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Employment Indicator Points to Steady Job Growth

Anderson Center for Economic Research

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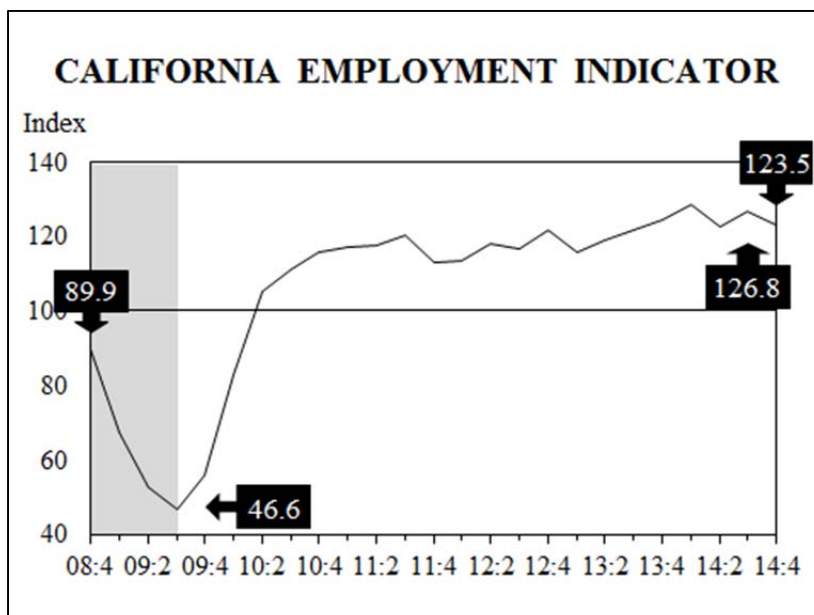
A. Gary Anderson Center for Economic Research

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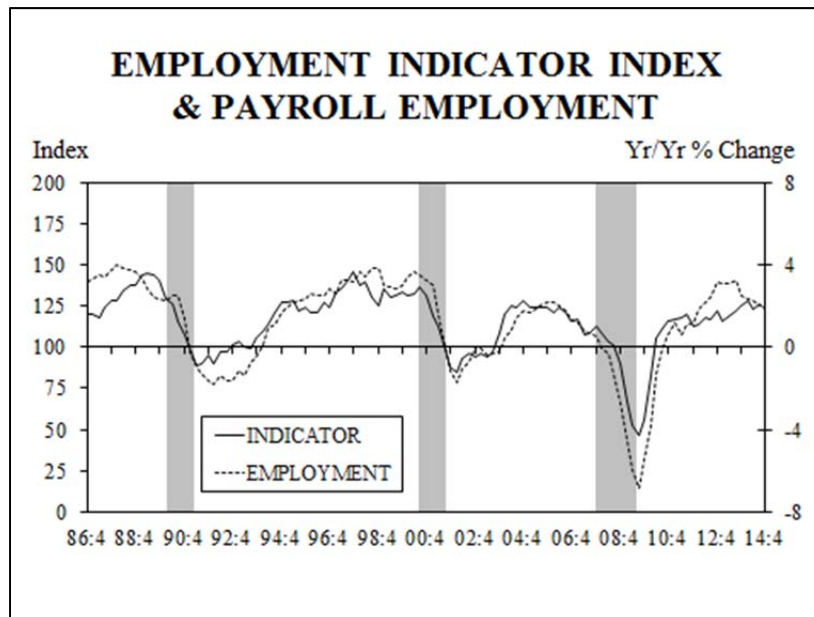
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Employment Indicator Points to Steady Job Growth

ORANGE, CA—Positive job growth should continue in the fourth quarter of 2014 as indicated by the California Index of Leading Employment Indicator series. The composite index decreased by 3 points from a revised reading of 126.8 in the third quarter of 2014 to 123.5 in the fourth quarter of 2014. An index level above the critical value of 100 indicates positive job growth. The current reading suggests that the pace of job creation in the fourth quarter of 2014 will be slightly lower than the third quarter estimated growth rate of 2.1 percent.



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 three components showing slower growth rates compared to the previous quarter.

- Year-over-year real GDP growth rate of 2.3 percent in the third quarter of 2014 was slightly lower from the revised 2.6 percent increase in the second quarter of 2014.
- On an annual basis, the S&P 500 increased 17.3 percent in the third quarter of 2014, compared to last quarter's annual increase of 22.0 percent.
- Year-over-year, real exports grew by 4.6 percent in the third quarter of 2014, higher than the growth rate of 3.9 percent in the second 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 17.9 percent in the third quarter of 2014, four points lower than the second quarter increase of 22.9 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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