

California's Current Economic Outlook

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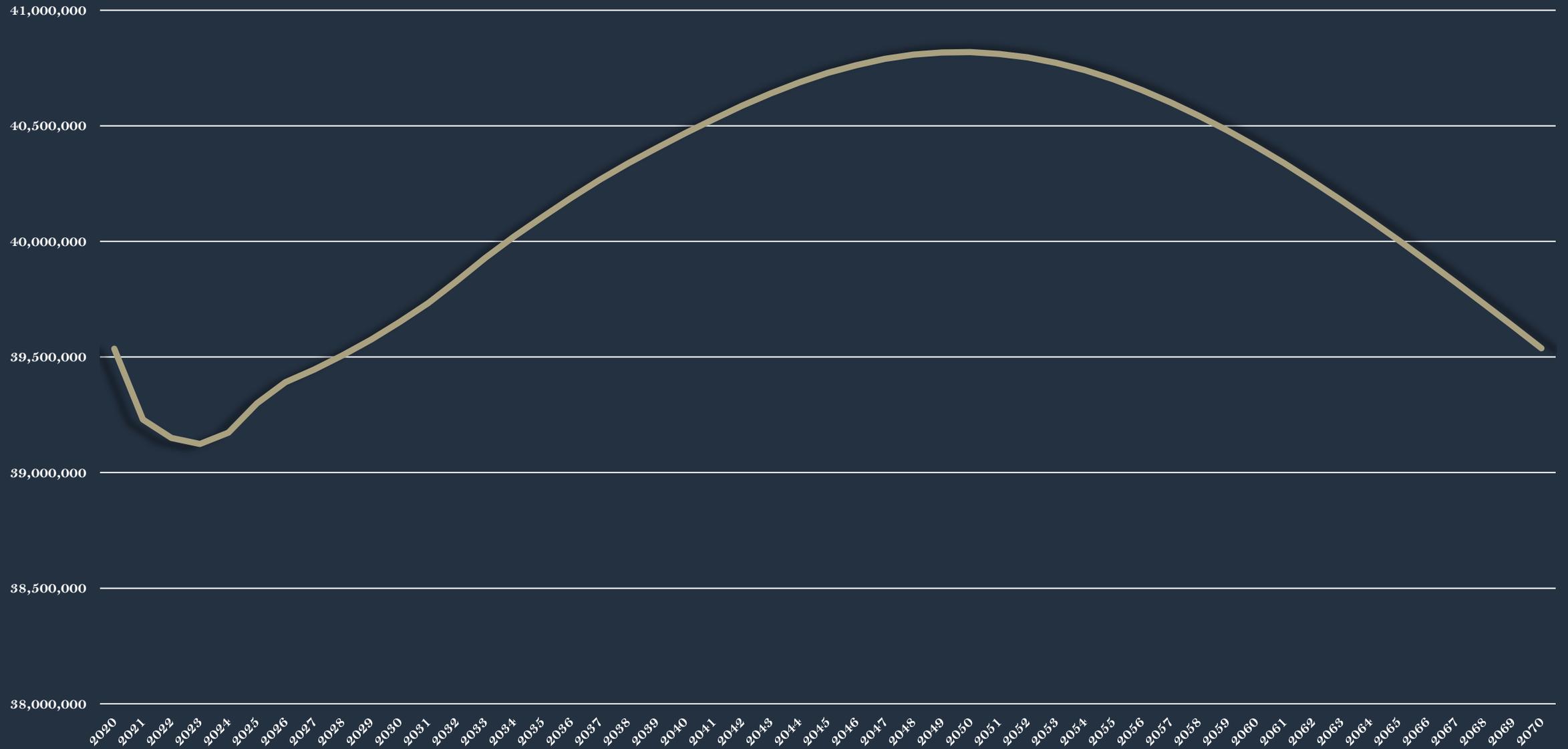


