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California Leading Employment Indicator Suggests a Stronger Job Market

Anderson Center for Economic Research

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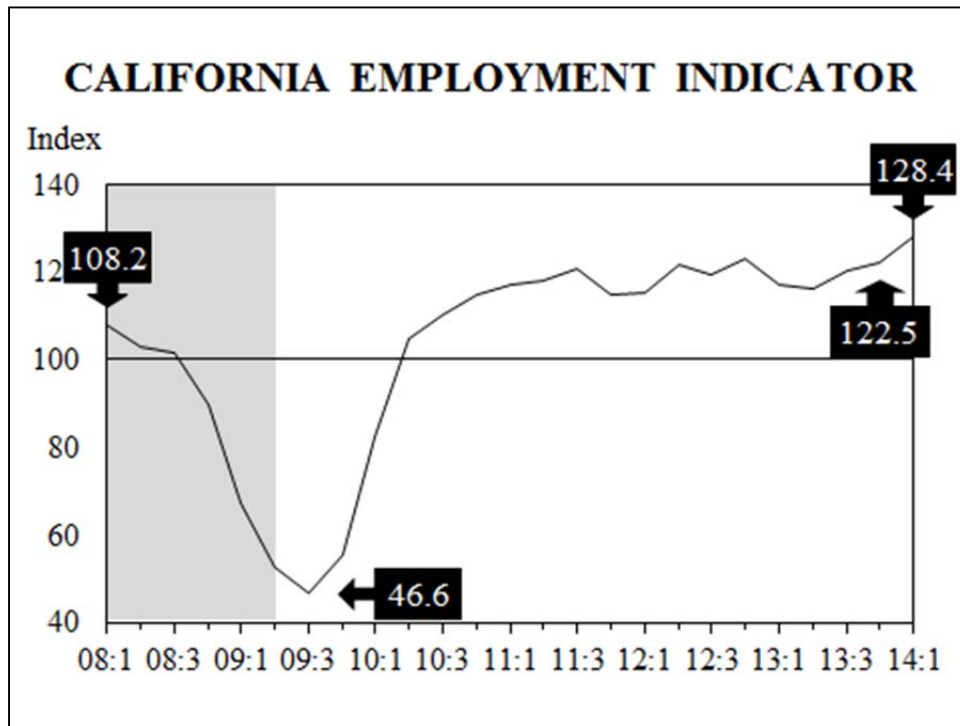
A. Gary Anderson Center for Economic Research

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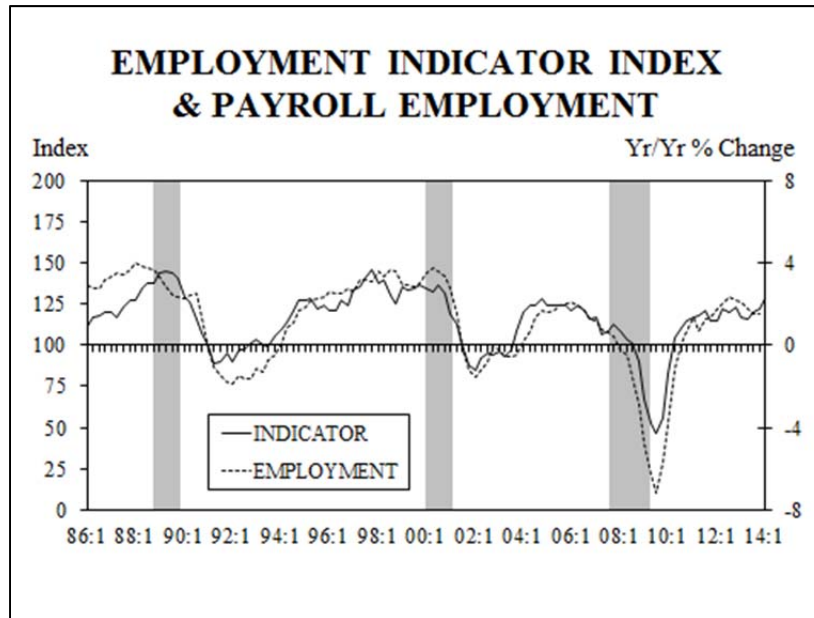
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California Leading Employment Indicator Suggests a Stronger Job Market

ORANGE, CA—The California Index of Leading Employment Indicator increased by nearly six points from a reading of 122.5 in the fourth quarter of 2013 to a reading of 128.4 in the first quarter of 2014. The index level above the critical value of 100 suggests positive job growth. Additionally, the uptick in the index indicates that the pace of job creation should pick-up steam in the first quarter of 2014.



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 California'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 California's payroll employment growth.



All four components of the indicator series are positive and show significant increase compared to the previous quarter.

- Year-over-year real GDP growth rate of 2.7 percent in the fourth quarter of 2013 was higher than the revised 2.0 percent increase in the third quarter of 2013.
- Year-over-year, the S&P 500 increased 29.6 percent in the fourth quarter of 2013, nearly 13 points higher than the third quarter growth of 16.7.
- Year-over-year, real exports grew by 5.4 percent in the fourth quarter of 2013, compared to a revised growth rate of 2.9 percent in the third quarter of 2013.
- Year-over-year, percentage change in construction spending, which is derived from six-quarter lagged real values of total building permit valuation, increased by 27.1 percent in the fourth quarter of 2013 up from the revised third quarter increase of 23.0 percent.

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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