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Employment Indicator Suggests More Hiring Ahead

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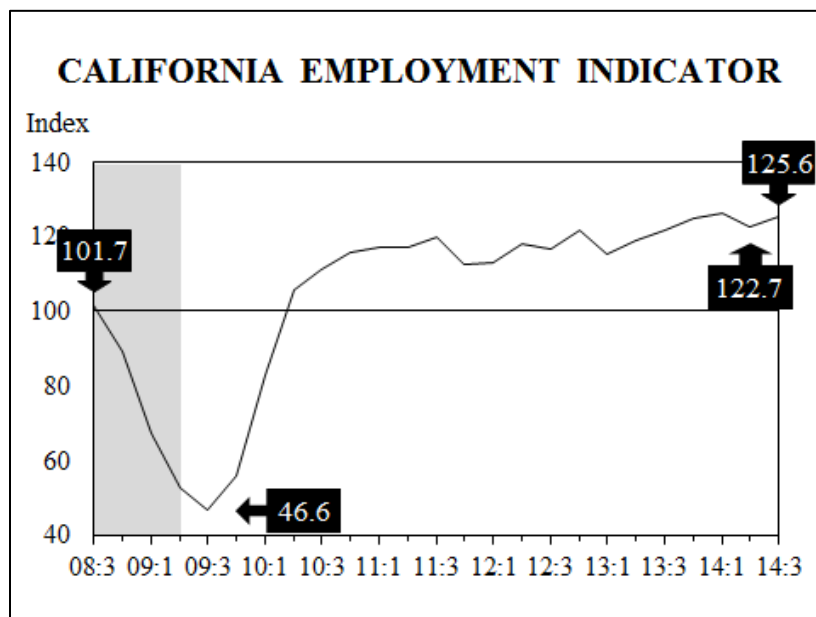
A. Gary Anderson Center for Economic Research

For Release:
August 6, 2014

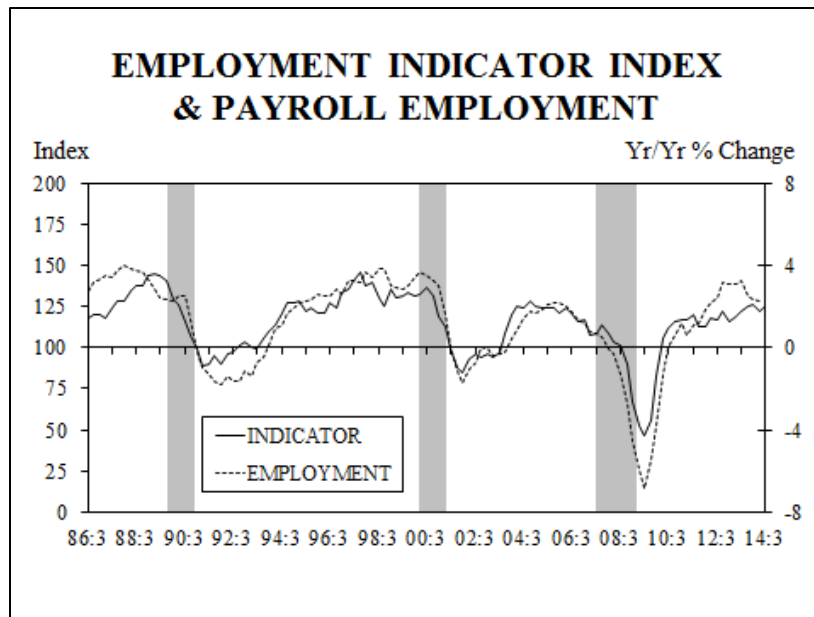
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Employment Indicator Suggests More Hiring Ahead

ORANGE, CA—The California Index of Leading Employment Indicator increased by nearly 3 points from a revised reading of 122.7 in the second quarter of 2014 to 125.6 in the third quarter of 2014. The index level above the critical value of 100 indicates positive job growth. The rise in the index suggests that the pace of job creation in the third quarter of 2014 will be stronger than the preliminary figures reported by the Employment Development Department for the second 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 with only one showing slightly slower growth compared to the previous quarter.

- Year-over-year real GDP growth rate of 2.4 percent in the second quarter of 2014 was higher than the revised 1.9 percent increase in the first quarter of 2014.
- The S&P 500 increased 22.0 percent in the second quarter of 2014 compared to the second quarter of 2013, and nearly 2.5 points higher than the annualized first quarter growth of 19.3.
- Year-over-year, real exports grew by 3.5 percent in the second quarter of 2014, compared to a revised growth rate of 2.7 percent in the first quarter of 2014.
- Year-over-year percentage change in construction spending, which is derived from six-quarter lagged real values of total building permit valuation, increased by 22.6 percent in the second quarter of 2014, only slightly lower than the first quarter increase of 23.7 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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| 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
‣ California Consumer Sentiment Survey |
| JULY | ‣ California Purchasing Managers Survey |
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