Roadmap For Today

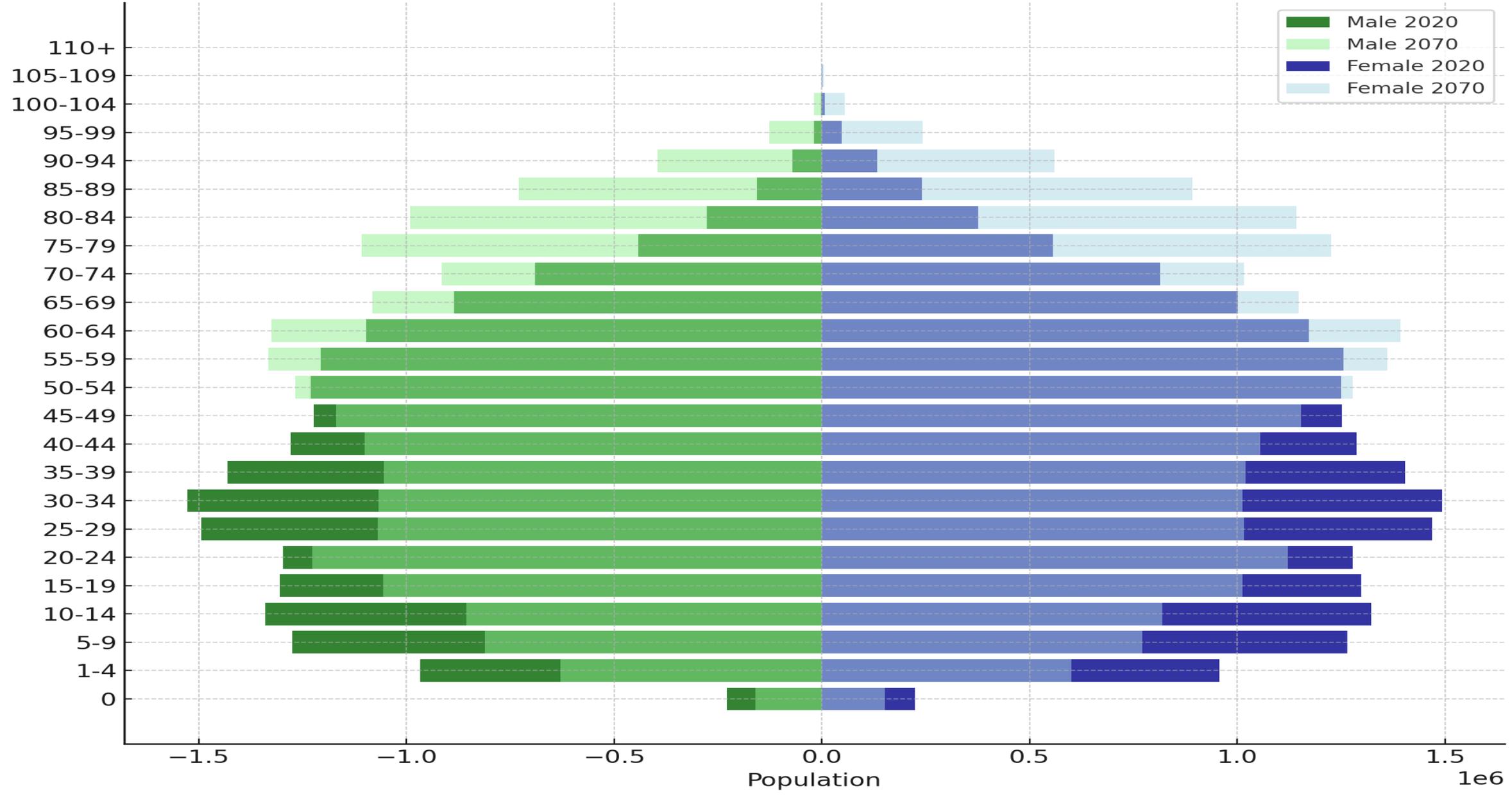
Demographics



California Population Challenges



Population Pyramid 2020 vs 2070 (Older Ages on Top)





Department of Finance

Demographics

- Budget
- Accounting
- Forecasting
- Reports
- Programs
- Careers
- What's New
- Quick Links

Demographics

The Demographic Research Unit (DRU) of the California Department of Finance is designated as the single official source of demographic data for state planning and budgeting. [Download a Unit overview brochure](#) [PDF](#).

