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California Leading Employment Indicator Moves Higher

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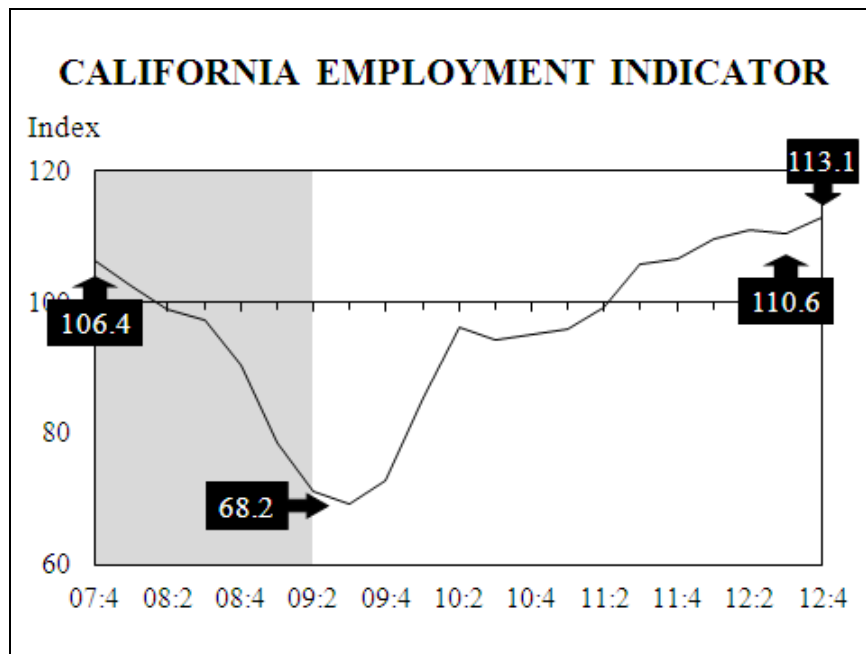
A. Gary Anderson Center for Economic Research

For Release:
November 5, 2012

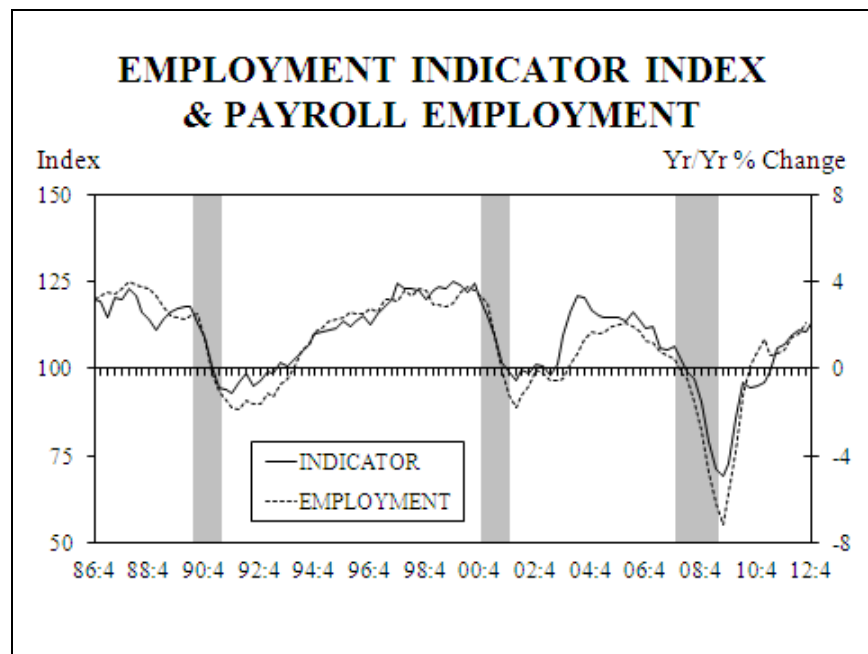
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California Leading Employment Indicator Moves Higher

ORANGE, CA—The California Index of Leading Employment Indicator is at 113.1 in the fourth quarter of 2012, an increase of 2.5 points from the reading of 110.6 in the third quarter. Since the index is above the critical value of 100 it suggests positive job growth and the rate of job creation should be slightly better than the third quarter figure.



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 third quarter of 2012. Construction spending, real GDP and S&P 500 show improvements over the previous quarter, but exports grew at a slightly slower pace in the third quarter compared to the second quarter of 2012.

The positive growth in the S&P 500 is the main reason for the higher value of the leading indicator. Year-over-year, the S&P 500 gained a whopping 27.3 percent in third quarter of 2012 compared to a gain of 3.1 percent in the second 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 8.3 percent in the third quarter of 2012 slightly better than the increase of 8.1 in the second quarter of 2012. The annualized real GDP growth rate of 2.3 percent in the third quarter of 2012 is also marginally better than the 2.1 percent growth in the second quarter of 2012.

Real exports, however, increased by only 3.5 percent in the third quarter of 2012, a decline from the growth rate of 4.3 percent in the second 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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‣ California Purchasing Managers Survey |
| 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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