

California has nation's 12th fastest-growing state economy

Nation's No. 1 GDP at \$3.6 trillion, 14% of the U.S. total

By Jonathan Lansner

Buzz: California's economy rebounded from an early 2022 slump to be the 12th fastest-growing state in the third quarter.

Source: My trusty spreadsheet reviewed third-quarter growth in state gross domestic product, a broad measure of business output.

Debate: How will California's economy react to an era in which the government and Federal Reserve have turned from business saviors to tight-fisted villains?

Glass half-full

California, as always, has the nation's No. 1 GDP at \$3.6 trillion, 14% of the U.S. total. Business output statewide grew at a 3.8% annual pace in the third quarter. California's surge also topped the nation's 3.2% growth pace.

Only 11 states fared better. And those top-performing states were big energy providers. Remember how gasoline prices soared for much of 2022?

No. 1 was Alaska with 8.7% growth, followed by Texas at 8.2%, Oklahoma at 5.5%, Wyoming at 5.3% and North Dakota at 5.2%. Only three states had declines: Mississippi, off 0.7%, South Dakota, down 0.5%, and Indiana, off 0.3%.

The summertime gains were a quick reversal from a weak spring. California's GDP shrank at a 0.5% annual rate in the second quarter; the U.S. fell 0.6%. Forty-one states had declines.

The best included Texas, which grew by 1.8%, then Florida at 1.6%, West Virginia at 1.4%, Delaware at 1.2% and Nevada at 1%. The worst were Wyoming, off 4.8%, then Connecticut, down 4.7%, Indiana, off 3.3% and Arkansas and Louisiana, down 3%.

Glass half-empty

This certainly isn't 2021 growth when California ranked fifth with a 7.8% gain, far above the U.S. expansion of 5.9%.

So, the California economy has cooled on the GDP scale by 4 percentage points in summer 2022 vs. 2021.

Of course, the 2021 business climate was boosted by historically cheap interest rates and massive

government pandemic relief. That stimulus overheated the economy, forcing the Federal Reserve to hike interest rates in 2022 to cool inflation.

Pricier money and the end of most stimulus aid explain much of 2022's economic chill, as shown in 43 state economies in the period.

Only 15 states cooled off more than California's GDP between 2021 and 2022's third quarter, topped by New Hampshire, 7.5 percentage points slower, Indiana, off 6.1 points, Michigan, off 5.7 points, Nevada, down 5.3 points and North Carolina, off 5.1 points.

Bottom line

The pandemic era's boom is over for California's business climate as well as the nation's economy.

The year ahead will have little government help, higher borrowing costs and skittish consumers. Adapting to this recipe for slower growth won't be easy.