Job Indicator for California Points to Steady Growth

ORANGE, CA — California’s Index of Leading Employment Indicator moved up slightly from 122.5 in the first quarter to 123.8 in the second quarter of this year. 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. The fact that the indicator series has been above 100 now for 11 consecutive quarters points to continued job growth. More importantly, the uptick from 122.5 to 123.8 suggests that California’s current job growth of 1.9 percent which already exceeds the national average of 1.5 percent is now likely to remain at that relatively high number in the second quarter of this year.
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.

All four components of the Index are positive and exceed their previous quarter levels. Year-over-year percentage change in real GDP is at 3.5 percent, compared to 3.2 percent increase in the previous quarter. California’s construction spending, which is derived from six-quarter lagged real values of total building permit valuation, shows a growth rate of 9.2 percent in the first quarter of 2006 compared to 8.5 percent growth rate in the fourth quarter of 2005.

Year-over-year percentage change in real exports is 7.5 percent, increasing from a growth rate of 6.4 percent in the last quarter and the S&P 500 increased at an annual rate of 9.7 percent in the first quarter, a sharp increase from the 3.0 percent annual rate of increase reported in the fourth quarter of 2005.
ABOUT THE ANDERSON CENTER FOR ECONOMIC RESEARCH:

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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
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OCTOBER
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NOVEMBER
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DECEMBER
› Economic Forecast Conference for the U.S., California and Orange County
› California Consumer Sentiment Survey