Revision, April 2022.



Legal Occupation Employment Projected To Increase



Thank You!

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