Data

- [Estimates](#) – Official population estimates of the state, counties and cities produced by the Demographic Research Unit for state planning and budgeting.
- [Projections](#) – Forecasts of population, births and public school enrollment at the state and county level produced by the Demographic Research Unit.
- [State Census Data Center](#) – Demographic, social, economic, migration, and housing data from the decennial censuses, the American Community Survey, the Current Population Survey, and other special and periodic surveys.
- [DRU Data Hub](#) [↗](#) – DRU’s interactive data portal for exploring, sharing, and visualizing data. It includes maps, dashboards, and other applications featuring a range of demographic, housing and socioeconomic data.

California Current Economic Outlook



What Were We Thinking in May?



The Department of Finance welcomes you to the

California Budget 2025-26

Gavin Newsom Governor
State of California

Overview of 2025-26 May Revision Economic Outlook



“Growth recession”



**Inflation to
accelerate above
Fed’s target rate of
2%**



**One rate cut in
2025, in December**



**Federal policy
uncertainty**

Latest News



Shoppers in California plan to splurge this holiday season — out of fear

Lopez: The immigration raids are crushing L.A.'s fire recovery and California's economy

Will the federal government shutdown last long enough to hurt the U.S. economy?

Trade and legal experts see up to 80% odds that the Supreme Court will rule against Trump's global tariffs

California falls to world's fifth-largest economy

Is America's Economy Strong—or Stalling?

These California tech hubs are set to dominate AI economy

If New York or California enters a recession, the entire U.S. economy would be next. So how are they doing?

Trump's tariff threat on China sinks US Dollar as market sentiment deteriorates

U.S. economy expanded at a surprising 3.8% pace in significant upgrade of second quarter growth

California's weak job market is a cry for help. Is anyone listening?

