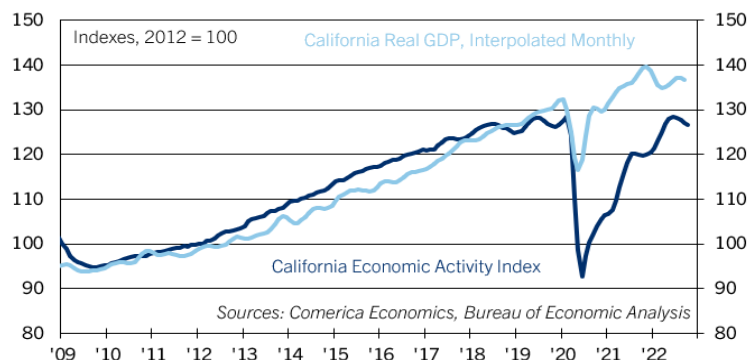


■ Bill Adams ■ Waran Bhahirethan

## California Economic Snapshot, October 2022

	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22
<b>Comerica California Index</b>					
3-month % change, annual rate	-4.9	-4.6	-0.9	3.8	12.0
Year-over-year % change	5.7	5.8	6.2	6.7	8.7
<b>Real GDP (Quarterly)</b>		Sep-22			Jun-22
Quarterly change, annual rate	--	3.8	--	--	-0.5
Year-over-year % change	--	0.0	--	--	0.3
<b>Unemployment Rate, %</b>	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22
Percent	4.0	3.8	4.1	3.9	4.2

### California Index and California Real GDP



## California Index Declined Sharply in October

The Comerica California Economic Activity Index declined 4.9% annualized in the three months through October. The Index has turned lower after robust increases in the first half of the year, but was still up 5.7% from a year-ago in October.

Four of the nine components that constitute the Index rose in October. Employment rose by 59,800, but continuing claims for unemployment insurance rose, too, for the fourth consecutive month, after falling in the first half of the year. California's unemployment rate, which fell nearly 2 percentage points in the first seven months of the year, rose in October. The unemployment rate is likely to rise further in the coming months, as key sectors like tech face strong headwinds. Electricity consumption by California's industrial sector declined another 0.9% in October after falling 3.0% in the third quarter.

Housing starts fell 13.0% in October. House prices fell for the fifth consecutive month and were down 7.2% from May. Housing affordability is a longstanding problem in California and has gotten worse as first home prices and then interest rates surged post-pandemic. Declines in house prices and weak residential investment are likely in 2023. The travel industry lost momentum as it entered the fourth quarter. The seasonally-adjusted hotel occupancy rate fell 2.4 percentage points in October following a 3.6 percentage point decline in the third quarter. Seasonally adjusted air passenger traffic was down 7.1% in October after an 8.7% contraction in the third quarter.

California's economy is expected to soften in the coming months, as it faces several headwinds from a weakening housing sector, high interest rates and inflation, and slowing consumer spending. On top of these issues that weigh on state economies across the U.S., the tech slowdown is an additional 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 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 months' release due to the timing of data releases.

**Comerica Bank** is a subsidiary of Comerica Incorporated (NYSE: CMA), 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 focuses on relationships, and helping people and businesses be successful. In addition to Texas, Comerica Bank locations can be found in Michigan, California, Florida and Arizona. Additionally, Comerica has select businesses operating in Canada and Mexico. Comerica reported total assets of \$85.4 billion as of Dec. 31, 2022.

Subscribe to this and other Comerica Economics publications at <https://www.comerica.com/insights/economic-commentary/comerica-bank-economic-commentary-sign-up.html>, follow us on Twitter or contact the Comerica Economics Department at [ComericaEcon@comerica.com](mailto:ComericaEcon@comerica.com).

The articles and opinions in this publication are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its 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 information.