



# The Economic Impact of California Banks

**Banks play a critical role in supporting California's economy and the communities they serve.**

Whether you go down to the branch and visit with your local banker at the teller line or conduct your financial transactions at the click of your smart phone, the financial system grows more complex by the day. But at its core, banks stay true to their roots of safeguarding customer deposits and making loans. These services help our economy run by facilitating millions of daily financial transactions from things as simple as buying your morning cup of coffee. Banks are also there to support you when you don't have enough money saved to buy your first home or that dream car you always wanted. And when you're ready to grow your small business by hiring more staff or buying a piece of new machinery, banks stand ready to help. Whether you're the employee working for a small business or the owner of that business, banks help you save for your retirement through a variety of retirement savings options.

And it doesn't stop there. Banks and their dedicated employees are deeply committed to their communities and they show that through their charitable giving and volunteerism, whether it's helping restore a town after a natural disaster to working in the kitchen at a local, non-profit shelter. Speaking of bank employees, the industry employs thousands of hard-working Californians, offers competitive salaries and benefits, and is a field that fosters many opportunities for growth.

To underscore the commitment of banks doing business in California, the California Bankers Association has retained Beacon Economics to update an impact study initially prepared in 2013 that identifies the important economic impact made by banks. We are proud to share that information with you.

# Commercial Bank Operations

Results indicate a higher economic impact of commercial bank operations on the state economy in 2015 than in 2012 (the year of study for the previous report).

Specifically, Beacon Economics concludes the following:

**\$132 Billion**

Economic impact of banks doing business in California on the state's economic output: \$82.9 billion in direct output and \$49.5 billion in additional outputs.

Workers employed directly by California banks in 2015 according to the Economic Census and Bureau of Labor Statistics.

**162,000**

**462,163**

Total employment supported by the banking industry in the state: through indirect and induced effects, banks also supported an additional 300,000 jobs.

California's banks generated almost \$16 billion of labor income directly and an additional \$18 billion of labor income through indirect and induced effects.<sup>4</sup>

**\$34 Billion**

**\$4.8 Billion**

Annual state and local tax revenues generated through income and sales taxes by bank operations.

In addition to these quantifiable effects on the economic impact on the state, California's commercial banks contribute to the state's economy in more indirect ways, which are also important to note. For example:

## 44% Higher Average Wage

In 2015, the average wage at a California commercial bank was about 44% higher than the statewide average across other private sector employers.<sup>1</sup>

## \$1,167 Billion Total Deposits

As consumers entrust commercial banks to safeguard an increasing amount of deposits, total deposits reached \$1,167 billion in 2015, which was 10.9 percent of all deposits in 2015 in the U.S. Compared to 2014, total deposits grew by 6.9%.

# Helping Dreams Come True

Lending is an integral part of banking and helps drive California's economy by providing important direct and indirect support for other sectors. As deposits increase, banks are able to originate more loans, further contributing to economic growth.

As of the third quarter of 2015, Beacon Economics estimated that **California's banks originated just shy of \$100 billion** in new loans compared to one year ago.<sup>2</sup>

Commercial and industrial loans comprised the largest portion of new lending, \$27.5 billion, which accounted for almost 30% of all new loan growth.

Individual loans such as credit card loans and automobile loans trailed closely behind at \$25.4 billion, which made up 27% of all new loans.

*The appetite to take on more debt reflects that consumer confidence is at an all time high since the economic recovery.<sup>3</sup>*

In 2015, bank lending supported economic activities of:

- ✓ **\$93 billion** directly and **\$88 billion** indirectly in output;
- ✓ More than **700,000** in direct employment and more than **500,000** in indirect employment;
- ✓ **\$37 billion** in direct labor income and **\$29.8 billion** in indirect labor income; and
- ✓ **\$8.8 billion** in state and local tax revenues.

## FOOTNOTES

<sup>1</sup> Based on estimates from the Quarterly Census of Employment and Wages (QCEW).

<sup>2</sup> Beacon Economics calculated a rough estimate based on outstanding loan balances.

<sup>3</sup> Survey of Consumers, University of Michigan. <<http://www.sca.isr.umich.edu/charts.html>>

<sup>4</sup> Induced effects refer to spending by businesses and employees that support additional jobs.



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