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S&P Global

Market Intelligence

California Economic Outlook

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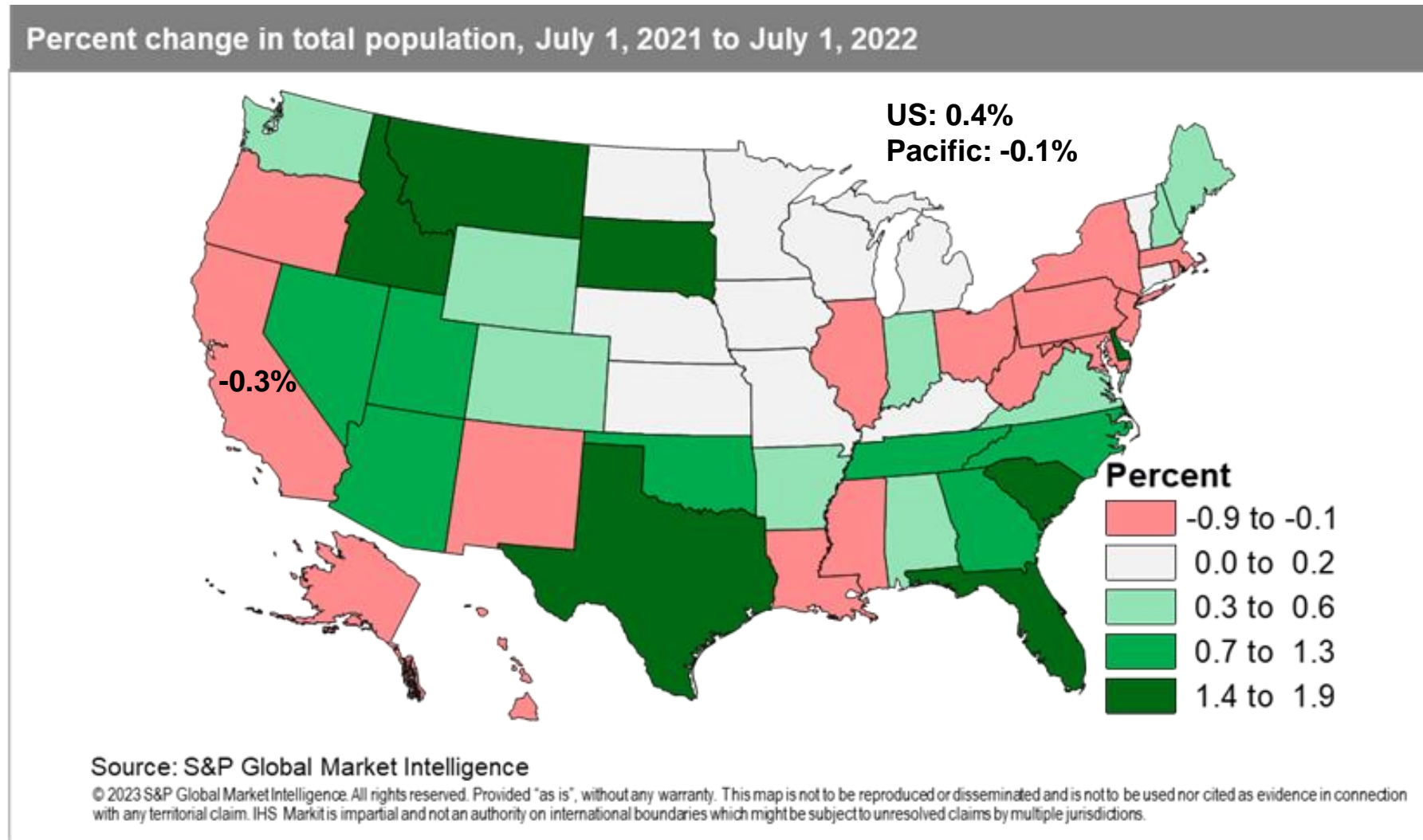
January 31, 2023