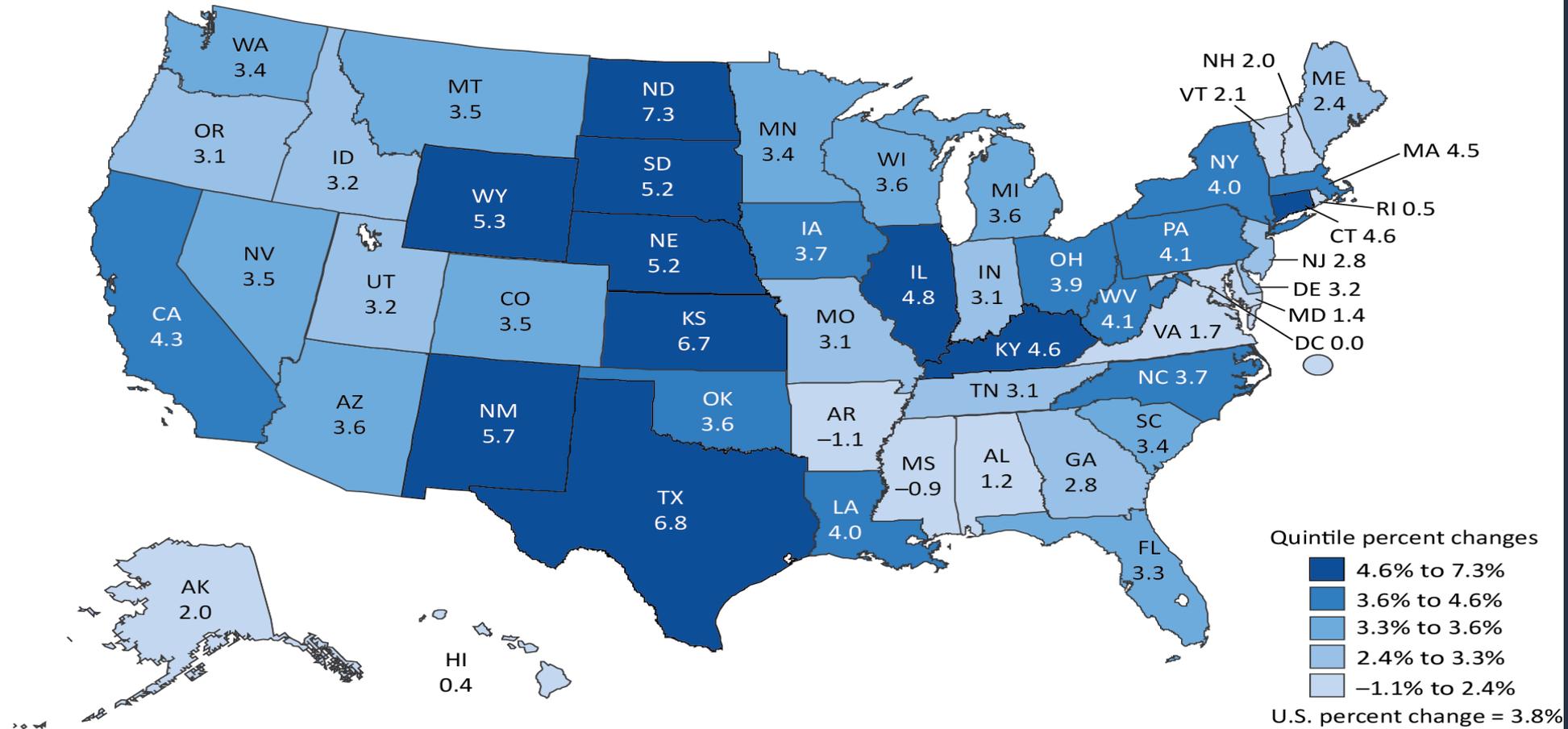
Fed's Daly: labor market is at a 'worrisome' point

Dow tumbles nearly 900 points after Trump reignites trade war between the world's two largest economies



California GDP Growing Faster than U.S.

