ORANGE, CA — California’s Index of Leading Employment Indicator is at 115.9, a slight decline from the previous quarter value of 116.2 in the third quarter of 2005. Based on the historical relationship between the Leading Employment Indicator Index and payroll employment growth, an index value over 100 generally points to positive payroll job growth. Hence, an Index value of 115.9 suggests positive job growth in the fourth quarter of 2005. Since the Index has decreased only slightly from the third quarter value, the pace of job creation in the fourth quarter is expected to remain close to the 1.5 percent growth rate reported in the third quarter of this year. This compares to a national payroll job growth rate of 1.7 percent for the same period.
The 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 the state’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 state payroll employment growth.

![Graph showing the correlation between the Index of Leading Employment Indicator and payroll employment.](attachment:graph.png)

All four components of the Index are positive and with the exception of real exports and the S&P500, year over year percentage changes remain near their previous quarter levels. Year-over-year percentage change in real GDP remained at 3.6 percent, representing no change from the previous quarter. California’s construction spending, which is derived from six-quarter lagged real values of total building permit valuation, is also unchanged from a growth rate of 9.3 percent in the second quarter to 9.4 percent in the third quarter.

Year-over-year percentage change in real exports is 6.5 percent, decreasing from a growth rate of 7.7 percent in the last quarter. The S&P 500 increased at an annual rate of 10.2 percent in the third quarter, a sharp increase from the 4.4 percent annual rate of increase reported previously. With no significant changes in real GDP and construction spending growth, the increase in the S&P 500 offset the decline in real exports growth resulting in a leading indicator that shows virtually no change from the previous 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.

ANNUAL SCHEDULE OF CONFERENCES AND PRESS RELEASES:

JANUARY
- Economic Forecast Conferences for Los Angeles County and 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, Orange and Los Angeles counties, and the Inland Empire
- 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