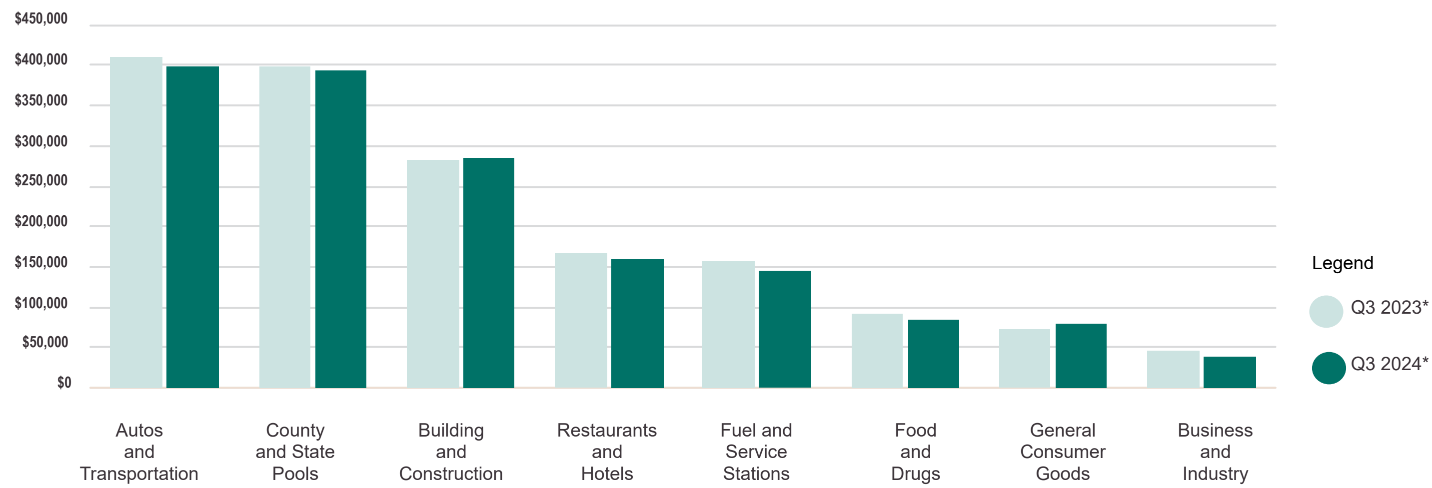
# CITY OF PLACERVILLE
## SALES TAX UPDATE
### 3Q 2024 (JULY - SEPTEMBER)

**PLACERVILLE**
TOTAL: $ 1,584,614

-2.6% 3Q2024 | -3.7% COUNTY | -2.3% STATE

**Allocation aberrations have been adjusted to reflect sales activity*

**SALES TAX BY MAJOR BUSINESS GROUP**




**Measure J**
TOTAL: $364,783
-1.8%

**Measure H**
TOTAL: $364,782
-1.8%

**Measure L**
TOTAL: $729,681
-1.8%

## CITY OF PLACERVILLE HIGHLIGHTS

Placerville's receipts from July through September were 8.8% below the third sales period in 2023. Excluding reporting aberrations, actual sales were down 2.6%.

Consumers and businesses continued to deal with tight credit conditions in a higher interest rate environment and multiple groups felt the pinch with lower returns.

Service station sales slipped with crude oil pricing more stable making it more affordable to fill-up for a tank of gas. While advantageous for the consumer, it equates to less tax revenue. Automotive spending stalled for another quarter as people are delaying needs, including repair and maintenance costs.

Price-weary patrons frequented restaurants less as diners became more selective with their choices preferring quick service options to casual dining spots. Additional menu increases from last April's new minimum wage law means it is now more affordable to eat at home.

Retail receipts outpaced regional trends with multiple home furnishings taxpayers posting positive gains. A potential error is under review and may result in a future correction.

All transaction taxes declined similarly to the city with most groups down led by a drop in service station receipts, visits to casual dining venues and business investments.

Net of aberrations, taxable sales for all of El Dorado County declined 3.7% over the comparable time period; the Sacramento region was down 1.2%.

## TOP 25 PRODUCERS

- C & H Motor Parts
- Chuck's Cannabis Collective
- Diamond Pacific
- Ferguson Enterprises
- Fuel 4 Less
- Grocery Outlet
- Harbor Freight Tools
- Home Depot
- In N Out Burger
- Kwik Serv
- Les Schwab Tire Center
- Main Street Tap House
- Marathon
- McDonald's
- Mobil
- Placerville Valero
- Raley's
- Rancho Convenience Center
- Sacred Roots
- Shell
- Sierra Nevada Tire & Wheel
- Thompsons Buick GMC
- Thompsons Chrysler Dodge Jeep Ram
- Thompson's Toyota
- Tractor Supply

## STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of July through September were 2.3% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year third quarter traditionally is noted for pleasant weather and statewide tourism; however, taxes fell when compared to a year ago. As such, it also means a weak start of the 2024-25 fiscal year for many California agencies.

Once again, autos-transportation receipts took a hit and declined 4.8%. This period marks the seventh consecutive quarter of downturn for the sector. While used autos returns and leasing activity have improved, revenues from new car sales struggled due to sustained high interest rates, tightened credit standards, and increased cost of auto insurance. As such, inventories for many dealers remain elevated, applying downward pressure on prices and growth into 2025.

The summer season is usually an advantageous time for home repairs and construction work, however, this industry is also struggling with high consumer interest rates and limited access to equity for homeowners. New projects remain sidelined as developers await more favorable investment conditions.

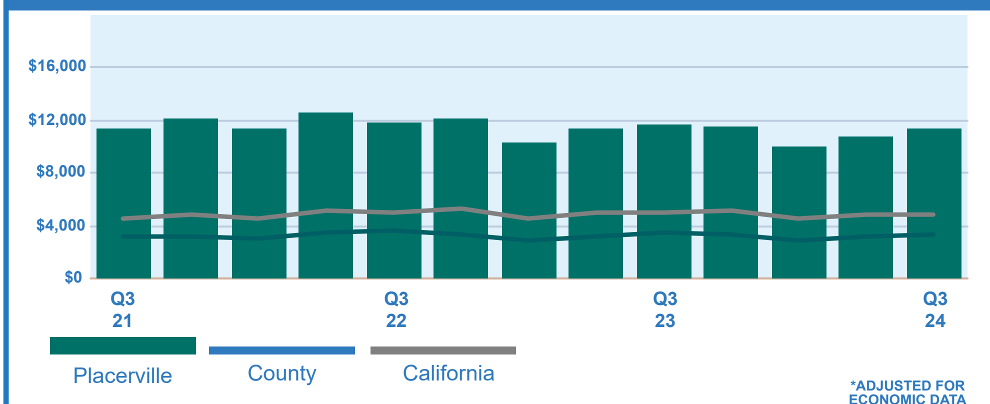
Brick-and-mortar general consumer retailers pulled back 3.8% - worsened by lower gas prices. Consumers appear more interested in lower priced/discounted items vs higher priced/luxury goods, forcing merchants to again consider inventory needs. Additionally, competition from online merchants is as fierce as ever, as shoppers look for greater value. With holiday shopping around the corner, local store expectations remain soft.

Fuel generating taxpayers had a rough quarter; a combination of consumption declines and falling fuel prices thrust comparisons down by 13%. Further contraction of national drug store locations coupled with the steady fall from cannabis merchants dating back to 2021, caused a decrease of 2.8% in the food-drugs category. Expect similar percentage declines for the upcoming end of 2024 quarter.

Although statewide tourism appears to have improved over 2023, revenue from restaurants experienced only a modest gain of 0.7%, which included a dramatic drop from fine dining establishments – consistent with spending trends in other sectors. State mandated minimum wage requirements remained a challenge, with higher menu prices reducing patron visits.

These sluggish results solidify 2024 as a down year. Recent reductions to the Fed Funds Rate aren't considered to help until later in 2025. Agencies should expect fiscal year 2024-25 sales taxes to stay flat or decline slightly as sluggish economic conditions leave consumers cautious in their spending patterns, especially for big ticket items and discretionary products.

### SALES PER CAPITA*




### TOP NON-CONFIDENTIAL BUSINESS TYPES

| Placerville Business Type | Q3 '24* | Change | County Change | HdL State Change |
|---|---|---|---|---|
| Service Stations | 141.0 | -3.1% ↓ | -10.9% ↓ | -12.8% ↓ |
| Casual Dining | 83.0 | -9.4% ↓ | -2.3% ↓ | 1.1% ↑ |
| Quick-Service Restaurants | 66.5 | 2.4% ↑ | -2.4% ↓ | 1.0% ↑ |
| Automotive Supply Stores | 48.5 | -0.2% ↓ | 3.8% ↑ | -0.7% ↓ |
| Grocery Stores | 39.1 | 0.7% ↑ | 1.3% ↑ | 1.4% ↑ |
| Auto Repair Shops | 22.3 | -5.1% ↓ | -2.2% ↓ | -2.6% ↓ |
| Convenience Stores/Liquor | 12.9 | 0.4% ↑ | -1.4% ↓ | -2.1% ↓ |
| Cigarette/Cigar Stores | 12.2 | 41.5% ↑ | 10.0% ↑ | -4.6% ↓ |
| Home Furnishings | 11.9 | 86.2% ↑ | 0.5% ↑ | -6.7% ↓ |
| Repair Shop/Equip. Rentals | 8.6 | -8.4% ↓ | 2.4% ↑ | 1.3% ↑ |