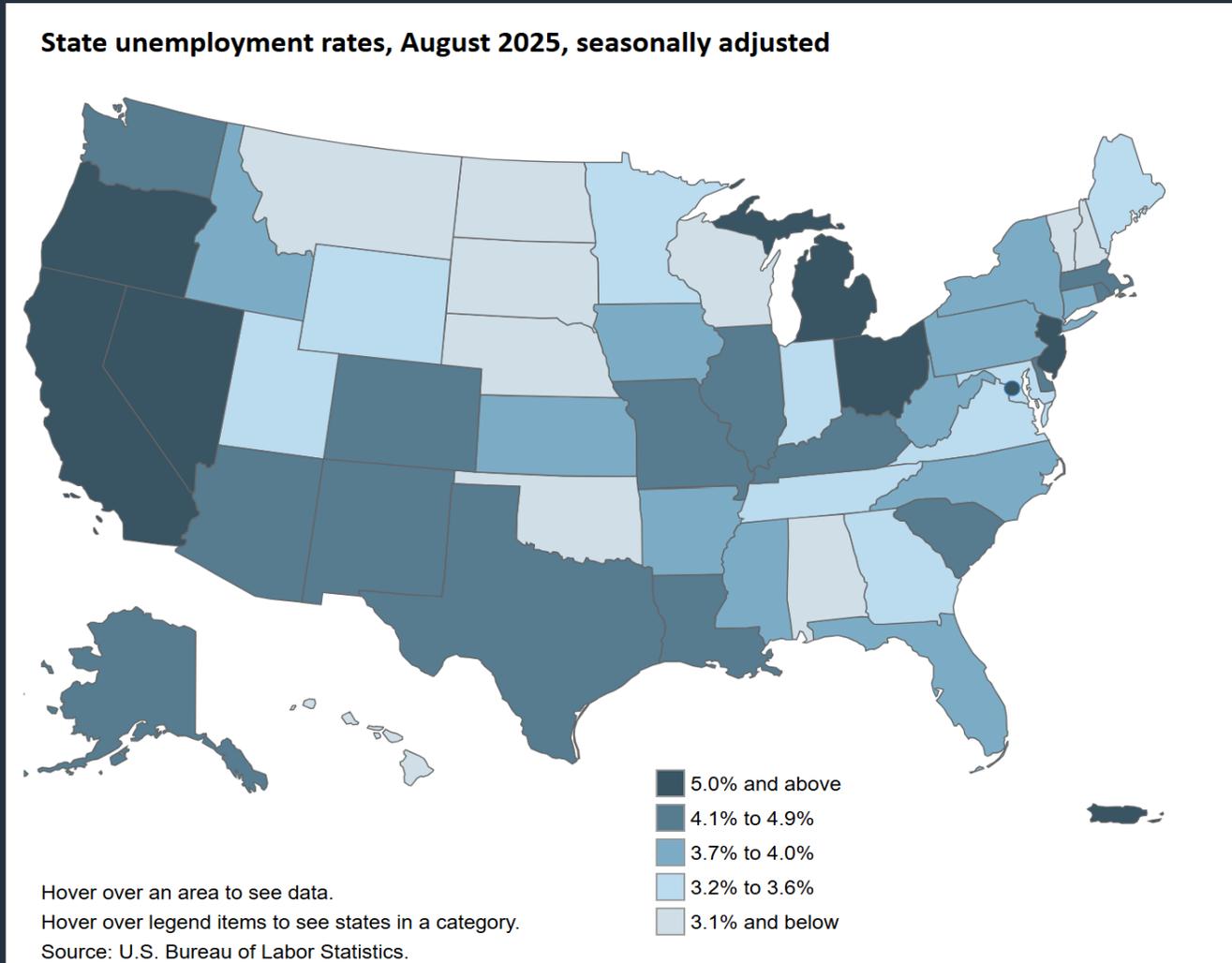
Real GDP: Percent Change at Annual Rate, 2025:Q1–2025:Q2



