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Leading Indicator Shows Slower Hiring Ahead

Anderson Center for Economic Research

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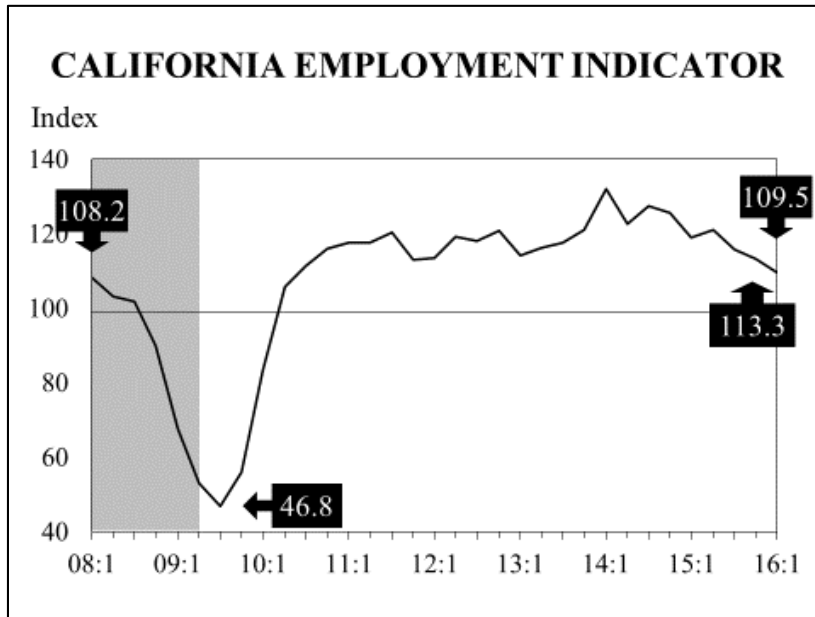
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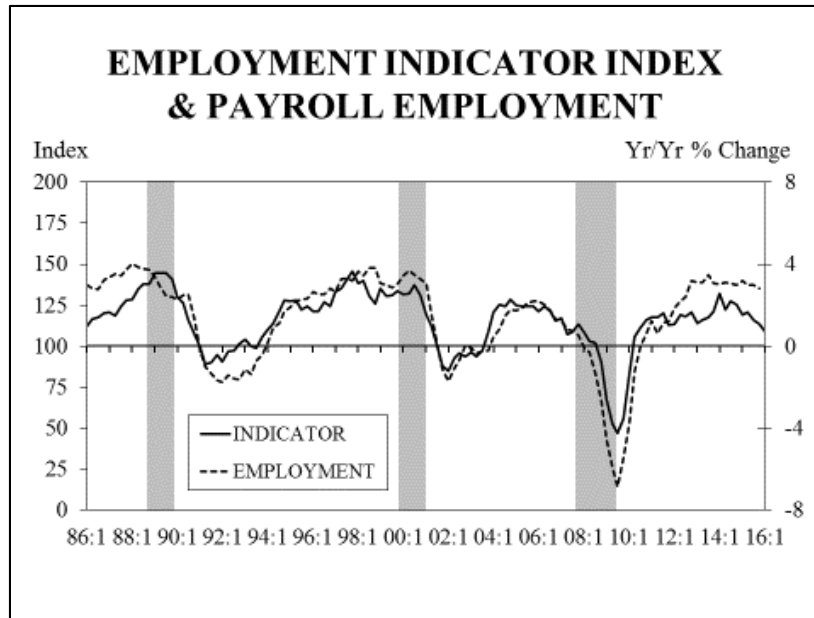
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Leading Indicator Shows Slower Hiring Ahead

ORANGE, CA—The California Leading Employment Indicator decreased nearly four points from a revised reading of 113.3 in the fourth quarter of 2015 to 109.5 in the first quarter of 2016. An index level above the critical value of 100 indicates positive payroll job growth. The current reading, however, suggests that the pace of job creation in the first quarter will be slower than the reported growth rate of 2.8 percent in the fourth quarter of 2015.



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.



Two of the four components of the indicator series are positive with only one showing improvement compared to the prior quarter.

- Year-over-year real GDP growth rate of 1.8 percent in the fourth quarter of 2015 was lower than the revised 2.1 percent increase in the third quarter of 2015.
- Year-over-year, real exports fell by 0.8 percent in the fourth quarter of 2015, a drop of 2.0 percent from the revised growth rate of 1.2 percent in the third quarter of 2015.
- On an annual basis, the S&P 500 decreased 0.7 percent in the fourth quarter of 2015, compared to the third quarter annual decrease of 2.6 percent.
- Year-over-year percentage change in construction spending, which is derived from six-quarter lagged real values of total building permit valuation, increased by 9.4 percent in the fourth quarter of 2015, but slightly weaker than the third quarter increase of 10.7 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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