California’s economy showed resilience in 2Q19 as the construction and education/health services sectors boosted overall job growth materially above the national average for the first time since 1Q18. The state’s unemployment rate held steady in recent quarters; however, a second-quarter contraction of the labor force may signify that the state’s high costs are beginning to drive residents and businesses elsewhere. Home-price growth in the state continued to moderate, tracking the national trend. And while lower mortgage rates and robust household earnings growth may lead to modest improvements in housing affordability, very low permitting suggests that a constrained housing supply will continue to weigh on the economy.

Banking conditions in California remained robust through 2Q19. Average loan growth was faster than the nation as a whole, driven by multifamily and construction lending. The proportion of unseasoned loans helped keep the average nonperforming asset ratio among the lowest in the country. Meanwhile, California’s average CRE concentration was among the highest, contributing to below average, albeit steady, risk-based capital ratios. Liquid assets and nonmaturity deposits as a share of total assets have declined more in the state, on average, than the nation. In contrast, average mid-year bank profitability was steady year-over-year as higher average tax expenses and lower noninterest income offset wider net interest margins.

The opinions expressed in this publication are those of the authors. Opinions are intended only for informational purposes and are not formal opinions of, nor binding on, the Federal Reserve Bank of San Francisco or the Board of Governors of the Federal Reserve System.
Banks at a Glance: California

Key Banking Metrics (averages across banks; ranking #1 = highest among 50 states)

**Year-to-Date Return on Average Assets: 1.19%**
State Rank: #9

**Year-over-Year Net Loan Growth: 9.90%**
State Rank: #3

Net income / average assets, adjusted for S-Corps, annualized.

**Nonperforming Assets / Total Assets: 0.22%**
State Rank: #48

90+ days past due + nonaccruals + other real estate owned / total assets.

**Total Risk-Based Capital: 15.58%**
State Rank: #37

Total capital / risk-weighted assets.

**CRE Concentration: 268%**
State Rank: #3

Total non-owner-occupied commercial real estate / total capital.

**Securities & Liquid Investments / Total Assets: 21.36%**
State Rank: #42

Liquid investments = cash, due-from balances, interest-bearing bank balances, and fed funds sold and securities purchased under agreement to resell.

Source: Call Report data for commercial banks based upon headquarters location. Averages are "trimmed" by removing the highest and lowest 10% of values prior to averaging to prevent distortion by 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 (less than five years old), zero-loan banks, and banks where credit card lending is more than 80% of total lending. As of the latest period, the count of banks included in these statistics were 138 for the state and 4,605 for the nation.

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