GDP Gross domestic product
U.S. Bureau of Economic Analysis



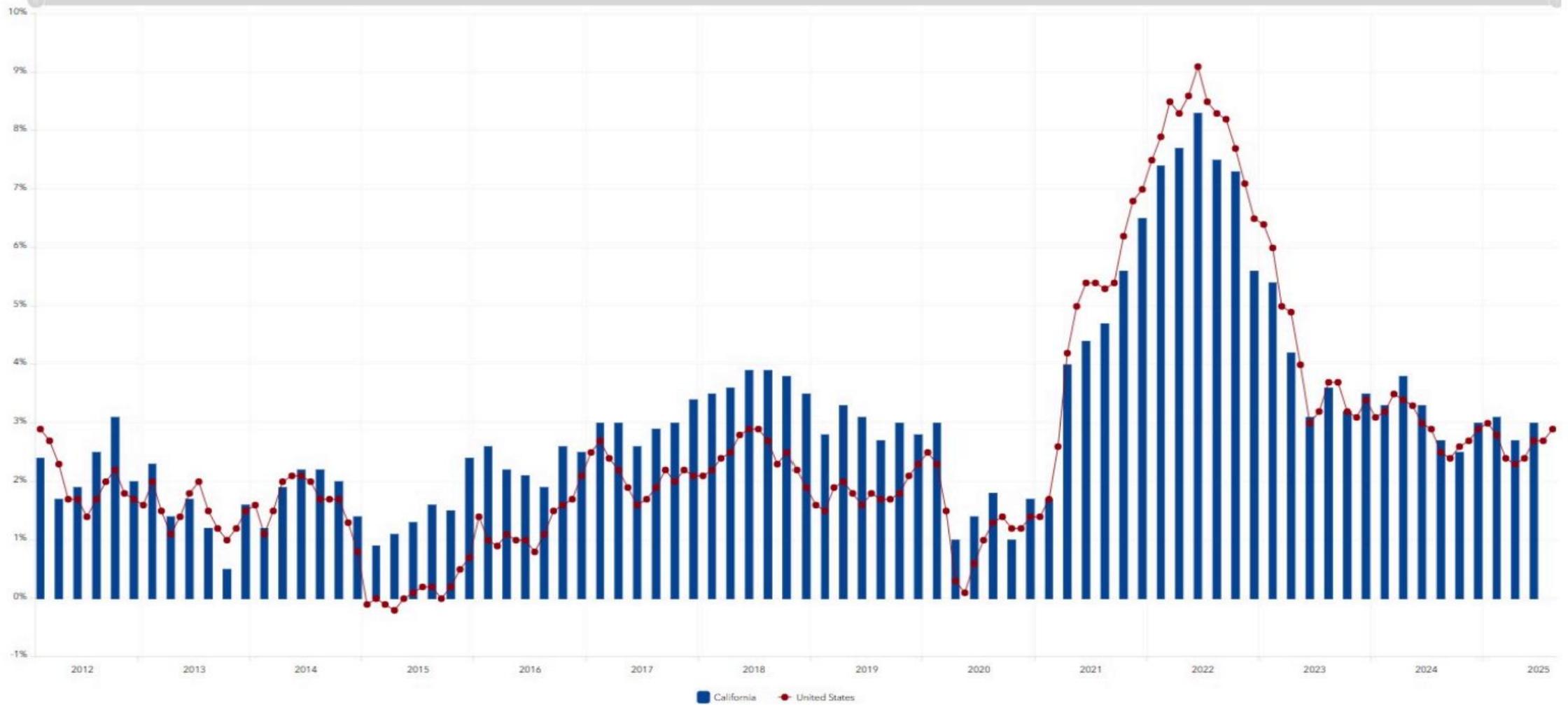
Labor Markets Cooling



Inflation Remains Above Target Rate



U.S. and California Consumer Price Index (CPI) Rates



Sources: Bureau of Labor Statistics (BLS) and California Department of Industrial Relations (DIR)



