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California Leading Indicator Points to Slower Job Growth

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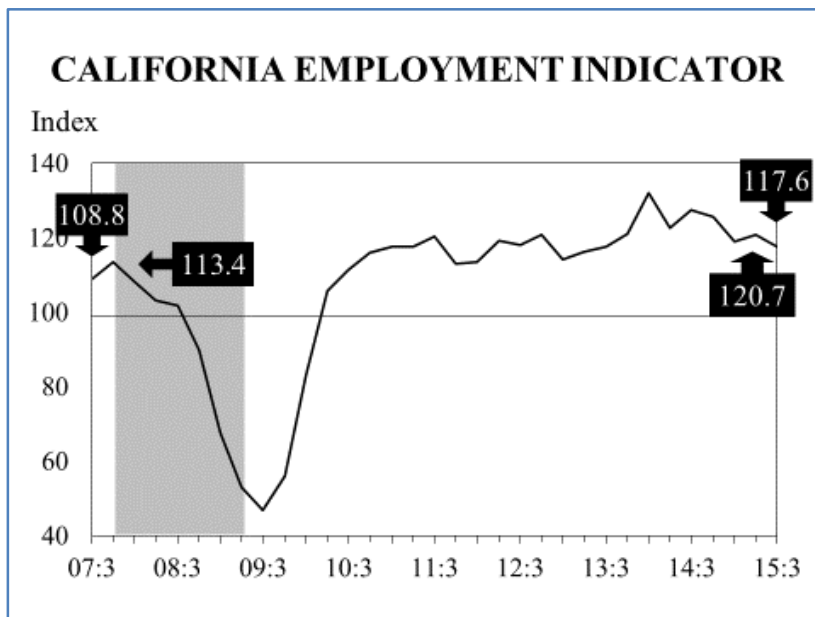
A. Gary Anderson Center for Economic Research

For Release:
August 5, 2015

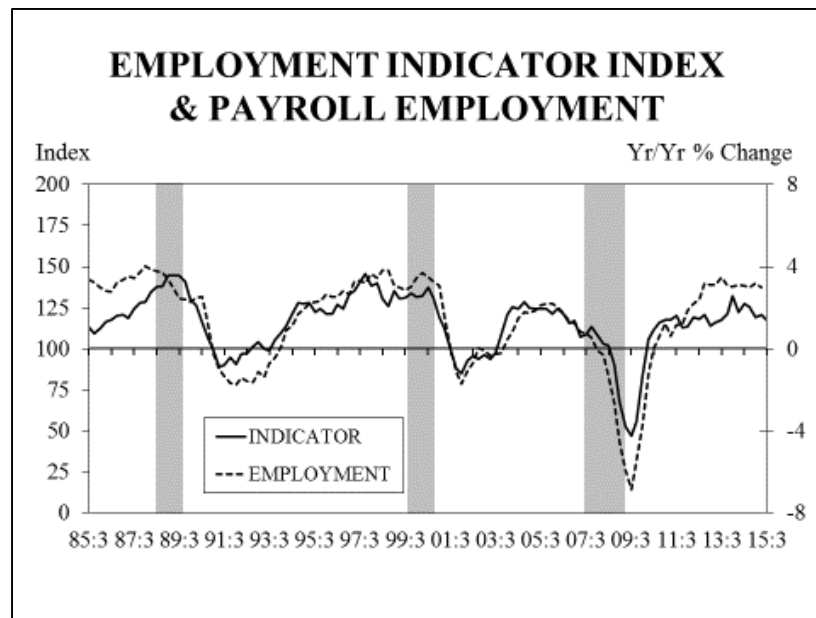
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California Leading Indicator Points to Slower Job Growth

ORANGE, CA—The California leading employment indicator decreased 3.1 points from a revised reading of 120.7 in the second quarter of 2015 to 117.6 in the third quarter of 2015. An index level above the critical value of 100 indicates positive job growth. The current reading suggests that job growth will remain positive in the third quarter of 2015, but the rate of job creation will be slightly less than the second quarter growth rate of 3.0 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, but growth rates have declined from the prior quarter.

- Year-over-year real GDP growth rate of 2.3 percent in the second quarter of 2015 was lower than the revised 2.9 percent increase in the first quarter of 2015.
- Year-over-year, real exports grew by 1.5 percent in the second quarter of 2015, lower than the revised growth rate of 2.6 percent in the first quarter of 2015.
- Year-over-year percentage change in construction spending, which is derived from six-quarter lagged real values of total building permit valuation, increased by 7.1 percent in the second quarter of 2015, about half of the first quarter increase of 13.3 percent.
- On an annual basis, the S&P 500 increased 5.2 percent in the second quarter of 2015, compared to the first quarter annual increase of 10.4 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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| JANUARY | ‣ Economic Forecast Conferences for the Inland Empire
‣ 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
‣ California Consumer Sentiment Survey |
| JULY | ‣ California Purchasing Managers Survey |
| AUGUST | ‣ California Leading Employment Indicator |
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| OCTOBER | ‣ California Purchasing Managers Survey |
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| DECEMBER | ‣ Economic Forecast Conference for the U.S., California and Orange County
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