California's economy outperformed the nation but cooled during the second quarter. Job growth outpaced the national average, reducing the unemployment rate further, yet both metrics converged with respective national averages. Robust home price appreciation decelerated, weighed on by affordability strains, rising interest rates, and net domestic out-migration. Single family permit activity ticked up but remained well below the national average.

Double-digit loan growth ranked sixth in the nation but moderated relative to recent years. Improved bank profitability from expanded margins and a reduced corporate tax rate supported higher retained earnings, which helped lift the state’s average total risk-based capital ratio. Asset quality measures were favorable, although commercial real estate concentration remained more than double the national average despite continued capital accretion. Meanwhile, the average level of on-balance sheet liquidity tightened further and continued to trail the national average.

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**Key Economic Metrics** (ranking #1 = highest in the nation)

**Year-over-Year Job Growth: 1.9%**
- Rank: #11

**Year-over-Year Home Price Growth: 8.9%**
- Rank: #8

**Unemployment: 4.2%**
- Rank: #18

**Single Family Permits / 1,000 Residents: 1.6**
- Rank: #41

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**Banks at a Glance: California**

Key Banking Metrics (averages across banks; ranking #1 = highest in the nation)

**Year to Date Return on Average Assets: 1.19%**
- Rank: #7

**Year-over-Year Net Loan Growth: 10.1%**
- Rank: #6

**Nonperforming Assets / Total Assets: 0.21%**
- Rank: #49

**Total Risk-Based Capital Ratio: 15.9%**
- Rank: #30

**CRE Concentration: 264%**
- Rank: #3

**Securities and Liquid Invest. / Total Assets: 22.7%**
- Rank: #39

Source: Call Report data for commercial banks based upon headquarters location. Averages are calculated on a “trimmed” basis by removing the highest 10% and lowest 10% of ratio values prior to averaging to prevent distortion from outliers. All charts display quarterly data, except for return on average assets which displays the same quarter in each year. Growth rates are not adjusted for mergers. Graphics and data exclude “De Novo” banks (banks less than five years old). As of the latest period, the count of banks included in these statistics were 145 for the state and 4,794 for the nation.

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