*Allocation aberrations have been adjusted to reflect sales activity

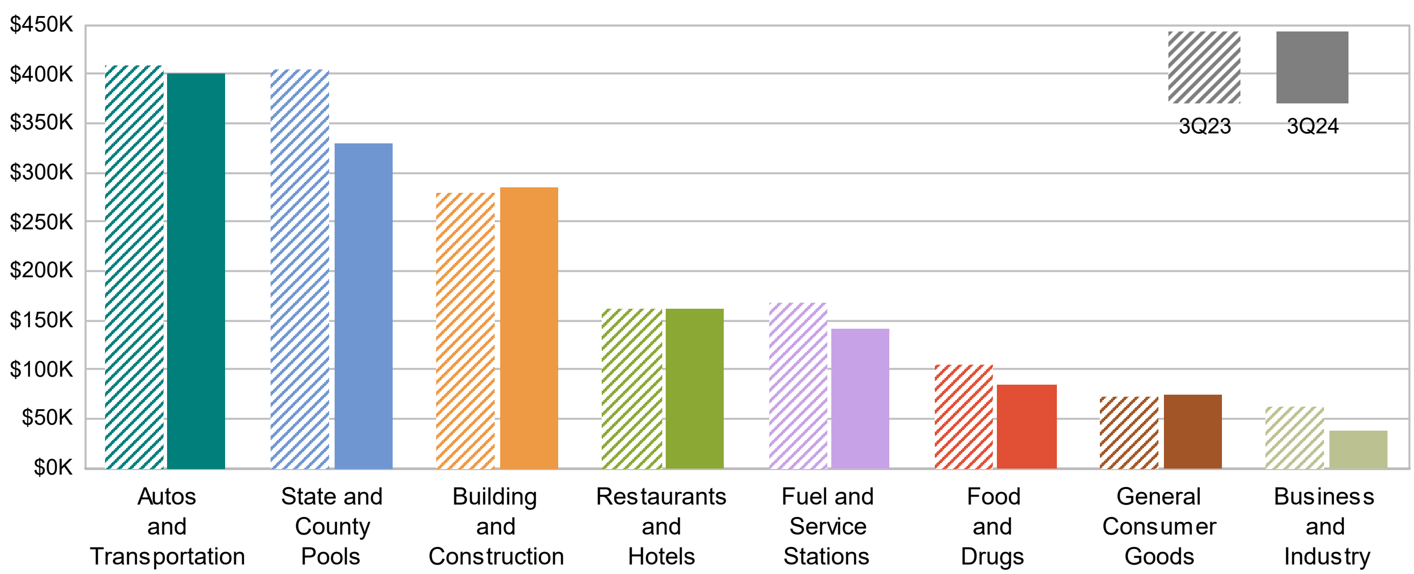
*In thousands of dollars

# CITY OF PLACERVILLE

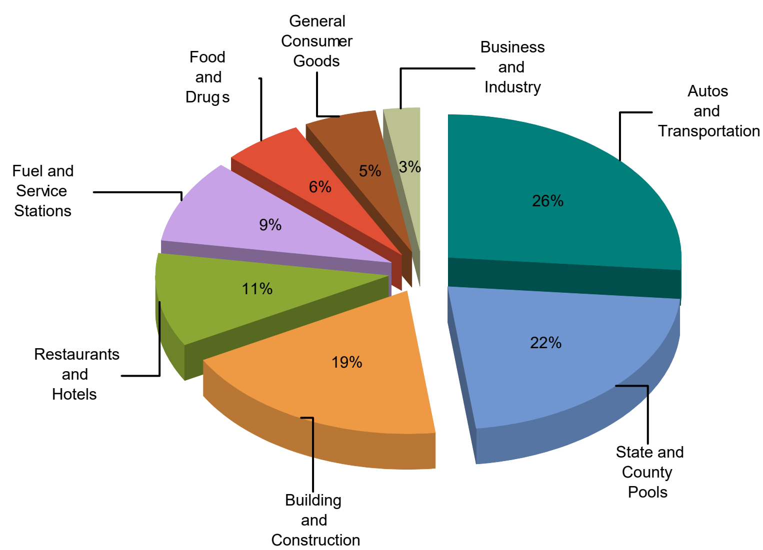
## MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 3Q24 | 3Q23 | $ Change | % Change |
|---|---|---|---|---|---|
| Autos and Transportation | 52 | 401,355 | 409,814 | (8,459) | -2.1% |
| State and County Pools | - | 329,841 | 404,865 | (75,024) | -18.5% |
| Building and Construction | 14 | 285,740 | 279,630 | 6,109 | 2.2% |
| Restaurants and Hotels | 101 | 161,749 | 162,524 | (775) | -0.5% |
| Fuel and Service Stations | 17 | 143,057 | 168,407 | (25,350) | -15.1% |
| Food and Drugs | 20 | 85,360 | 105,591 | (20,231) | -19.2% |
| General Consumer Goods | 342 | 74,827 | 74,541 | 286 | 0.4% |
| Business and Industry | 148 | 39,824 | 64,103 | (24,280) | -37.9% |
| Transfers & Unidentified | 43 | 1,542 | 470 | 1,072 | 228.0% |
| Total | 737 | 1,523,295 | 1,669,946 | (146,651) | -8.8% |

**3Q23 Compared To 3Q24**

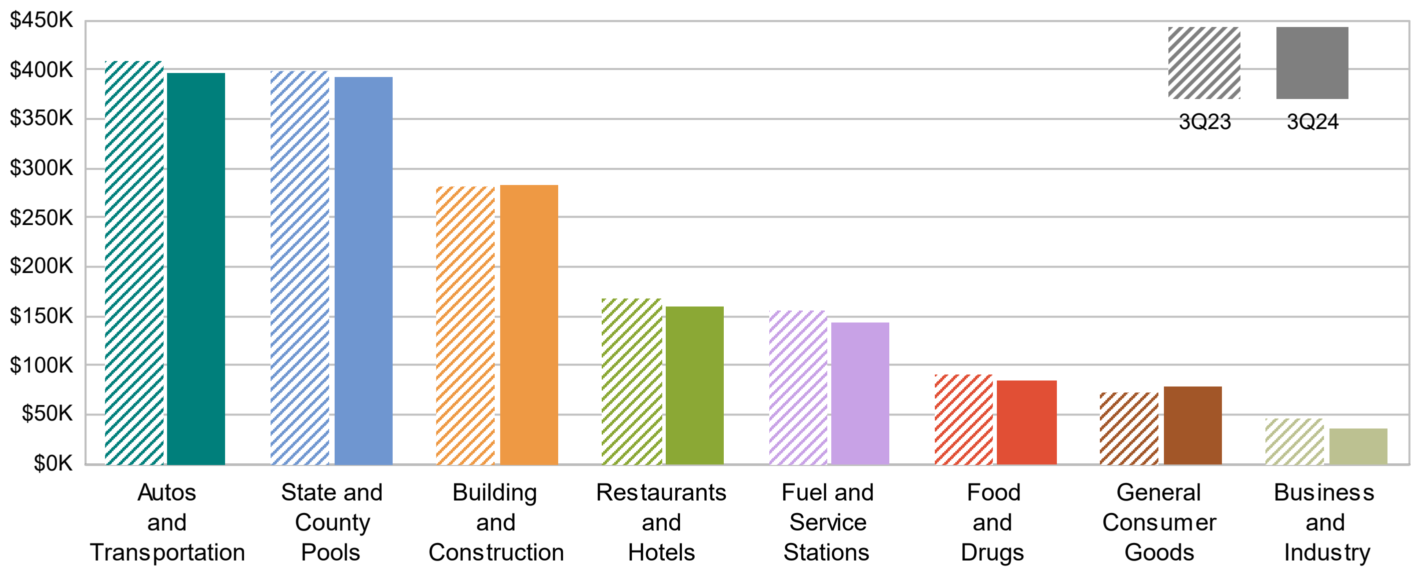



**3Q24 Percent of Total**

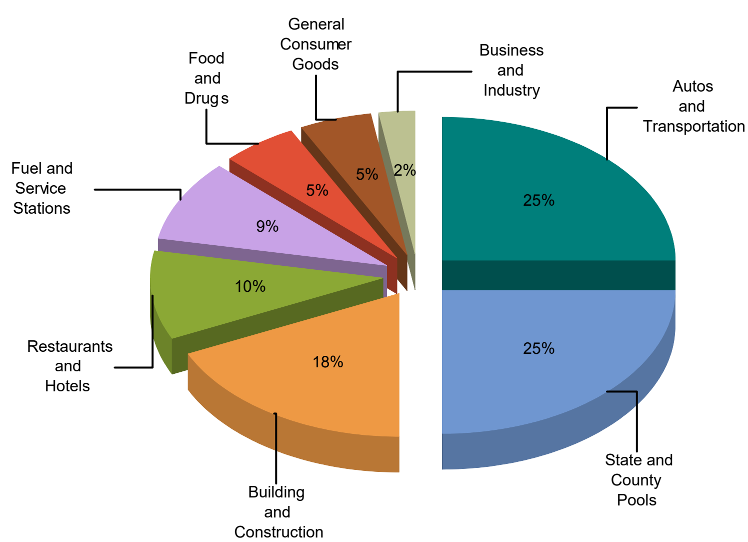


| Major Industry Group | Count | 3Q24 | 3Q23 | $ Change | % Change |
|---|---|---|---|---|---|
| Autos and Transportation | 52 | 397,499 | 409,616 | (12,117) | -3.0% |
| State and County Pools | - | 393,804 | 397,988 | (4,184) | -1.1% |
| Building and Construction | 14 | 284,539 | 281,597 | 2,942 | 1.0% |
| Restaurants and Hotels | 101 | 160,087 | 168,070 | (7,984) | -4.8% |
| Fuel and Service Stations | 17 | 144,307 | 157,561 | (13,254) | -8.4% |
| Food and Drugs | 20 | 85,070 | 91,881 | (6,811) | -7.4% |
| General Consumer Goods | 342 | 79,783 | 73,574 | 6,210 | 8.4% |
| Business and Industry | 148 | 38,135 | 46,551 | (8,416) | -18.1% |
| Transfers & Unidentified | 43 | 1,389 | 433 | 956 | 220.9% |
| Total | 737 | 1,584,614 | 1,627,271 | (42,656) | -2.6% |

