



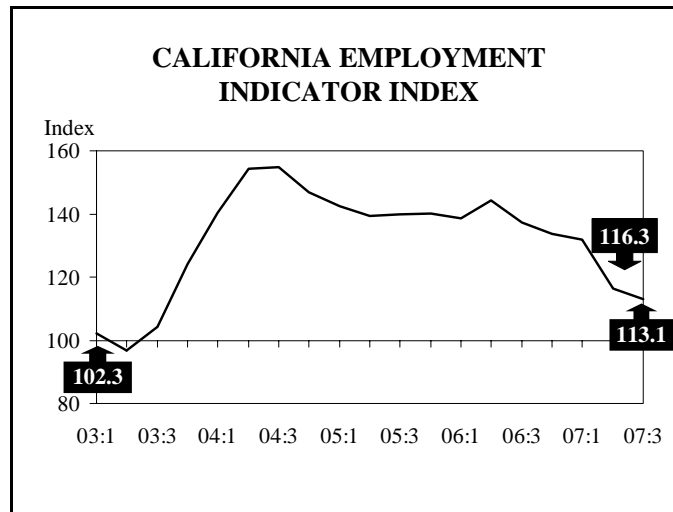
A. Gary Anderson Center for Economic Research

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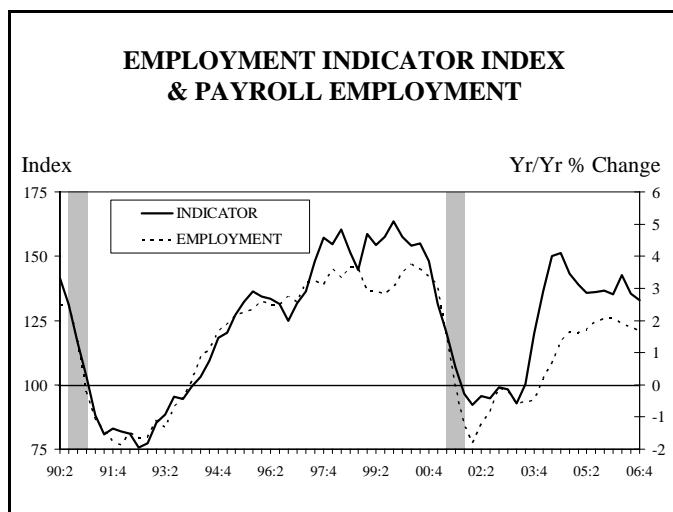
California Employment Indicator Continues to Slide

ORANGE, CA — California’s Index of Leading Employment Indicator decreased from 116.3 in the second quarter of 2007 to 113.1 in the third quarter of this year. The primary factor causing this decline is a rapid downturn in California’s construction spending. This trend in the indicator series suggests that the pace of job creation will continue to decline over the next six months.



It should be noted, however, that 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 and the indicator series has been above 100 now for 16 consecutive quarters.

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 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.



Three of the four components of the indicator series show positive and increasing growth rates in the second quarter of this year. Year-over-year percentage change in real GDP is at 1.8 percent, a slight increase from the growth rate of 1.5 percent in the first quarter of 2007. Also, year-over-year percentage change in real exports stands at 6.8 percent as compared to a growth rate of 6.6 percent in the first quarter of this year. The S&P 500 shows an annual rate of increase of 18.4 percent at the end of the second quarter of 2007 compared to a 9.7 percent annual rate of increase reported in the first quarter of 2007.

The fourth component of the indicator series, California construction spending, which is derived from six-quarter lagged real values of total building permit valuation, shows a year-over-year decline of 6.8 percent in the second quarter of 2007, compared to a 2.8 percent decrease posted in the first quarter of this year. The weakness in construction spending more than offset the positive influence of the other three components when the weighted average of changes in all four components is used to compute the indicator series. This results into an overall decline of the indicator series in the third quarter of 2007.

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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- 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
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- NOVEMBER** › California Leading Employment Indicator
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