CALIFORNIA STATE REVENUES



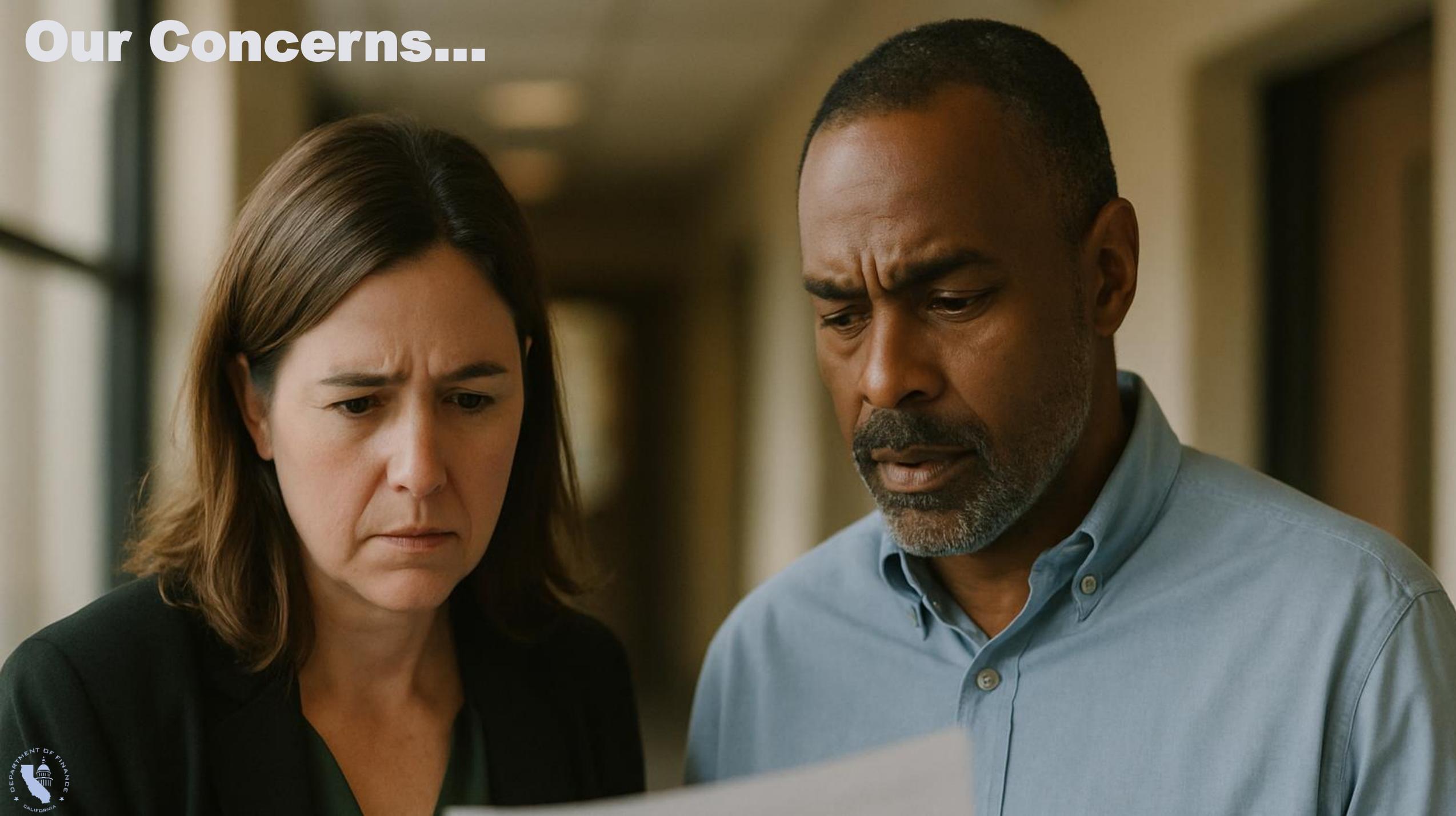
**2025-26 Comparison of Actual and Forecast Agency General Fund Revenues
(Dollars in Millions)**

Revenue Source	AUGUST 2025					2025-26 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference		Forecast	Actual	Difference	Percent Difference
Personal Income	\$7,857	\$8,928	\$1,071	13.6%		\$16,064	\$17,431	\$1,367	8.5%
Withholding	7,601	8,509	908	11.9%		15,372	16,682	1,310	8.5%
Estimated Payments	261	320	59	22.5%		585	724	139	23.8%
Final Payments	246	294	48	19.6%		514	599	85	16.6%
Other Payments	452	476	24	5.4%		1,036	941	-95	-9.2%
Refunds	-550	-502	48	-8.8%		-1,123	-1,177	-53	4.7%
MHSF Transfer	-141	-160	-19	13.6%		-288	-312	-24.5	8.5%
Corporation	\$110	\$396	\$286	261.2%		\$1,443	\$1,303	-\$140	-9.7%
Estimated Payments	225	197	-28	-12.4%		1,301	1,062	-240	-18.4%
PTET Payments	77	127	50	64.7%		193	258	65	33.7%
Other Payments	245	301	57	23.1%		576	645	69	12.0%
Refunds	-437	-229	208	-47.5%		-627	-662	-34	5.4%
Sales & Use	\$4,067	\$4,040	-\$27	-0.7%		\$5,504	\$5,427	-\$77	-1.4%
Insurance	\$767	\$857	\$89	11.6%		\$834	\$937	\$103	12.4%
Pooled Money Interest	\$291	\$237	-\$55	-18.8%		\$492	\$546	\$54	11.0%
Alcohol	\$32	\$30	-\$2	-7.1%		\$76	\$79	\$3	3.9%
Tobacco	\$3	\$4	\$0	14.7%		\$6	\$6	\$0	2.8%
Other	\$91	\$417	\$326	359.5%		\$187	\$633	\$446	239.1%
Total	\$13,218	\$14,908	\$1,689	12.8%		\$24,606	\$26,363	\$1,757	7.1%