**3Q23 Compared To 3Q24**




**3Q24 Percent of Total**



**Sales Tax by Major Industry Group**

**Autos And Transportation**
Count: 52

**State & County Pools**

**Building And Construction**
Count: 14

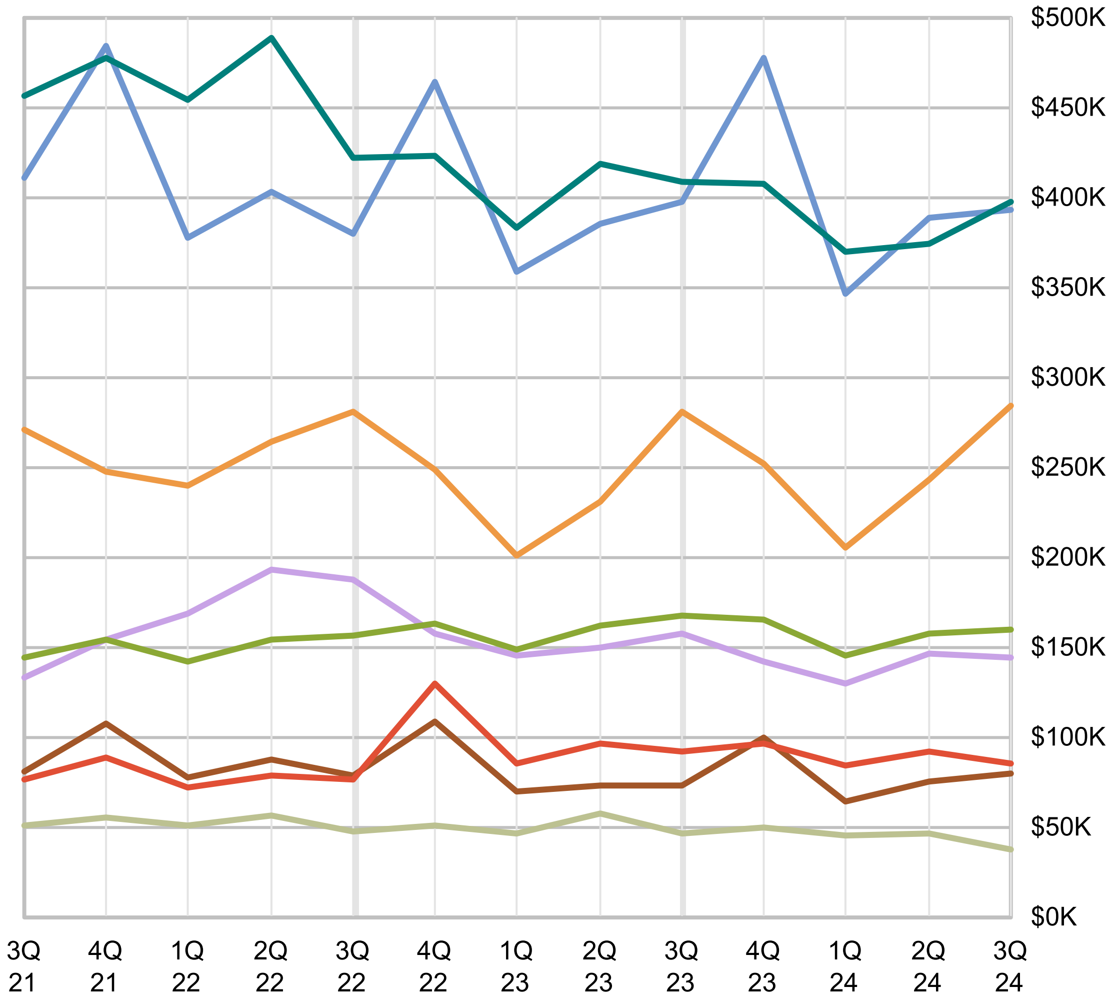
**Restaurants And Hotels**
Count: 101

**Fuel And Service Stations**
Count: 17

**Food And Drugs**
Count: 20

**General Consumer Goods**
Count: 342

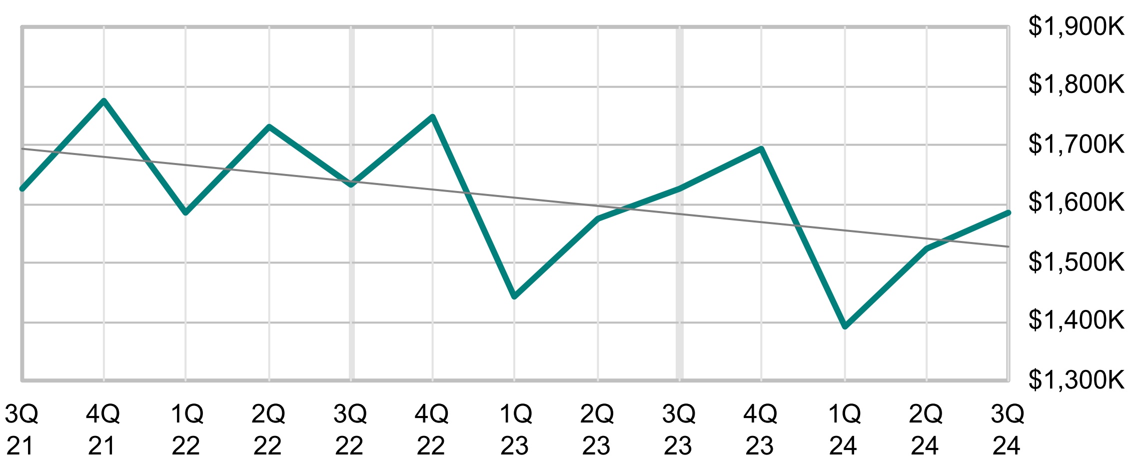
**Business And Industry**
Count: 148




**Agency Trend**

**Placerville**

13 Quarter Trend: -9.9%




Periods shown reflect the period in which the sales occurred - Point of Sale

**Per Capita Sales**

**Placerville**
Count: 737

**South Lake Tahoe**
Count: 1,068

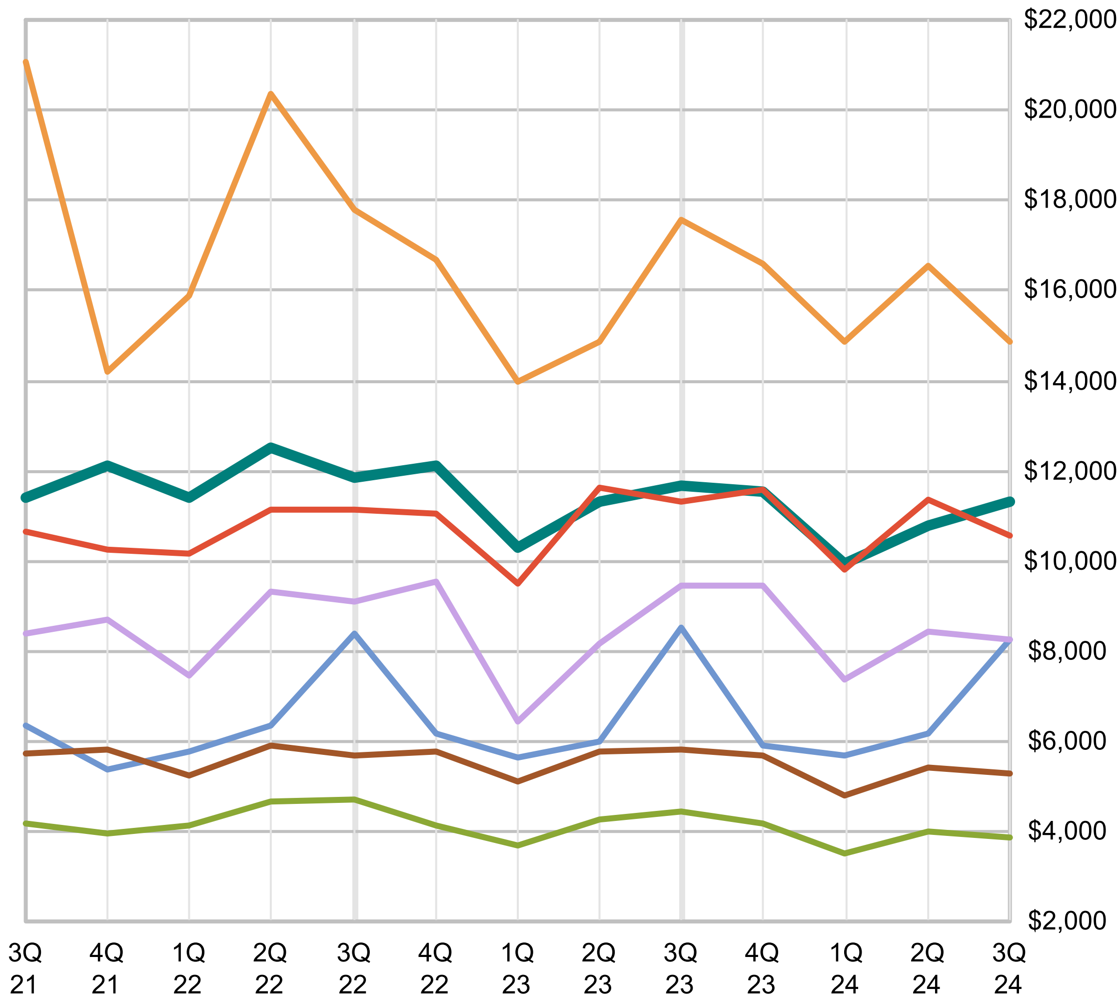
**Auburn**
Count: 972

**Marysville**
Count: 394

**Nevada City**
Count: 490

**Grass Valley**
Count: 1,021

**Yuba City**
Count: 1,965



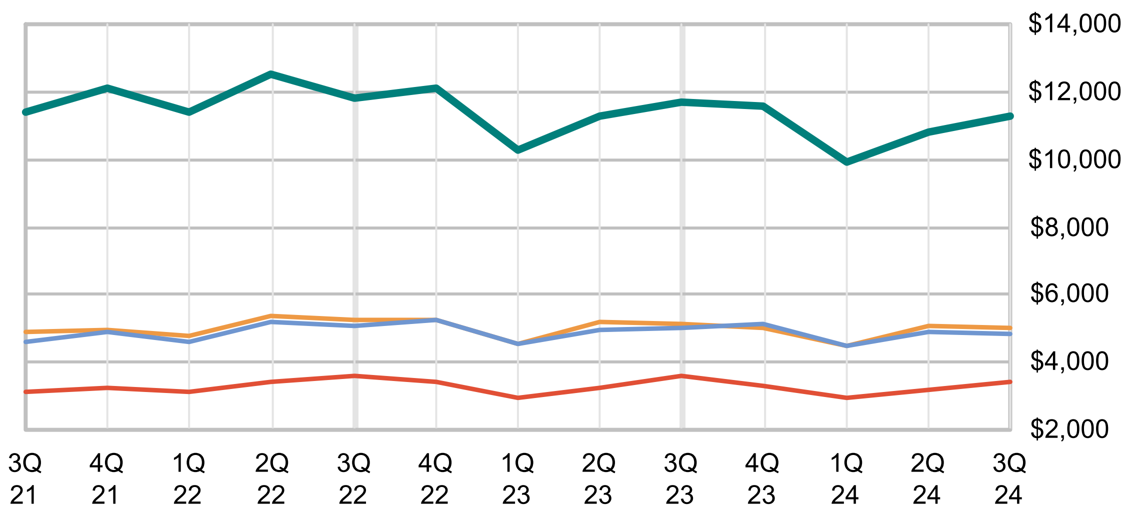

