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## **Leading Employment Indicator Points to Improving Job Market**

Anderson Center for Economic Research

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## A. Gary Anderson Center for Economic Research

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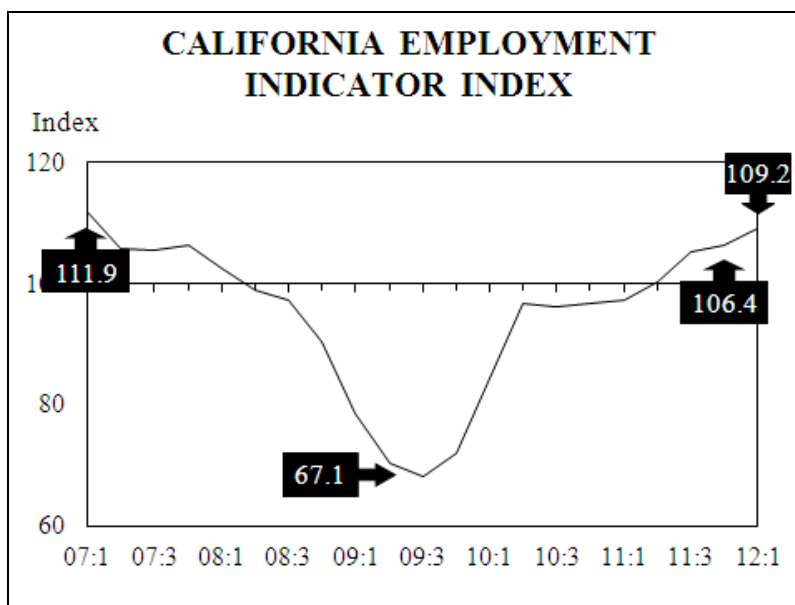
**Contact:**

Esmael Adibi,

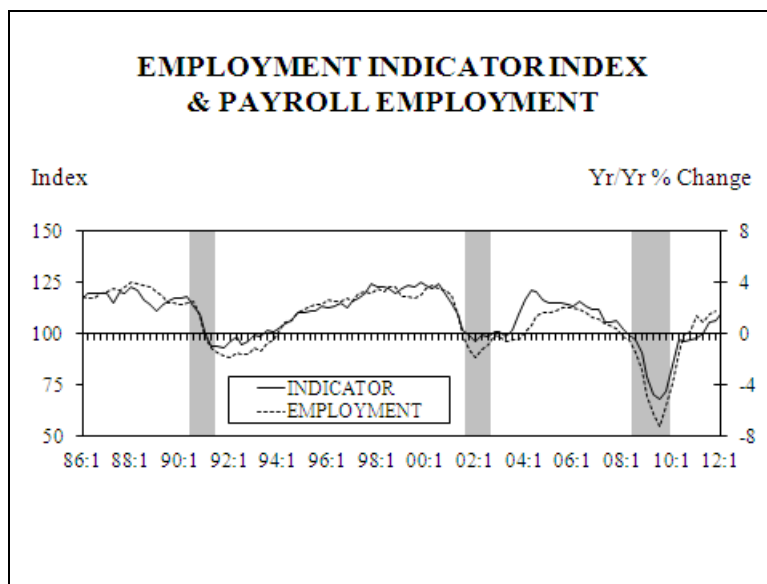
Director of the Anderson Center for Economic Research  
at (714) 997-6693.

# Leading Employment Indicator Points to Improving Job Market

ORANGE, CA—The California Index of Leading Employment Indicator increased by nearly 3 points from a reading of 106.4 in the fourth quarter of 2011 to 109.2 in the first quarter of 2012. The reading of 109.2 is above the critical value of 100, suggesting positive job growth. Moreover the higher index value this quarter indicates a pickup in the pace of job creation compared to the last quarter of 2011. The reading of 109.2 is the best since the first quarter of 2007, prior to the beginning of the recession.



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. With the exception of real export growth the other variables are showing improvements over the previous quarter.

The real exports growth dipped from a 5.9 percent increase in the third quarter of 2011 to an increase of 5.2 percent in the fourth quarter. The annualized GDP growth rate of 1.6 percent is slightly better than the year-over-year change of 1.5 percent in the third quarter of 2011. The S&P 500 remained virtually unchanged from a year ago following a year-over-year decline of 0.9 percent in the third quarter of 2011.

California construction spending, which is derived from six-quarter lagged real values of total building permit valuation, showed a significant improvement compared to the previous quarter. Year-over-year percentage change in construction spending grew at a rate of 7.3 percent in the fourth quarter of 2011 compared to an increase of only 1.4 in the third 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.

## **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  |