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California Leading Indicator Points to a Notch-Higher Job Growth

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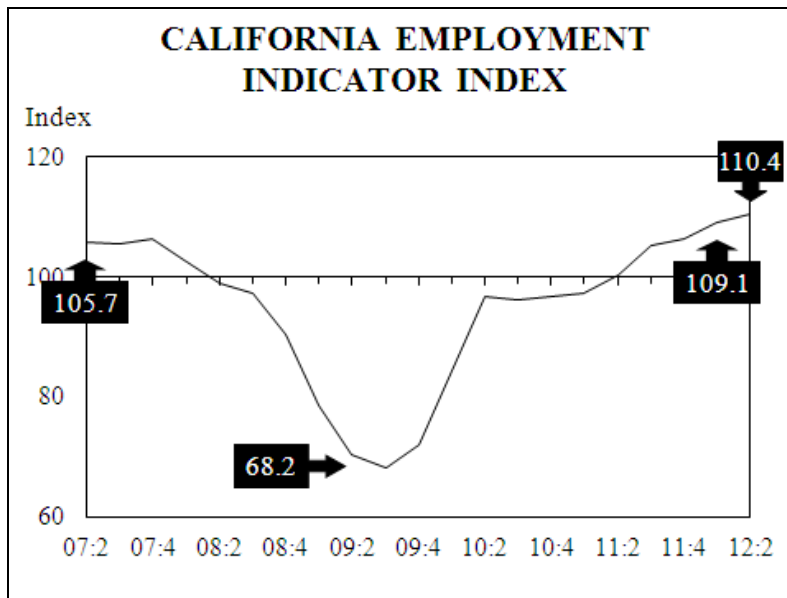
A. Gary Anderson Center for Economic Research

For Release:
May 7, 2012

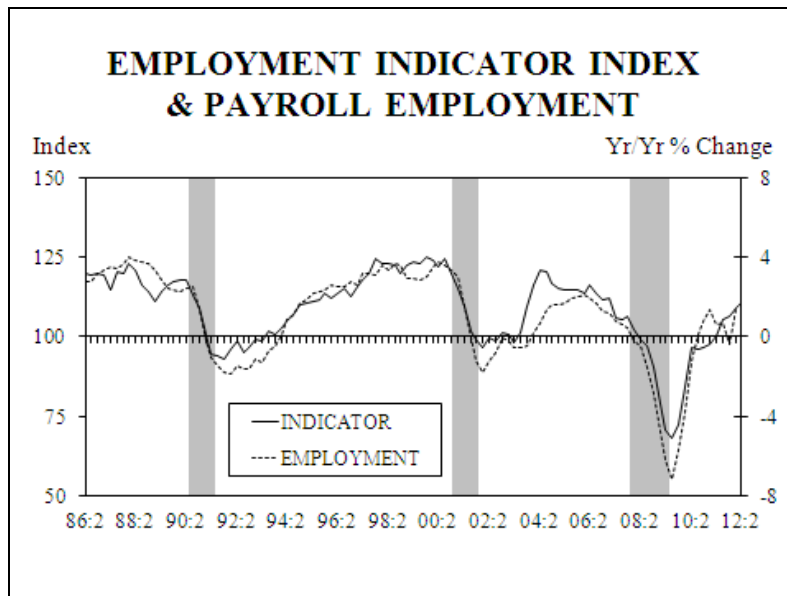
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California Leading Indicator Points to a Notch-Higher Job Growth

ORANGE, CA—The California Index of Leading Employment Indicator increased slightly from a reading of 109.1 in the first quarter of 2012 to 110.4 in the second quarter of 2012. The reading of 110.4 is above the critical value of 100 suggests positive job growth and the pace of job creation should tick up in the second quarter compared to the first quarter of 2012.



The California Index of Leading Employment Indicator is comprised of variables found to have a significant influence on California's payroll employment growth. These variables include movements in the lagged values of real GDP, real exports, the S&P 500 and the state's total construction spending. A weighted average of changes in these variables, based on their relative importance in explaining state employment growth, is used in constructing the index. As shown in the following figure, the index of leading employment indicator is strongly correlated to state payroll employment growth.



All four components of the indicator series are positive in the first quarter of 2012. Real GDP, the S&P 500 and construction spending, however, are showing improvements over the previous quarter.

The annualized GDP growth rate of 2.1 percent is higher than the increase of 1.6 percent in the fourth quarter of 2011. Year-over-year, the S&P 500 gained 6.2 percent in first quarter of 2012 compared to a decline of 0.1 percent in the fourth quarter of 2011. California construction spending, which is derived from six-quarter lagged real values of total building permit valuation, showed slight improvement compared to the previous quarter. Year-over-year percentage change in construction spending grew at a rate of 7.5 percent in the first quarter of 2012 compared to an increase of 7.3 in the fourth quarter of 2011.

Real exports continued to increase by 4.1 percent in the first quarter of 2012 but the rate of increase was lower than the growth rate of 4.7 percent in the fourth quarter of 2011.

ABOUT THE ANDERSON CENTER FOR ECONOMIC RESEARCH

The A. Gary Anderson Center for Economic Research (ACER) was established in 1979 to provide data, facilities and support in order to encourage the faculty and students at Chapman University to engage in economic and business research of high quality, and to disseminate the results of this research to the community.

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| FEBRUARY | ‣ California Leading Employment Indicator |
| MARCH | ‣ California Consumer Sentiment Survey |
| APRIL | ‣ California Purchasing Managers Survey |
| MAY | ‣ California Leading Employment Indicator |
| JUNE | ‣ Economic Forecast Update Conference for the U.S., California and Orange County
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