**Per Capita Sales**

**Placerville**

**El Dorado County**

**Sacramento Region**

**California**



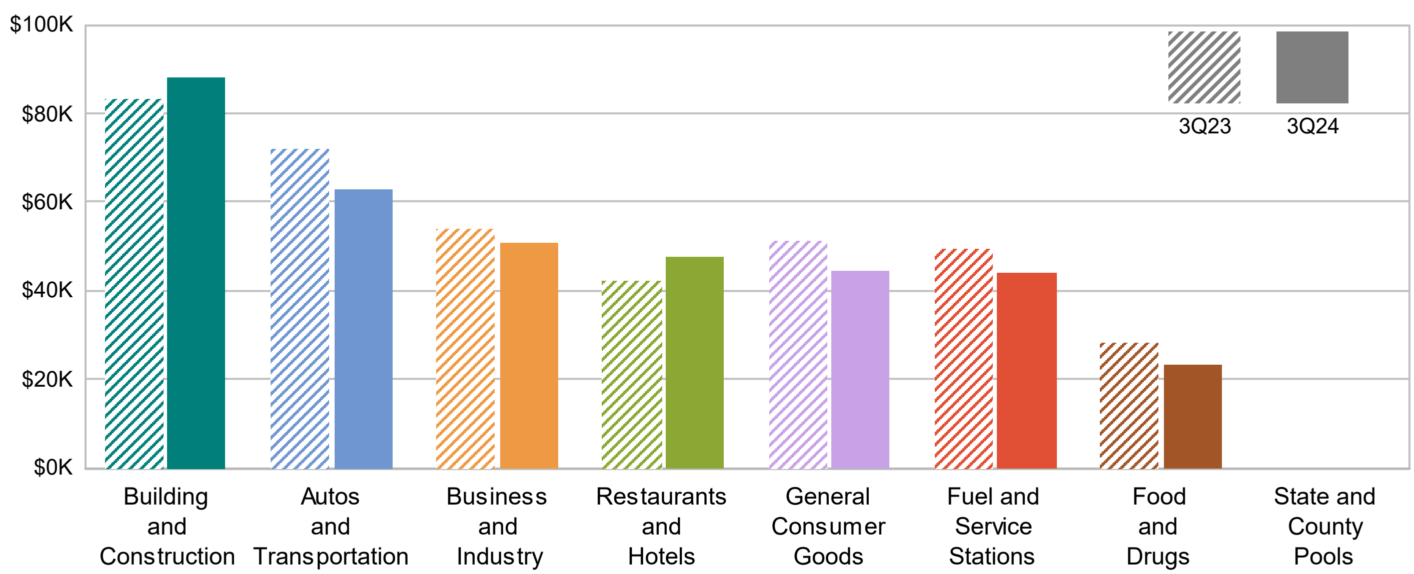

Periods shown reflect the period in which the sales occurred - Point of Sale

# CITY OF PLACERVILLE MEASURE H

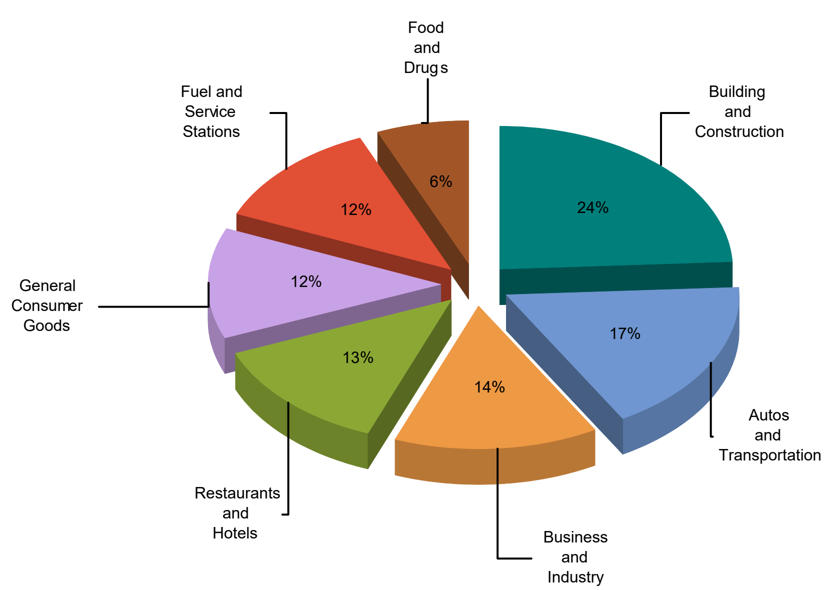
## MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 3Q24 | 3Q23 | $ Change | % Change |
|---|---|---|---|---|---|
| Building and Construction | 461 | 88,155 | 83,084 | 5,072 | 6.1% |
| Autos and Transportation | 753 | 63,076 | 71,860 | (8,784) | -12.2% |
| Business and Industry | 3,645 | 51,018 | 53,970 | (2,951) | -5.5% |
| Restaurants and Hotels | 203 | 47,963 | 42,249 | 5,715 | 13.5% |
| General Consumer Goods | 2,672 | 44,879 | 51,312 | (6,433) | -12.5% |
| Fuel and Service Stations | 52 | 44,256 | 49,525 | (5,269) | -10.6% |
| Food and Drugs | 113 | 23,534 | 28,637 | (5,103) | -17.8% |
| Transfers & Unidentified | 1,446 | 5,801 | 4,144 | 1,656 | 40.0% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 9,345 | 368,683 | 384,780 | (16,098) | -4.2% |