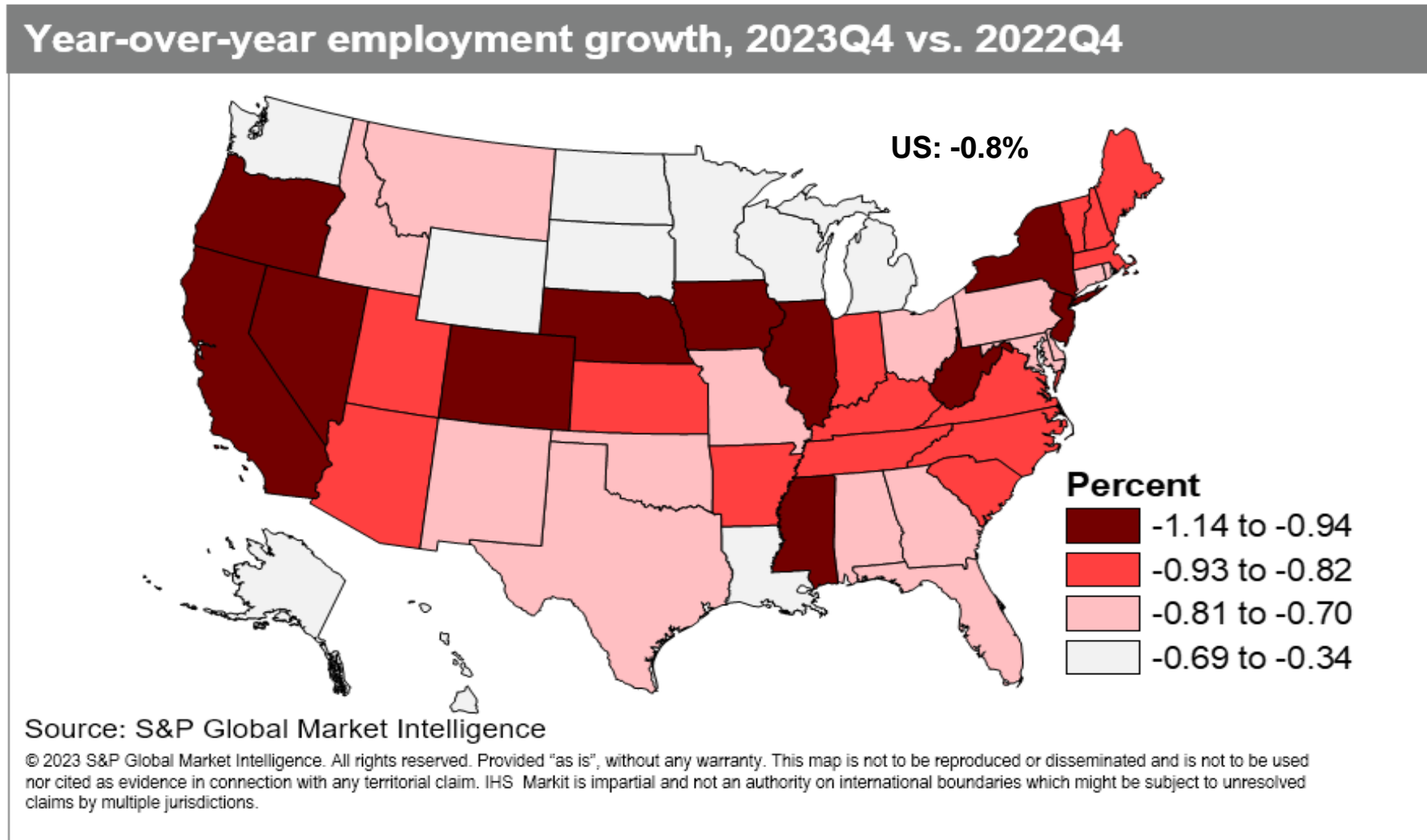
Following strong end to 2022, US to endure mild recession in early 2023

- Following deep pandemic losses, the California economy rebounded remarkably well over the past two years, outpacing national growth over 2021-22.
- Our January forecast includes a mild recession starting Q1 of 2023, with recovery beginning in Q3. We project US GDP to grow 0.5% in 2023 and 1.8% in 2024.
- The peak-to-trough decline in real US GDP is 0.6% with the unemployment rate peaking at 5.1% in fourth quarter 2023.
 - The California economy will experience a peak-to-trough decline in real GDP of 0.7% with its unemployment rate peaking at 6.1% in the fourth quarter of this year, a near-term outlook on par with that of the median state.
- Stubbornly high inflation, rising interest rates, slowing international growth, deteriorating consumer confidence, and a housing market correction are all driving the downshift over the near-term.
- The main drivers of the recession will be broadly felt and impact states across the country. The housing market correction will have a higher degree of regional variability and be especially impactful in the West and South regions, two areas that ran hottest post pandemic.

Lower levels of outmigration in 2022 slowed California's population decline



California to see above-average employment losses in the near-term



Despite slightly deeper employment losses, recession's impact on California to be of similar magnitude to nation overall

Key economic indicators (annual growth rates, %)

