



Current Economic News

California Taxable Sales

Recently, the California Department of Tax and Fee Administration published data on total taxable sales for the third quarter of 2024. This data confirmed that taxable sales in California has been declining since the beginning of 2023.

TOTAL TAXABLE SALES, ANNUAL % CHANGE

	California	Orange County	Riverside	San Bernardin o	Los Angeles
22:1	18.3	22.9	19.3	13.4	22.9
22:2	11.3	14.7	13.4	8.5	12.6
22:3	7.9	8.3	10.2	8.1	6.7
22:4	5.5	6.6	6.1	4.3	4.6
23:1	-1.1	0.1	-1.6	-3.3	-1.5
23:2	-2.9	-1.2	-2.6	-5.3	-4.3
23:3	-1.0	-0.3	-1.0	-3.8	-1.7
23:4	-1.6	-1.7	0.1	-1.4	-2.1
24:1	-0.2	-0.6	-0.4	2.6	-0.6
24:2	-1.8	-2.2	-0.4	1.1	-0.4
24:3	-3.2	-3.6	-4.0	-0.5	-4.0

This decline in taxable sales is extreme, especially as in the United States, the opposite trend is true. Taxable sales are sales which can be taxed, so they exclude items like groceries. A comparable number for the United States is Retail Sales excluding groceries, a variable which rose in 2022 and 2023. The growth rate in the United States declined by 5.4%; meanwhile, California's taxable sales declined by 12%, slipping into negative territory.

US AND CA COMPARISON PERCENTAGE CHANGE

	US Retail Sales, excluding groceries	California Taxable Sales
2022	9.2%	10.3%
2023	3.8%	-1.7%

United States Retail sales and California taxable sales have historically been closely tied in trends, which makes their current divergence puzzling. See, for example, both of them rose in 2003, and sank in 2008. California traditionally has more extreme changes, at both the peaks and troughs. At the national level, the variable growth rates of the 50 states result in narrower fluctuations in retail sales. Even taking this into account, there is currently a more extreme difference than the historical norm.

UNITED STATES VS CALIFORNIA

Annual % Change



It could be that taxable sales have slowed down due to a slowdown in hiring. Employment in California, and many California counties, slowed in growth in 2023 compared to 2022.

EMPLOYMENT, PERCENTAGE CHANGE

	California	Orange County	Riverside San Bernardino	Los Angeles
2018	2.0	2.0	3.7	1.5
2019	1.5	1.3	3.1	1.0
2020	-7.1	-8.5	-3.7	-8.6
2021	3.5	3.6	5.3	3.3
2022	5.5	4.9	5.4	5.3
2023	0.9	0.9	1.2	0.2

Source: EDD

In other states, taxable sales has not seen the same decline; in Texas, for example, taxable sales actually increased by 4% from 2022 to 2023.

TAXABLE SALES

	2022-2023 % Change
California	-1.7%
Washington	1.8%
Florida	2.4%
Colorado	2.4%
Texas	4.0%

The recent ongoing downward trend in taxable sales is puzzling, and employment may be a major factor. As we move in 2025, we will be closely watching this variable to see if this trend reverses to match the growth in United States retail sales.