**3Q23 Compared To 3Q24**




**3Q24 Percent of Total**



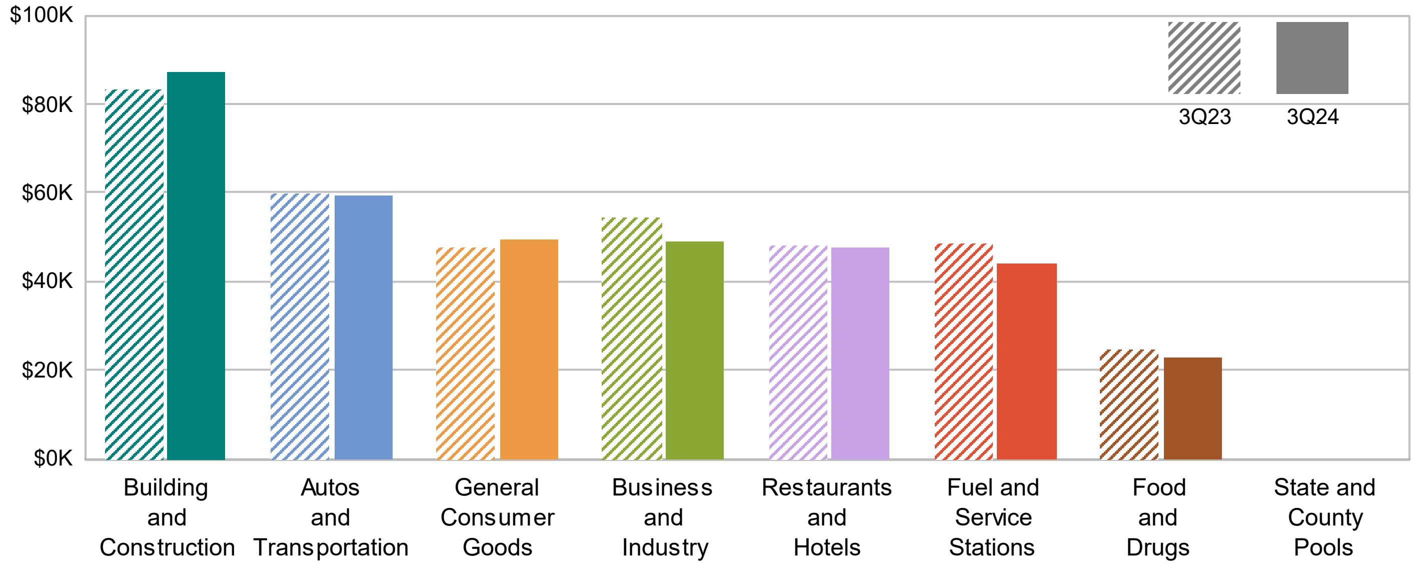
ADJUSTED FOR ECONOMIC DATA

# CITY OF PLACERVILLE MEASURE H

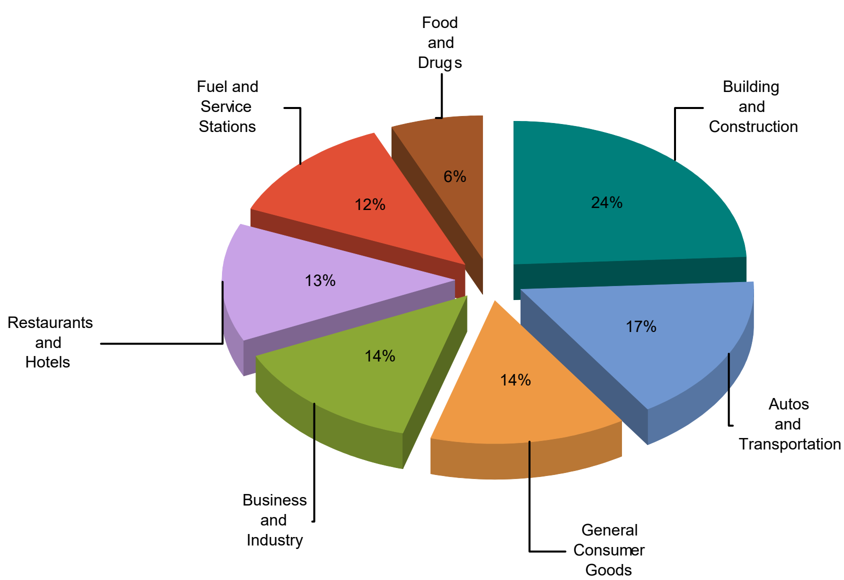
## MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 3Q24 | 3Q23 | $ Change | % Change |
|---|---|---|---|---|---|
| Building and Construction | 461 | 87,449 | 83,199 | 4,250 | 5.1% |
| Autos and Transportation | 753 | 59,537 | 60,113 | (576) | -1.0% |
| General Consumer Goods | 2,672 | 49,650 | 47,869 | 1,781 | 3.7% |
| Business and Industry | 3,645 | 48,968 | 54,559 | (5,591) | -10.2% |
| Restaurants and Hotels | 203 | 47,768 | 48,227 | (459) | -1.0% |
| Fuel and Service Stations | 52 | 44,084 | 48,902 | (4,818) | -9.9% |
| Food and Drugs | 113 | 23,187 | 25,054 | (1,868) | -7.5% |
| Transfers & Unidentified | 1,446 | 4,140 | 3,545 | 595 | 16.8% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 9,345 | 364,782 | 371,467 | (6,685) | -1.8% |

**3Q23 Compared To 3Q24**




**3Q24 Percent of Total**

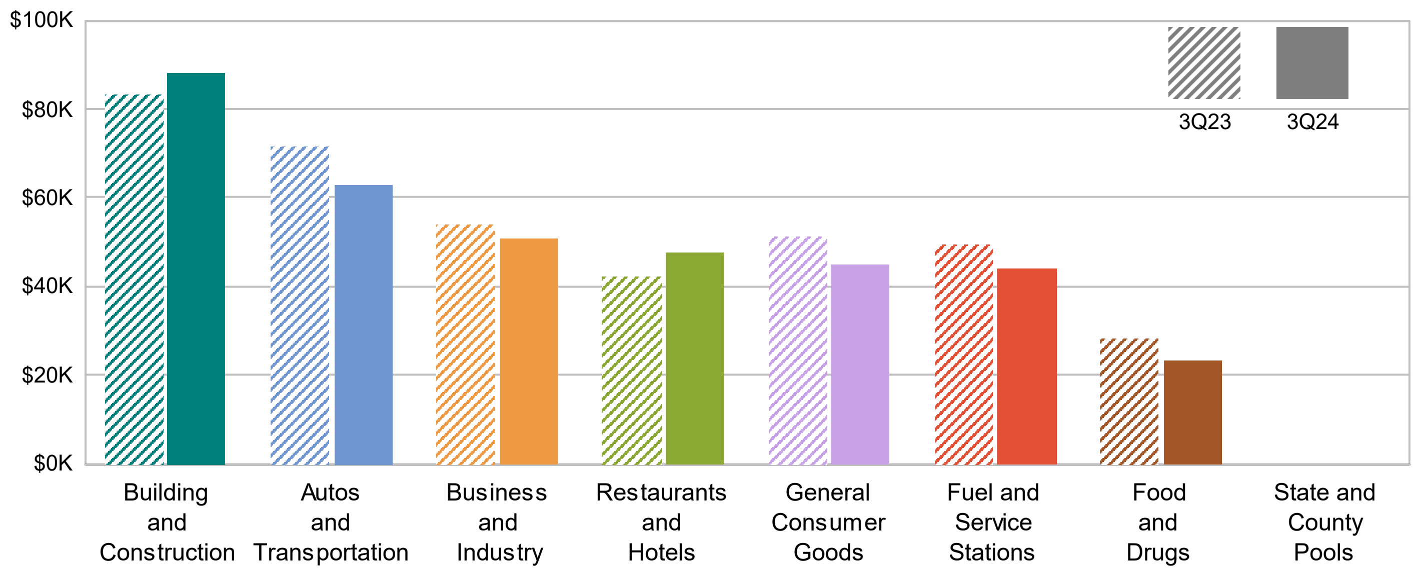


# CITY OF PLACERVILLE MEASURE J

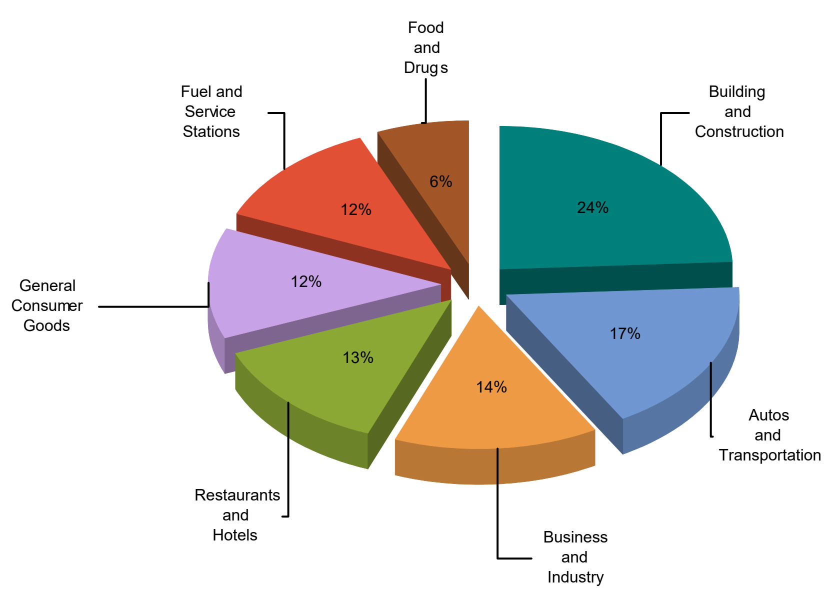
## MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 3Q24 | 3Q23 | $ Change | % Change |
|---|---|---|---|---|---|
| Building and Construction | 459 | 88,126 | 83,084 | 5,042 | 6.1% |
| Autos and Transportation | 751 | 62,874 | 71,762 | (8,888) | -12.4% |
| Business and Industry | 3,629 | 51,148 | 54,021 | (2,873) | -5.3% |
| Restaurants and Hotels | 202 | 47,980 | 42,266 | 5,714 | 13.5% |
| General Consumer Goods | 2,671 | 44,905 | 51,361 | (6,456) | -12.6% |
| Fuel and Service Stations | 52 | 44,252 | 49,515 | (5,263) | -10.6% |
| Food and Drugs | 115 | 23,554 | 28,656 | (5,102) | -17.8% |
| Transfers & Unidentified | 1,449 | 5,801 | 4,144 | 1,656 | 40.0% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 9,328 | 368,640 | 384,809 | (16,169) | -4.2% |

