California Payroll Job Growth Off To a Slow Start

ORANGE, CA — The California Employment Indicator Index for the first quarter of 2006 is at 113.1, decreasing from the previous quarter value of 115.9. Based on the historical relationship between the Employment Indicator Index and payroll employment growth, an index value over 100 generally points to positive payroll job growth. Hence, an Index value of 113.1 suggests positive payroll job growth in the first quarter of 2006. The pace of job creation in the first quarter is, however, expected to be slightly lower than the 1.5 percent growth rate currently reported for the previous two quarters.
The Employment Indicator Index 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 Employment Indicator Index is strongly correlated to state payroll employment growth.

All four components of the Index are positive but are increasing at a slower rate as compared to the previous quarter resulting in a lower Index value. Year-over-year percentage change in real GDP was 3.1 percent in the fourth quarter of 2005, representing a decrease from the third quarter growth rate of 3.6 percent. California’s construction spending, which is derived from six-quarter lagged real values of total building permit valuation, also decreased from a growth rate of 9.4 percent in the third quarter to 8.5 percent in the fourth quarter.

Year-over-year percentage change in real exports showed an increase of 5.7 percent, but fell from the previous quarter growth rate of 6.9 percent. The S&P 500 increased at an annual rate of 3.0 percent in the fourth quarter, a sharp drop from the 10.2 percent annual rate of increase in the third quarter of 2005.
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JUNE      › Economic Forecast Update Conference for the U.S., California, Orange and Los Angeles counties, and the Inland Empire  
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JULY      › California Purchasing Managers Survey
AUGUST    › California Employment Indicator Index
SEPTEMBER › California Consumer Sentiment Survey
OCTOBER   › California Purchasing Managers Survey
NOVEMBER  › California Employment Indicator Index
DECEMBER  › Economic Forecast Conference for the U.S., California and Orange County  
           › California Consumer Sentiment Survey