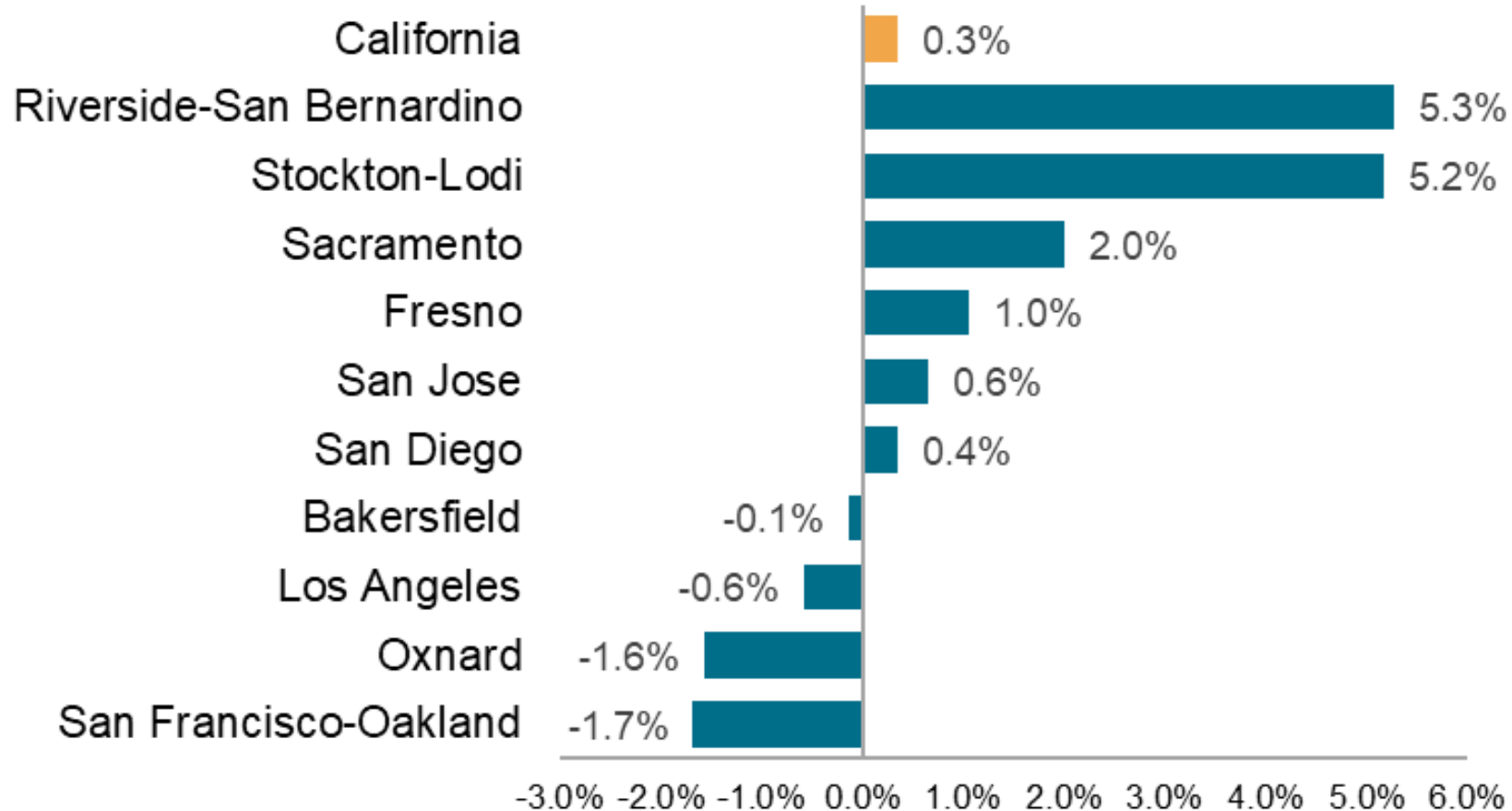
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Population									
California	0.0	-0.2	-0.8	-0.3	0.0	0.1	0.2	0.3	0.4
US	0.5	0.3	0.2	0.4	0.5	0.5	0.5	0.5	0.5
Employment									
California	1.5	-7.1	3.2	5.1	0.7	-0.4	0.4	0.2	0.1
US	1.3	-6.1	3.1	4.0	0.8	-0.2	0.5	0.3	0.2
Real disposable income									
California	5.1	7.2	1.3	-8.1	2.5	4.0	3.0	2.5	2.5
US	3.5	6.1	2.0	-6.4	2.6	3.7	2.9	2.4	2.5
Real gross product									
California	3.2	-2.3	7.8	0.4	0.5	1.7	2.0	1.7	1.5
US	2.3	-2.8	6.0	2.0	0.5	1.8	2.0	1.7	1.6
Unemployment rate (level)									
California	4.1	10.3	7.4	4.4	5.3	5.9	5.4	5.3	5.3
US	3.7	8.1	5.4	3.7	4.6	5.0	4.6	4.5	4.4

Source: S&P Global Market Intelligence; Census Bureau; Bureau of Labor Statistics; Bureau of Economic Analysis.

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San Francisco and Los Angeles still recovering from pandemic-induced losses

Employment, November 2022 vs. February 2020, percent change



Source: Bureau of Labor Statistics.
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