**3Q23 Compared To 3Q24**




**3Q24 Percent of Total**



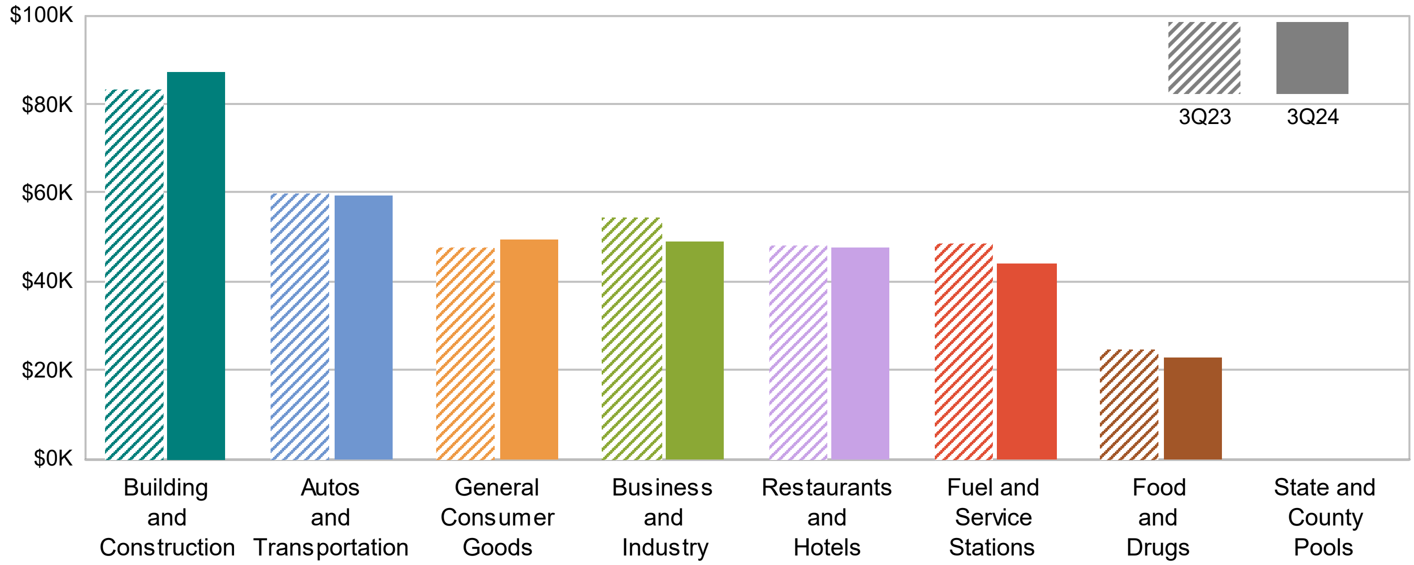
ADJUSTED FOR ECONOMIC DATA

# CITY OF PLACERVILLE MEASURE J

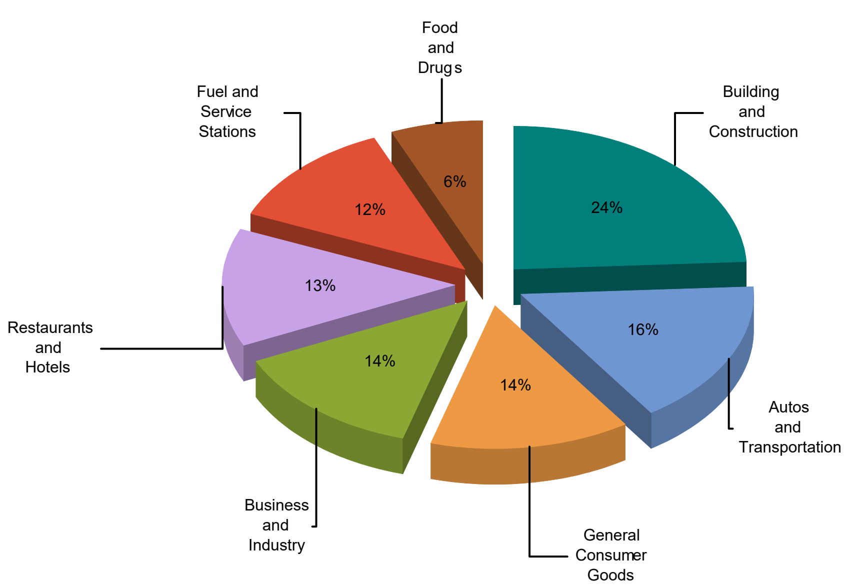
## MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 3Q24 | 3Q23 | $ Change | % Change |
|---|---|---|---|---|---|
| Building and Construction | 459 | 87,426 | 83,199 | 4,226 | 5.1% |
| Autos and Transportation | 751 | 59,333 | 60,014 | (681) | -1.1% |
| General Consumer Goods | 2,671 | 49,686 | 47,918 | 1,768 | 3.7% |
| Business and Industry | 3,629 | 49,144 | 54,605 | (5,461) | -10.0% |
| Restaurants and Hotels | 202 | 47,768 | 48,227 | (459) | -1.0% |
| Fuel and Service Stations | 52 | 44,080 | 48,892 | (4,812) | -9.8% |
| Food and Drugs | 115 | 23,207 | 25,073 | (1,866) | -7.4% |
| Transfers & Unidentified | 1,449 | 4,140 | 3,545 | 595 | 16.8% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 9,328 | 364,783 | 371,473 | (6,689) | -1.8% |

### 3Q23 Compared To 3Q24




### 3Q24 Percent of Total

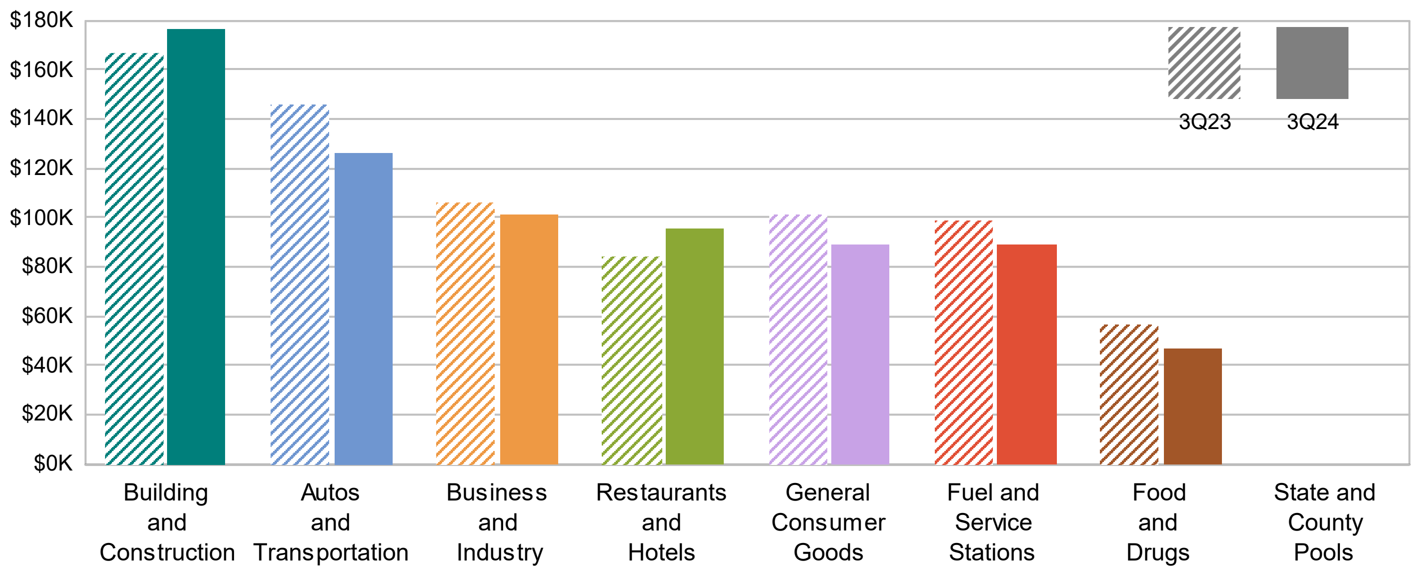


# CITY OF PLACERVILLE MEASURE L

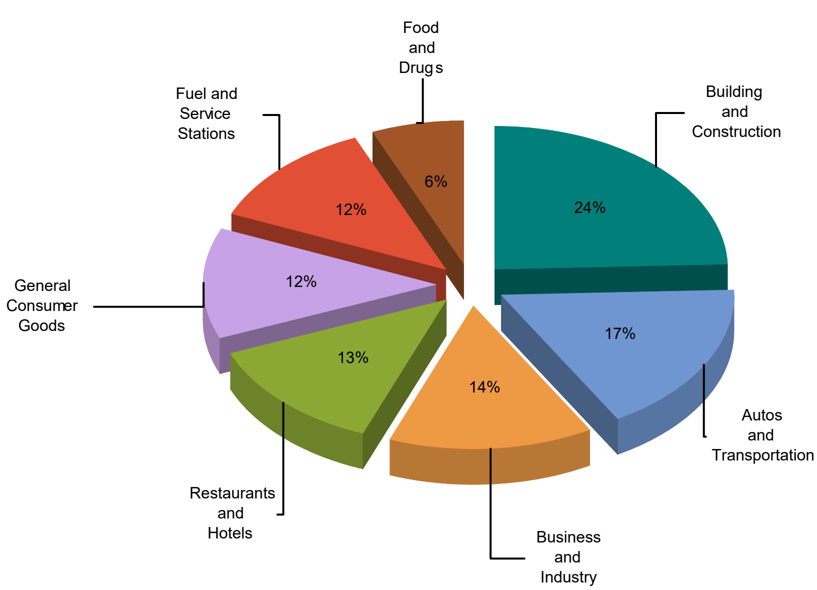
## MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 3Q24 | 3Q23 | $ Change | % Change |
|---|---|---|---|---|---|
| Building and Construction | 490 | 176,841 | 166,884 | 9,957 | 6.0% |
| Autos and Transportation | 767 | 126,761 | 145,599 | (18,838) | -12.9% |
| Business and Industry | 3,709 | 101,220 | 106,135 | (4,915) | -4.6% |
| Restaurants and Hotels | 202 | 95,930 | 84,492 | 11,439 | 13.5% |
| General Consumer Goods | 2,667 | 89,401 | 101,690 | (12,289) | -12.1% |
| Fuel and Service Stations | 54 | 89,046 | 99,051 | (10,005) | -10.1% |
| Food and Drugs | 113 | 47,064 | 57,272 | (10,208) | -17.8% |
| Transfers & Unidentified | 1,450 | 11,605 | 8,293 | 3,312 | 39.9% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 9,452 | 737,869 | 769,415 | (31,547) | -4.1% |

