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Once Again California Leading Indicator Remains Steady

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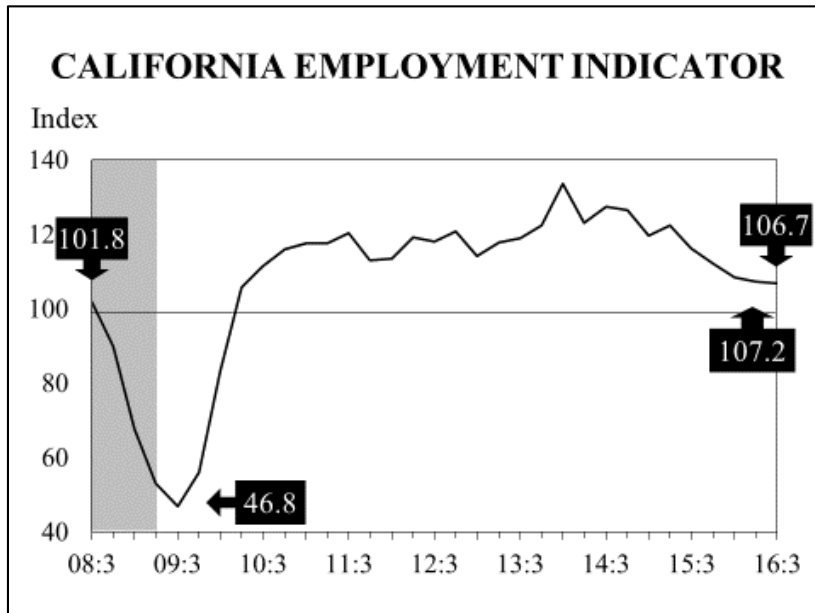
A. Gary Anderson Center for Economic Research

For Release:
Aug 1, 2016

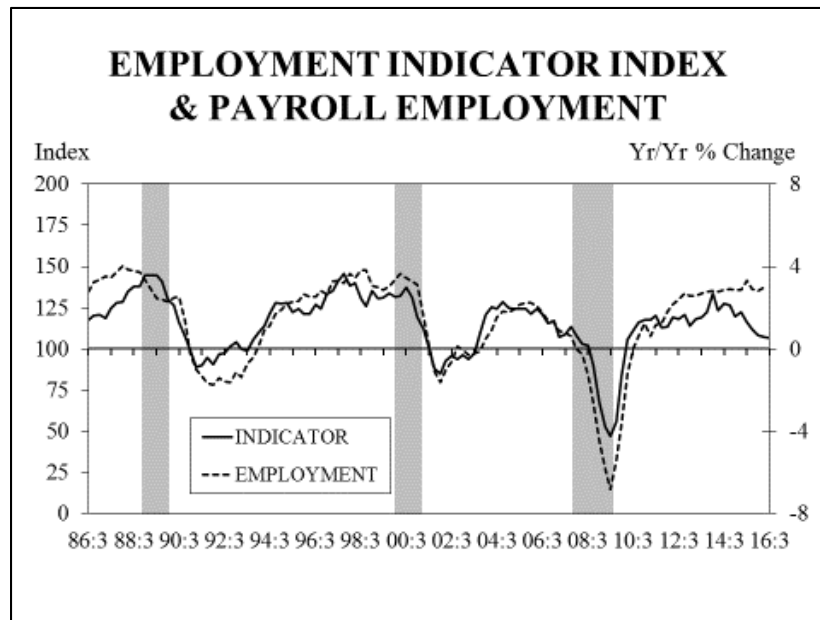
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Once Again California Leading Indicator Remains Steady

ORANGE, CA—The California Leading Employment Indicator decreased slightly to 106.7 in the third quarter from a revised reading of 107.2 in the second quarter of 2016. An index level above the critical value of 100 indicates positive payroll job growth. The current reading suggests that the pace of job creation in the third quarter will be slightly lower as the reported growth rate of 2.99 percent in the second quarter of this year.



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 higher than the previous quarter and two are lower.

- Year-over-year, real exports decreased by 1.2 percent in the second quarter of 2016, a larger decrease than the revised 0.8 percent in the first quarter.
- Year-over-year real GDP growth rate of 1.23 percent in the second quarter of 2016 was lower than the revised 1.57 percent increase in the first quarter.
- Year-over-year percentage change in construction spending, which is derived from six-quarter lagged real values of total building permit valuation, increased by 9.3 percent in the second quarter of 2016, a stronger showing compared to the 7.0 percent in the first quarter.
- On an annual basis, the S&P 500 increased 1.7 percent in the second quarter of 2016, compared to an annual decrease of 0.4 percent in the first quarter.

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 |
| SEPTEMBER | ‣ California Consumer Sentiment Survey |
| OCTOBER | ‣ California Purchasing Managers Survey |
| NOVEMBER | ‣ California Leading Employment Indicator |
| DECEMBER | ‣ Economic Forecast Conference for the U.S., California and Orange County
‣ California Consumer Sentiment Survey |