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 2025-26 Budget Act. General Fund agency cash receipts for the entire 2024-25 fiscal year were \$2.7 billion above the 2025-26 Budget Act forecast.



Our Concerns...



State Revenue Volatility

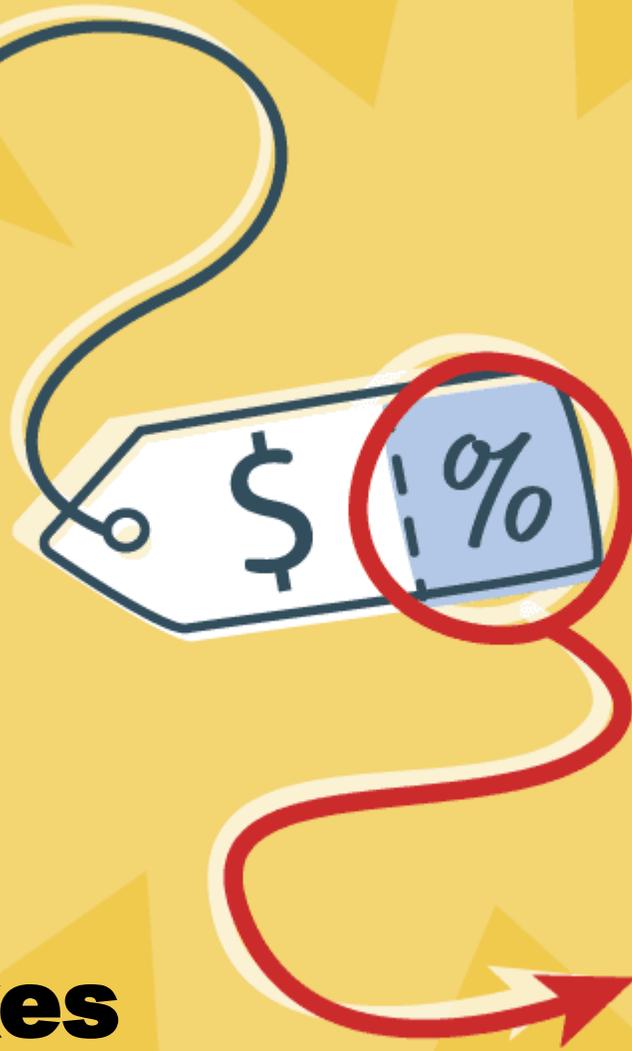


Property Taxes



PROPERTY TAX





Sales & Use Taxes





Labor Market Impacts

Housing, Construction, Fees



Mandates, State Reimbursements & Compliance



Disasters, Insurance & Climate-Driven Costs



Population Shifts and Migration Patterns





Federal Impacts

50



California Recession?



- **The tech sector has been kept afloat by artificial intelligence companies lately. If the AI boom turns to a bust, employment and income growth would slow but the resulting decline in income among the highest earners could hurt the state's budget disproportionately.**

Why experts are worried about an AI bubble in the stock market



Sorry WE'RE
CLOSED



Ongoing Federal Uncertainties Remain

Ever-changing tariffs

Deportations

Stricter international
immigration

Federal layoffs

Federal program cuts

Ongoing Structural Risks to the State

Aging
population

Continued
housing
shortage

High living
costs and
affordability

More frequent
and extreme
climate events

Geo-political
tensions and
escalations

Stock market
volatility and
declines

Thank you!



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