**3Q23 Compared To 3Q24**




**3Q24 Percent of Total**



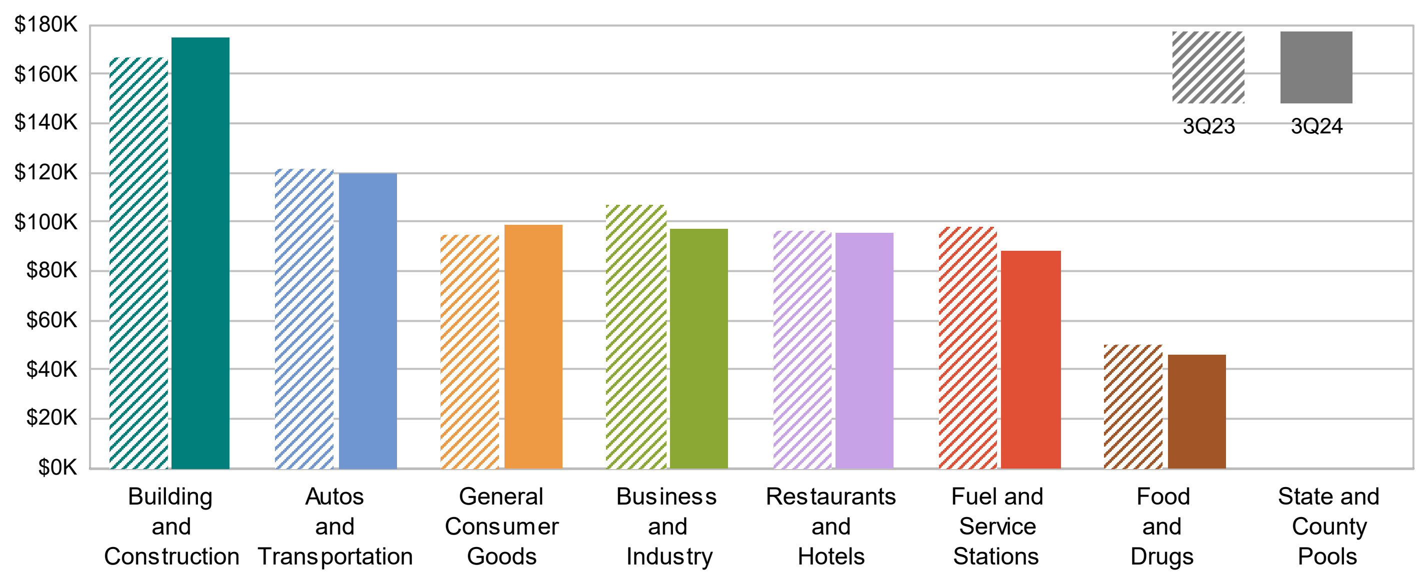
ADJUSTED FOR ECONOMIC DATA

# CITY OF PLACERVILLE MEASURE L

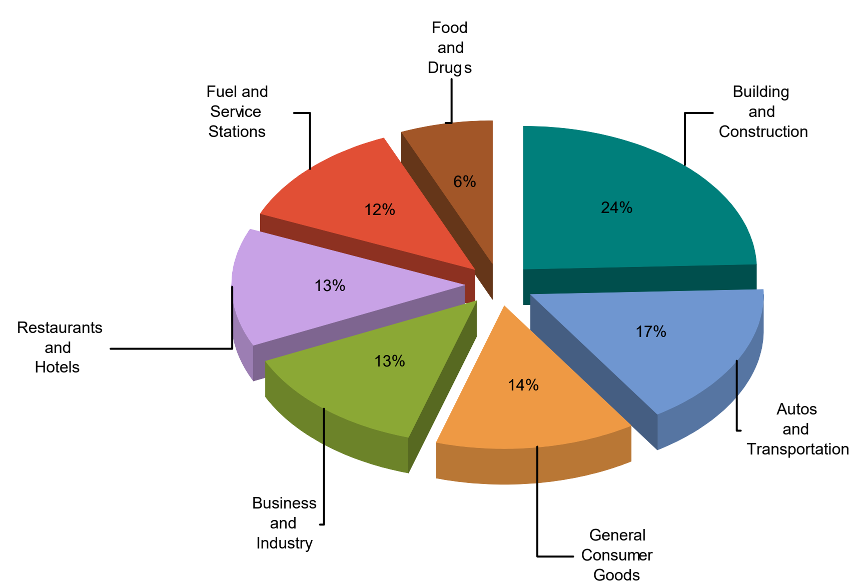
## MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 3Q24 | 3Q23 | $ Change | % Change |
|---|---|---|---|---|---|
| Building and Construction | 490 | 175,340 | 167,084 | 8,256 | 4.9% |
| Autos and Transportation | 767 | 119,668 | 121,912 | (2,245) | -1.8% |
| General Consumer Goods | 2,667 | 99,284 | 94,983 | 4,300 | 4.5% |
| Business and Industry | 3,709 | 96,978 | 107,430 | (10,452) | -9.7% |
| Restaurants and Hotels | 202 | 95,547 | 96,448 | (901) | -0.9% |
| Fuel and Service Stations | 54 | 88,167 | 97,804 | (9,636) | -9.9% |
| Food and Drugs | 113 | 46,385 | 50,107 | (3,723) | -7.4% |
| Transfers & Unidentified | 1,450 | 8,312 | 7,087 | 1,225 | 17.3% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 9,452 | 729,681 | 742,855 | (13,175) | -1.8% |

**3Q23 Compared To 3Q24**




**3Q24 Percent of Total**

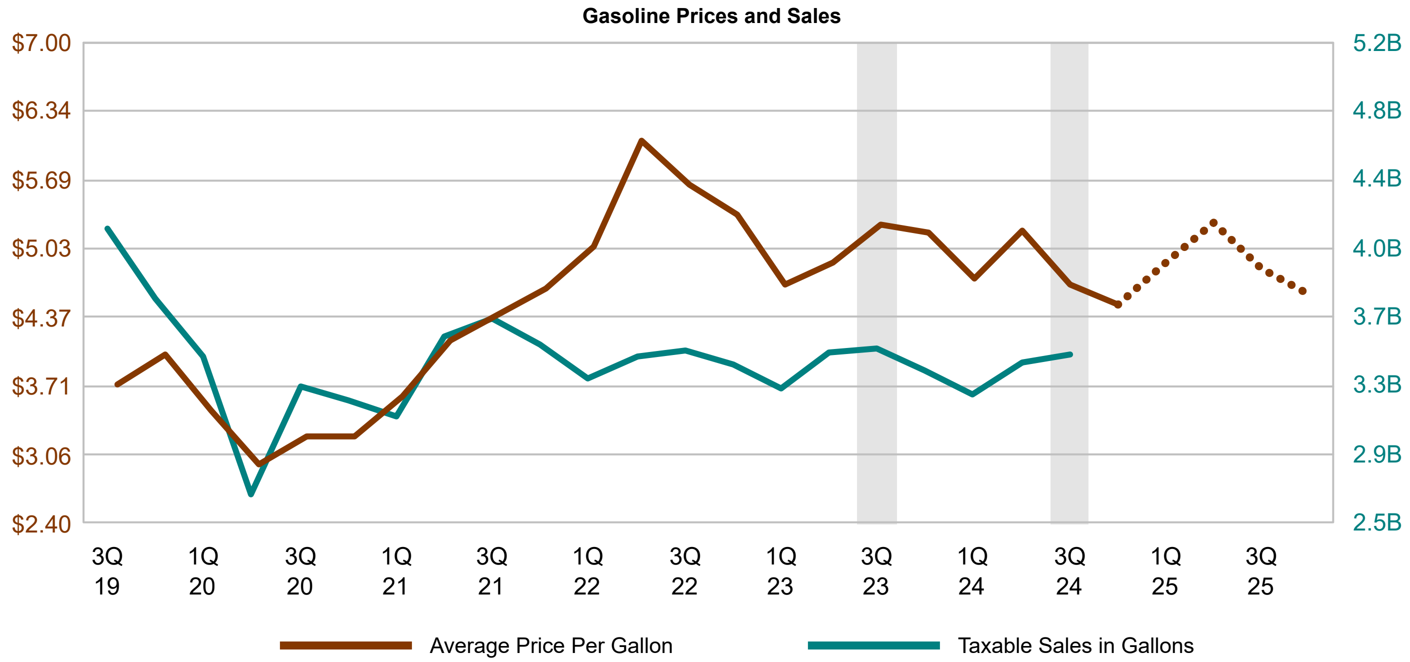


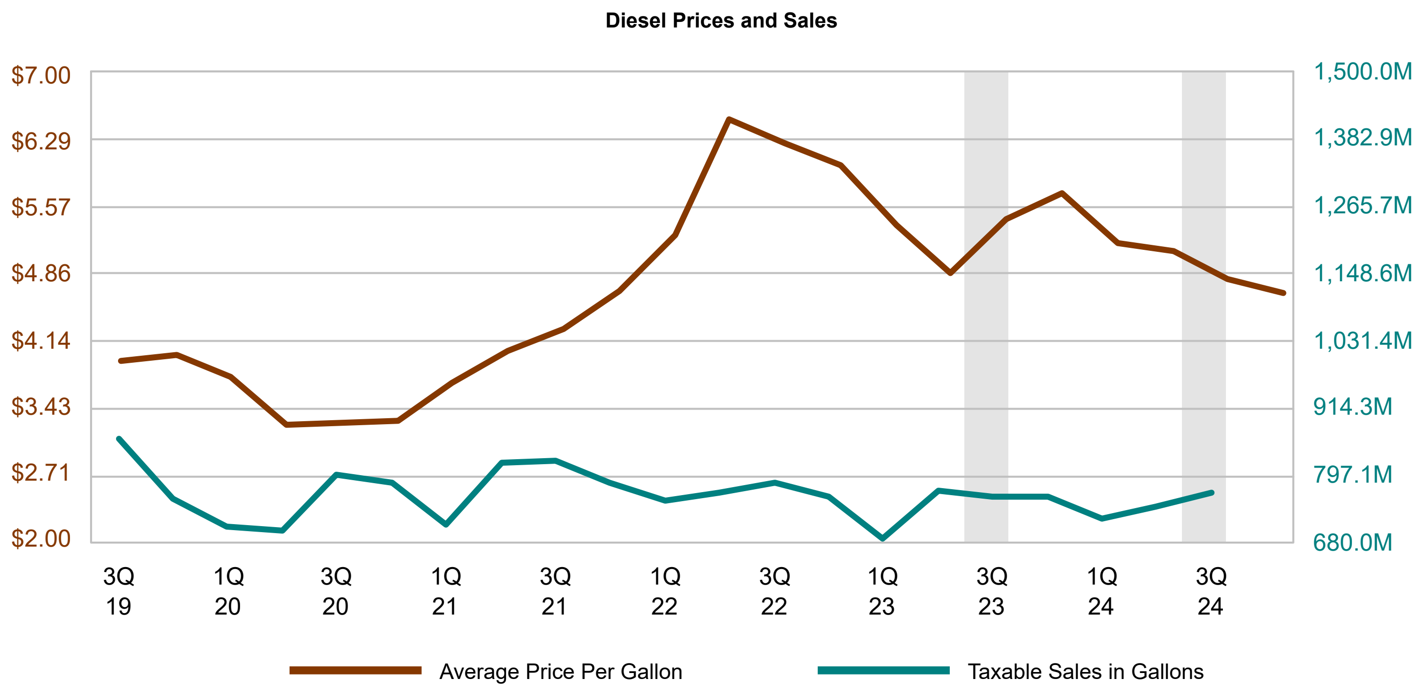
# STATE OF CALIFORNIA

GASOLINE AND DIESEL TRENDS

| Gasoline Data | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25* | 2Q25* | 3Q25* | 4Q25* |
|---|---|---|---|---|---|---|---|---|---|
| Average Price Per Gallon | $5.19 | $4.74 | $5.20 | $4.69 | $4.51 | $4.91 | $5.29 | $4.84 | $4.59 |
| % Change from Prior Quarter | -1.39% | -8.65% | 9.69% | -9.84% | -3.90% | 8.90% | 7.74% | -8.51% | -5.17% |
| % Change from Same Qtr Prior Year | -2.98% | 1.08% | 6.24% | -10.91% | -13.18% | 3.50% | 1.66% | 3.16% | 1.80% |

* - Estimate




Sources: Board of Equalization, California Department of Tax and Fee Administration, Energy Information Administration, The HdL Companies

# CALIFORNIA FORECAST

## SALES TAX TRENDS & ECONOMIC DRIVERS

DECEMBER 2024

*Mt. Baldy, San Bernardino County*

HdL Companies

888.861.0220 | solutions@hdlcompanies.com | hdlcompanies.com

HdL Companies

# STATEWIDE SALES TAX TRENDS

2024/25 | 2025/26

**TOTAL** -0.8% | 2.6%

**Overview**: Sluggish third quarter 2024 tax filings and mixed short-term performance coming from the eight groups noted below combine to reduce sales taxes expectations for fiscal year 2024-25. This negative outlook reflects a second year of statewide revenue declines. Contributing factors in this uncertain economy include higher business operating costs and to what extent Federal Funds interest rates may decline further into 2025. Looking ahead, election results have introduced additional economic uncertainty. Nationally, consumer confidence and sentiment recently soared but future policy decisions could exert upward pressure on prices, resulting in fewer sales transactions.

