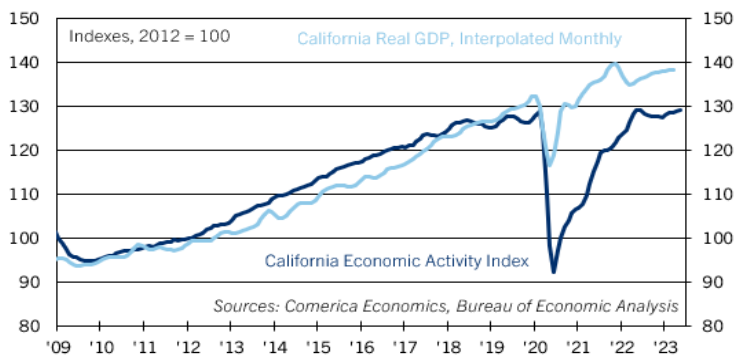


■ Bill Adams ■ Waran Bhahirethan

## California Economic Snapshot, May 2023

	<u>May-23</u>	<u>Apr-23</u>	<u>Mar-23</u>	<u>Feb-23</u>	<u>Jan-23</u>
<b>Comerica California Index</b>					
3-month % change, annual rate	1.6	2.8	3.5	2.9	0.6
Year-over-year % change	0.0	0.4	1.7	3.1	3.4
<b>Real GDP (Quarterly)</b>			<u>Mar-23</u>		<u>Dec-22</u>
Quarterly change, annual rate	--	--	1.2	--	2.4
Year-over-year % change	--	--	1.7	--	-1.1
<b>Unemployment Rate, %</b>	<u>May-23</u>	<u>Apr-23</u>	<u>Mar-23</u>	<u>Feb-23</u>	<u>Jan-23</u>
Percent	4.5	4.5	4.4	4.4	4.2

## California Index and California Real GDP



## California Index Improves in May

The Comerica California Economic Activity Index rose 1.6% annualized in the three months through May and was flat from a year earlier. Five components of the index rose in May, while four declined.

Employment rose by 38,200. The good news on employment was marred by a further increase in unemployment insurance claims to above 400,000. The unemployment rate was unchanged at 4.5%, nearly a percentage point above the national average of 3.7%. Seasonally-adjusted industrial electricity sales, a proxy for industrial production in the state, fell in May and were slightly lower in the first five months of 2023 than the same period last year, pointing to softer industrial output.

Housing starts rose for the second consecutive month, but were nonetheless about a sixth lower in the first five months of the year than the same period in 2022. Led by sharp increases in California's three largest metro areas—Los Angeles, San Diego, and

San Francisco—house prices rose for a fourth consecutive month by 1.0%. House prices are rapidly recovering in the Golden State after falling 8% from last May's peak through the turn of the year; in May they were down 5% from a year earlier. Seasonally-adjusted hotel occupancy fell for the third consecutive month, while air passenger traffic volumes were flat. Real state fiscal revenues recovered in May after a plunge in April (tax season). Real state fiscal revenues are down sharply through the penultimate month of the 2022-2023 fiscal year from the same period the previous fiscal year, reflecting much lower personal income and corporate tax receipts.

California's economy grew by a modest 0.4% in 2022. It expanded by 1.2% annualized in the first quarter, comfortably above last year's pace, but still lagging the national economy's 2.0% expansion. California's economy is expected to remain soft in the coming months amid headwinds to residential investment, high interest rates, persistent inflation, and slowing consumer spending. On top of these issues weighing on the national economy, the tech slowdown is still an incremental negative for the Golden State.

The Comerica California Economic Activity Index is a monthly composite indicator of state economic activity. The Index provides a wholistic advance view of the state of California's economy, using economic data that are available about one quarter earlier than real GDP is released. The index is comprised of nine components: Nonfarm payroll employment, continuing claims for unemployment insurance, housing starts, house prices, industrial electricity sales, foreign trade, enplanements, hotel occupancy, and state fiscal revenues. All data are seasonally adjusted with nominal values converted to constant dollar values as appropriate. To filter out month-to-month volatility in the index components, the index is calculated from the three-month moving averages of its components. Values for a minority of components are projected from the prior month's release due to the timing of data releases. Comerica Bank, a subsidiary of Comerica Incorporated (NYSE: CMA), is a financial services company headquartered in Dallas, Texas, and strategically aligned by three business segments: The Commercial Bank, The Retail Bank and Wealth Management. Comerica, one of the 25 largest U.S. financial holding companies, focuses on building relationships and helping people and businesses be successful. Comerica provides more than 400 banking centers across the country with locations in Arizona, California, Florida, Michigan and Texas. Founded 174 years ago in Detroit, Michigan, Comerica continues to expand into new regions, including its Southeast Market, based in North Carolina, and Mountain West Market in Colorado. Comerica has offices in 17 states and services 14 of the 15 largest U.S. metropolitan areas, as well as Canada and Mexico. Comerica reported total assets of \$90.8 billion at June 30, 2023. Learn more about how Comerica is raising expectations of what a bank can be by visiting [www.comerica.com](http://www.comerica.com), and follow us on [Facebook](#), [Twitter](#), [Instagram](#) and [LinkedIn](#). The articles and opinions in this publication are for general information only, are subject to change without notice, and are not intended to provide specific investment, legal, accounting, tax or other advice or recommendations. The information and/or views contained herein reflect the thoughts and opinions of the noted authors only, and such information and/or views do not necessarily reflect the thoughts and opinions of Comerica or its management team. This publication is being provided without any warranty whatsoever. Any opinion referenced in this publication may not come to pass. We are not offering or soliciting any transaction based on this information. You should consult your attorney, accountant or tax or financial advisor with regard to your situation before taking any action that may have legal, tax or financial consequences. Although the information in this publication has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its timeliness or accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.