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California Leading Indicator Points to Steady Job Growth

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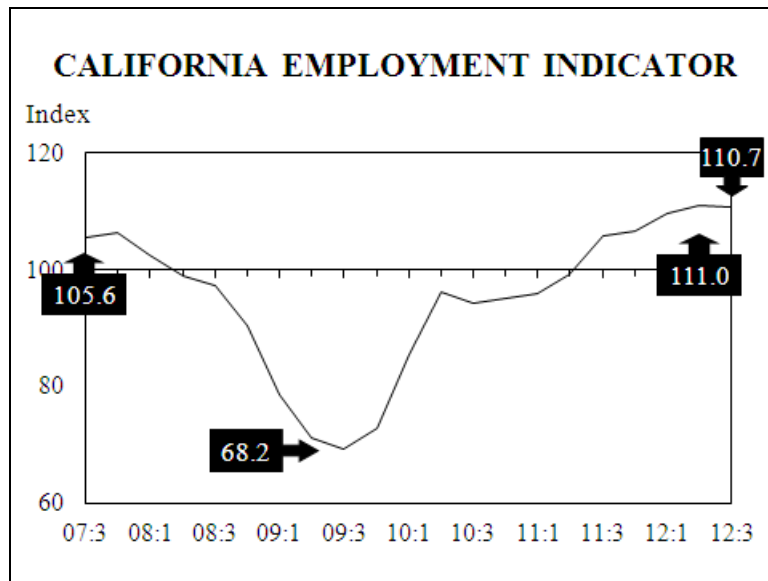
A. Gary Anderson Center for Economic Research

For Release:
August 6, 2012

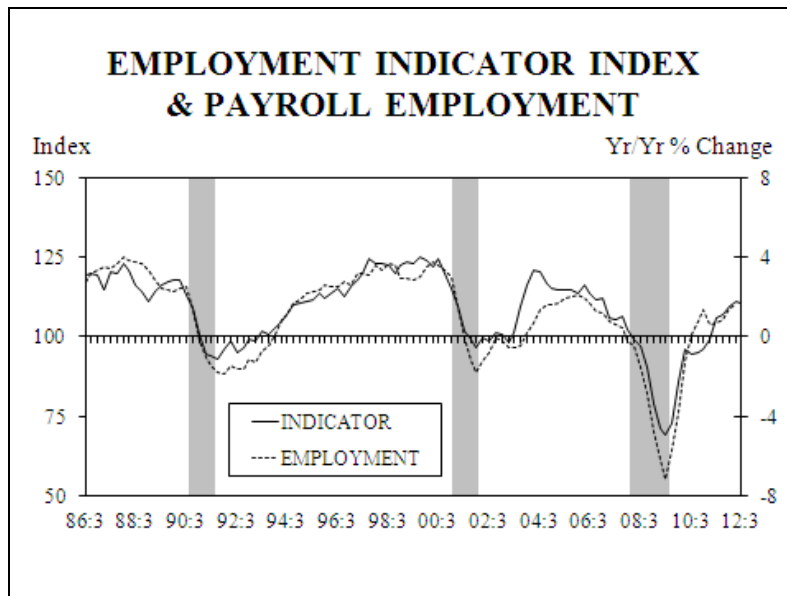
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California Leading Indicator Points to Steady Job Growth

ORANGE, CA—The California Index of Leading Employment Indicator at 110.7 in the third quarter of 2012 is virtually unchanged from a reading of 111.0 in the second quarter. The reading of 110.7 is above the critical value of 100 suggesting positive job growth and the pace of job creation should remain about the same as the second quarter.



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 second quarter of 2012. Construction spending and real exports have shown improvements over the previous quarter, whereas real GDP growth and gain in the S&P index dipped down in the second quarter compared to the first quarter of 2012.

Year-over-year percentage change in construction spending, which is derived from six-quarter lagged real values of total building permit valuation, grew at a rate of 8.1 percent in the second quarter of 2012 compared to an increase of 7.3 in the first quarter of 2012. Real exports increased by 4.3 percent in the second quarter of 2012, slightly better than the growth rate of 4.0 percent in the first quarter of 2012.

The annualized GDP growth rate of 2.2 percent in the second quarter of 2012 is lower than the increase of 2.4 percent in the first quarter of 2012. Year-over-year, the S&P 500 gained 3.1 percent in second quarter of 2012 compared to a gain of 6.2 percent in the first quarter of 2012.

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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