2024/25 | 2025/26

## Autos/Transportation -0.9% | 3.5%

Affordability concerns have weighed on car sales, but a gradual easing of new vehicle prices, declining interest rates, and a strong labor market are expected to support demand over time. With the average age of vehicles on the road now at a record 12.6 years, significant pent-up demand has positioned the market for recovery. Short-term factors, such as the threat of potential tariffs and year-end incentives to clear excess inventory, could provide a temporary boost. The recovery is likely to be gradual, however, as structural challenges including high insurance costs, limited affordable models, and added complexity posed by the transition to electrification will continue to act as headwinds to the market.

## Building/Construction -1.8% | 2.6%

This quarter's results repeated much of what happened last quarter. Sales at big box home improvement centers extended their slide while lumber and roofing supply sales held steady in the northern and southern ends of the state. Retailers providing rooftop solar materials and installation have yet to find the bottom of that market as sales receded yet again. Asphalt and cement batch plants reported a stable sales volume overall, but any progress came from outside the Central Valley. Optimism for future construction-related gains has been dampened by the Fed's cautious and minimal adjustments to interest rates so far, while the specter of higher tariffs and uncertainty over the future of the home loan industry leave many unanswered questions.

## Business/Industry 0.0% | 1.8%

Ecommerce continues to rule as consumers embrace the convenience of shopping online. Related sales jumped and CA-based fulfillment centers filled more "local" orders, contributing 27% of all B&I revenues. While business-to-business edged a little higher, most other categories remained relatively flat or declined as economic variables such as high interest rates stunted growth. The industrial and information technology sectors broke even compared to last year. Medical/-biotech, office supplies/furniture, and garden/agricultural supplies all declined. Solar/energy projects across the State slowed as well. Given the diversity of this group, the outlook is modest. With twenty-one unique tax segments, predictions vary widely based on the size and character of local businesses.

## Food/Drugs -1.8% | 0.4%

Grocery stores' profits grew 1.4% as more customers ate at home because of elevated restaurant menu prices, especially for lower-income patrons. Convenience/liquor markets see shrinkages as consumers pivot and buy more snack foods and alcohol at big box merchants. Cannabis retailers' gross receipts tumbled for the fourth consecutive quarter; yielding an (-11.6%) return over this period. Additionally, national brands' recent announcements accelerating outlet closures could provoke drugstore graveyards while product inventory is scarce in some local communities. As such, until the drugstore category is transformed, anticipate this group to finish lower at the end of June and fiscal year 2025-26 to stay relatively flat.

2024/25 | 2025/26

## Fuel/Service Stations -8.3% | 3.7%

The 13% decline in July to September payments revealed a drop in consumption, down 10% over the year ago quarter, as well as reductions in per gallon fuel rates paid by buyers. This sector again is expected to endure significant downward pressure on regular, diesel, and oil barrel prices compared to a year ago. As a result, the overall forecast in fiscal year 2024-25 is lower. Recent legislation and regulations imposed on suppliers of fuel in California are likely to have an upward pressure on fuel prices, which will offset the overall reduction in sales tax toward the second half of 2025. As a result, anticipate a slow recovery beginning in fiscal year 2025-26.

## General Consumer Goods -1.9% | 1.4%

Numerous classifications remained depressed throughout the third quarter, contracting more than anticipated as the group absorbed some of the impact caused by lower gas prices. Despite cost reductions of some core goods, consumers battled stubborn inflation in non-taxable areas, forcing more attention on balancing needs versus wants. Brick-and-mortar storefronts remain in competition with the convenience of and investment in online shopping which has added negative headwinds for overall direct tax allocations across this segment. The outlook is cloudy with expectations for lower receipts throughout fiscal year 2024-25 and a return to mild growth in the following year driven by a bump in the overall costs of goods.

## Restaurants/Hotels 1.2% | 3.7%

The restaurant industry is experiencing moderate growth, substantiated by a 1% increase in the recent quarter. However, higher labor and food costs persist as significant challenges, leading to menu prices increasing about 7% on average over the last year. This trend is causing budget-conscious diners to reduce their restaurant visits. Both fine dining and leisure-entertainment categories saw declines in 3rd quarter returns with price sensitivity remaining a big factor. While recent hotel stays have slowed, the outlook for room rates and occupancy in the coming year is positive.

## State and County Pools 3.0% | 3.5%

Large audit corrections tied to county pools over allocations in prior years hurt cash payments in the third quarter of 2024, while economic basis gains of 3% were right in line with estimates for this period. Retail ecommerce holiday season sales growth rose once again, doubling the increase seen at physical retail locations. Perceptive companies looking to enhance sales are making future investments in warehouse automation, artificial intelligence tools, and augmented reality; all with an eye toward directing shoppers to spend more purchasing time on devices to satisfy spending needs. The forecast captures steady year over year improvement, overcoming the (-0.5%) decline that occurred fiscal year 2023-24.

# NATIONAL AND STATEWIDE ECONOMIC DRIVERS

| | 2024/25 \| 2025/26 |
|---|---|

## U.S. Real GDP Growth — 2.6% | 2.5%

As 2024 comes to an end, the U.S. economy continues to exceed expectations. Real GDP growth has averaged 3% over the past nine quarters, and preliminary data for the final quarter of 2024 suggests this momentum remains intact. Beacon Economics expects real GDP growth to continue, driven by the strength of U.S. household finances, which in turn is characterized by falling debt-to-income ratios, a decent savings rate, record high net worth, and rising real incomes. Consumer spending accounts for nearly 70% of U.S. economic output, meaning when consumers are doing well, the broader economy tends to follow suit.

## CA Unemployment Rate — 5.3% | 5.1%

While the U.S. unemployment rate held steady at 4.1% in October, California's labor market is showing clear signs of strain. The state's unemployment rate ticked up from 5.3% in September to 5.4% in October 2024—0.3 percentage points higher than October 2023 and a full percentage point above pre-pandemic levels. In contrast, the national unemployment rate is just 0.5 percentage points above pre-pandemic levels, and without California, the national unemployment rate drops to 3.98%. California's increased unemployment rate is not driven by more people entering the labor force, as the state's labor force participation rate has shrunk by nearly one percentage point since February 2020. In September, California had nearly two unemployed individuals for every job opening; a ratio of 1.9. The U.S. ratio remains significantly lower at 0.9, indicating that California's challenges may stem as much from a shortage of job openings as from a constrained labor force.

## CA Total Nonfarm Employment Growth — 1.2% | 1.0%

Total nonfarm employment in California fell to approximately 18.1 million on a seasonally adjusted basis in October, a decline of 5,500 positions. These losses were largely concentrated in the public sector, while the private sector added 2,000 jobs. The state has faced three months of job declines this year, with the first drop in service-sector employment occurring last month. Meanwhile, California's household and payroll surveys continue to diverge: Payroll employment has risen 1.8% over the past two years, while household employment has remained nearly flat. A downward correction in payroll numbers may be on the horizon in March, when the annual revision takes place.

| | 2024/25 \| 2025/26 |
|---|---|

## U.S. Unemployment Rate — 4.3% | 4.1%

The nation's unemployment rate continues to hover around historically low levels, despite rising slightly to 4.2% in November 2024. This rate represents an improvement over July 2024 and solid wage growth continues to underscore the U.S. economy's strong performance. In October 2024, there were approximately 1.1 job openings for every unemployed person in the nation, indicating a tight labor market despite a decline from 1.44 job openings per person a year earlier. The U.S. job openings rate was 4.6% in October 2024, down from its peak in March 2022, but still at a historically elevated level, a sign of a persistently tight labor market.

## CA Residential Building Permits — 98,521 | 102,959

Residential permits in California have declined in eight of the last twelve quarters YoY, including a nearly 13% drop in Q3 2024. High interest rates and borrowing costs, which have strained the housing market for two years, continue to hinder progress. The current pace of permitting remains far below what is needed to close the state's substantial housing supply gap. Although recent Federal Reserve rate cuts have lowered short-term borrowing costs and offered relief to developers, the number of permits being issued remains far lower than demand. With further rate cuts expected, modest growth in permits is likely, but without accelerated issuance and more aggressive efforts to increase supply, California's housing shortfall will persist, leaving homeownership out of reach for many residents.

## CA Median Existing Home Price — $719,877 | $728,425

After several quarters of sluggish activity, California's housing market is beginning to show signs of recovery despite ongoing affordability challenges. Single-family home sales rose nearly 11% year-over-year in November 2024, with the median price up nearly 6%. A drop in mortgage rates to 6.43% has encouraged hesitant sellers to return to the market, but high prices and limited supply keep affordability out of reach for many. Flattening mortgage rates are anticipated in 2025, which will likely spur additional demand and provide stability in the market. With the combined effects of stable mortgage rates and increased market activity, home prices are expected to continue rising, particularly in the latter half of the year, as demand intensifies, and inventory remains tight.

## Proposition 172

Total fiscal year 2023-24 Proposition 172 (P-172) statewide revenues ended about 1% lower than the prior year. The December projection anticipates a similar result for the 2024-25 fiscal period with a projected 1.1% decrease. Fiscal year 2025-26 reflects anticipated growth of 2.7%. Current county projections include updated pro-rata factors published by the SCO in September 2024. As the calendar year Bradley-Burns results fluctuate due to taxpayer modifications, statewide audits, economic impacts, etc. – Proposition 172 pro-rata factors and resultant P-172 revenues will vary for many counties.

Watch our webinar for more info!