



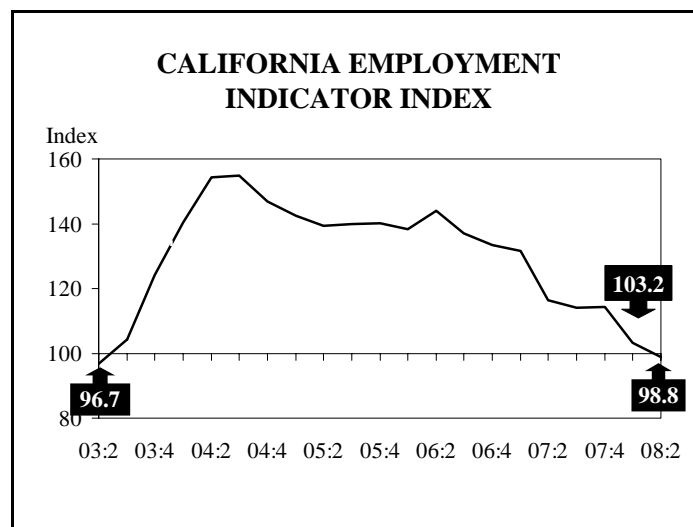
A. Gary Anderson Center for Economic Research

For Release:
May 5, 2008

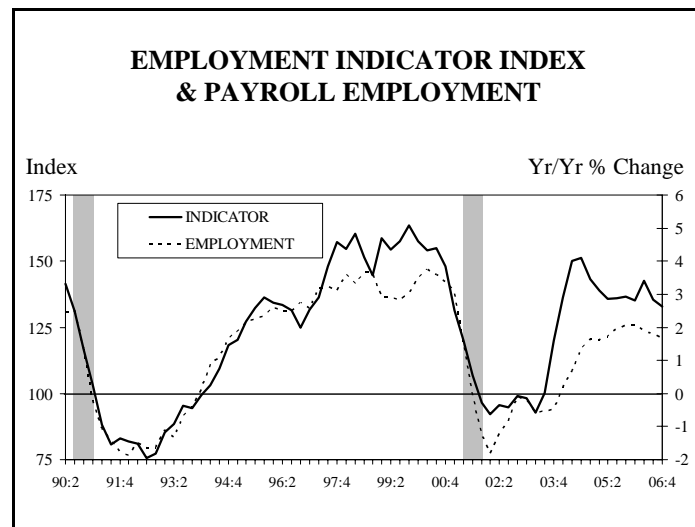
Contact:
Esmael Adibi,
Director of the Anderson Center for Economic Research
at (714) 997-6693.

Employment Indicator Points to Further Weakening in Job Market

ORANGE, CA — California's Index of Leading Employment Indicator declined from 103.2 in the first quarter of 2008 to 98.8 in the second quarter of this year. This marks 8 consecutive quarterly declines in the indicator series and is the first time that the index dropped below the critical value of 100 since the second quarter of 2003. An index value below 100 signals negative payroll job growth. The primary factor causing this decline is a sharp drop in California's construction spending on both residential and nonresidential structures.



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.



Two of the four components of the indicator series showed positive growth rates in the first quarter. Real GDP grew at an annualized rate of 2.5 percent in the first quarter of 2008, virtually unchanged compared to the fourth quarter of 2007. Real exports increased by 9.5 percent in the first quarter of 2008, an improvement from the growth rate of 8.4 percent in the fourth quarter of 2007.

California construction spending and S&P 500, the third and fourth components of the indicator series, declined in the first quarter of 2008. The S&P 500 decreased by 6.9 percent compared to a 3.5 percent increase in the fourth quarter of 2007. California construction spending which is derived from six-quarter lagged real values of total building permit valuation, showed a year-over-year decline of 16.5 percent in the first quarter of 2008, compared to a 14.2 percent decline posted in the fourth quarter of 2007. The drops in both construction spending and S&P 500, more than offset the increase in real exports and GDP, and explain the sharp decline in the indicator series in the second quarter of 2008.

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 |