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California Economic Snapshot, January 2023

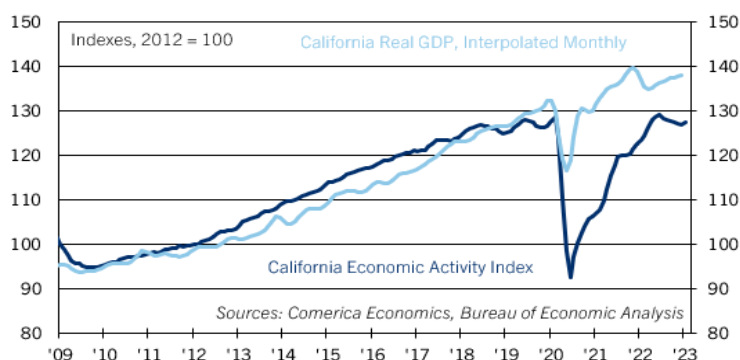
	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22
Comerica California Index					
3-month % change, annual rate	-0.3	-2.5	-2.8	-2.8	-4.0
Year-over-year % change	3.2	3.6	4.7	6.0	6.3
Real GDP (Quarterly)		Dec-22			Sep-22
Quarterly change, annual rate	--	2.4	--	--	3.8
Year-over-year % change	--	-1.1	--	--	0.0
Unemployment Rate, %	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22
Percent	4.2	4.1	4.1	4.1	4.0

California Index's Decline Moderated in January

The Comerica California Economic Activity Index fell 0.3% annualized in the three months through January, the smallest such decline since July 2022. The index rose 3.2% from a year earlier.

Four of the nine components that constitute the Index rose in January, while five declined. Employment rose by a solid 67,600, but so did continuing claims for unemployment insurance. These claims have risen for six of the last seven months, suggesting a weakening labor market. California's unemployment rate rose by a tick to 4.2%, nearly a full percentage point above the national average of 3.4%. The unemployment rate is likely to rise further near term, as key sectors like the tech industry face strong headwinds. California's industrial production likely contracted in January as industrial electricity consumption wanes from the near-term peak last August.

California Index and California Real GDP



Housing starts fell by 3.7% in January from December, while house prices fell for the eighth consecutive

month and were down 8.2% from May's peak. Housing affordability is a longstanding problem in California and high mortgage rates make further declines in house prices likely. The tourism sector rebounded sharply at the turn of the year from a weak second half of 2022, with seasonally adjusted hotel occupancy and air passenger volumes up sharply on the month in January.

California's economy grew by a modest 0.4% in 2022. It is expected to soften in the coming months amid headwinds from a weak housing sector, high interest rates and inflation, and slowing consumer spending. On top of these issues weighing on the national economy, the tech slowdown and the fallout from the failure of Silicon Valley Bank will be incremental negatives 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, 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 nearly 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 \$91.1 billion at March 31, 2023. Learn more about how Comerica is raising expectations of what a bank can be by visiting www.comerica.com, and follow us on [Facebook](#), [Twitter](#), [Instagram](#) and [LinkedIn](#). 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.

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