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## **California Leading Employment Indicator Ticks Up**

Anderson Center for Economic Research

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## A. Gary Anderson Center for Economic Research

**For Release:**

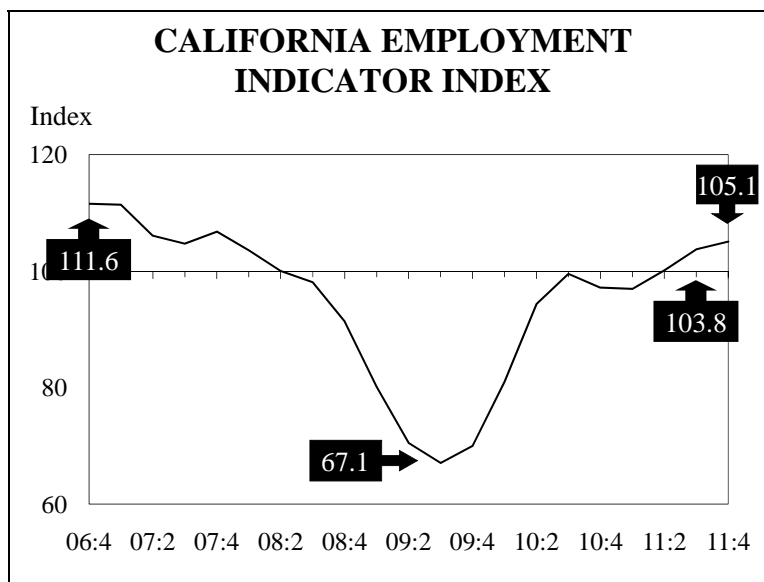
November 2, 2011

**Contact:**

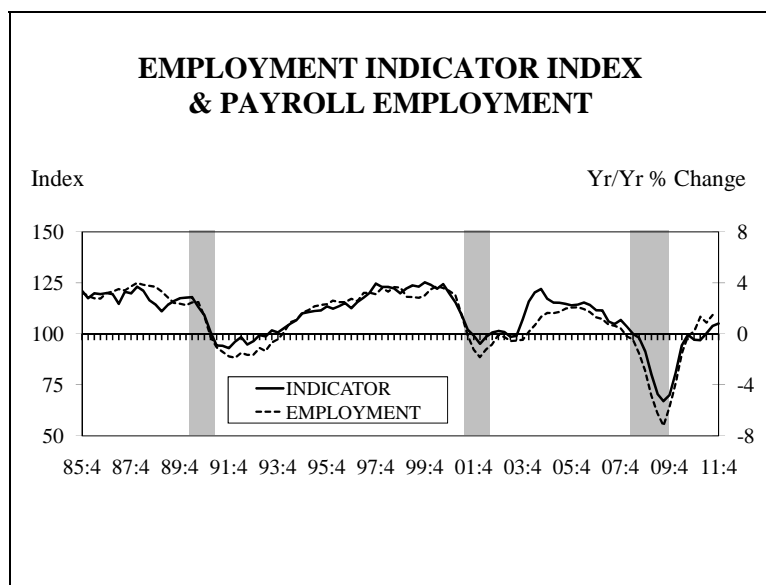
Esmael Adibi,  
Director of the Anderson Center for Economic Research  
at (714) 997-6693.

# California Leading Employment Indicator Ticks Up

ORANGE, CA—The California Index of Leading Employment Indicator increased slightly from a reading of 103.8 in the third quarter of 2011 to 105.1 in the fourth quarter. The reading of 105.1 is clearly above the critical value of 100, pointing to continued positive job growth in the fourth quarter. But the fact that the index is only slightly above 100 suggests that the rate of job creation will continue to be weak.



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.



The main factor contributing to the pickup in the indicator series is construction spending. California construction spending, which is derived from six-quarter lagged real values of total building permit valuation, showed sizeable improvement compared to the previous quarter. Year-over-year percentage change in construction spending grew at a rate of 1.4 percent in the third quarter of 2011. This shows a swing of ten points from a decline of 8.6 in the second quarter of 2011. More importantly, this marks the first positive growth in spending since the fourth quarter of 2006.

Annualized GDP growth rate remained flat compared to the previous quarter, increasing at 1.6 percent. The real exports growth rate, while positive, declined from a 7.3 percent increase in the second quarter of 2011 to an increase of 5.8 percent in the third quarter. The S&P 500 dropped at an annualized rate of 0.9 percent in the third quarter, down sharply from the increase of 28.1 percent in the previous quarter.

## **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.

## **ANNUAL SCHEDULE OF CONFERENCES AND PRESS RELEASES**

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|------------------|--|
| <b>JANUARY</b>   | ▸ Economic Forecast Conferences for Los Angeles County and the Inland Empire<br>▸ California Purchasing Managers Survey  |
| <b>FEBRUARY</b>  | ▸ California Leading Employment Indicator  |
| <b>MARCH</b>     | ▸ California Consumer Sentiment Survey   |
| <b>APRIL</b>     | ▸ California Purchasing Managers Survey  |
| <b>MAY</b>       | ▸ California Leading Employment Indicator  |
| <b>JUNE</b>      | ▸ Economic Forecast Update Conference for the U.S., California, Orange and Los Angeles counties, and the Inland Empire<br>▸ California Consumer Sentiment Survey |
| <b>JULY</b>      | ▸ California Purchasing Managers Survey  |
| <b>AUGUST</b>    | ▸ California Leading Employment Indicator  |
| <b>SEPTEMBER</b> | ▸ California Consumer Sentiment Survey   |
| <b>OCTOBER</b>   | ▸ California Purchasing Managers Survey  |
| <b>NOVEMBER</b>  | ▸ California Leading Employment Indicator  |
| <b>DECEMBER</b>  | ▸ Economic Forecast Conference for the U.S., California and Orange County<br>▸ California Consumer Sentiment Survey  |