



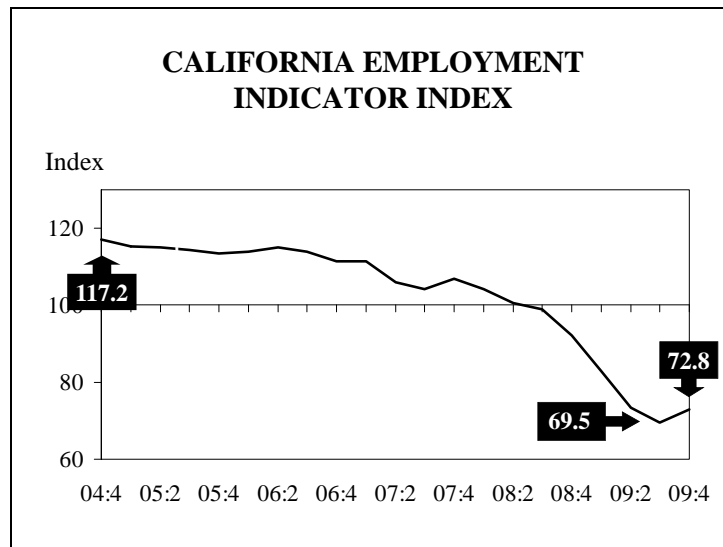
A. Gary Anderson Center for Economic Research

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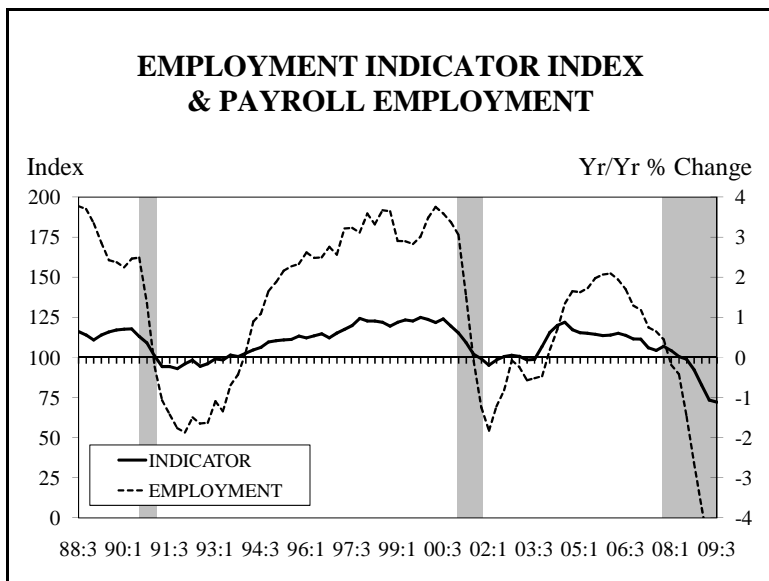
California Job Losses are Slowing

ORANGE, CA —After seven consecutive quarterly declines, the fourth quarter California Index of Leading Employment Indicators shows an uptick to the level of 72.8 from the third-quarter reading of 69.5. This suggests that, in all likelihood, the rate of job losses hit the trough in the second quarter of this year. The index, however, is still well below 100, signifying further declines in year-over-year payroll employment growth well into early 2010.



The sharp increase in the third-quarter real GDP growth undoubtedly has influenced the turnaround in the indicator series. The improvement in the indicator series is consistent with our earlier forecasts: that the national recovery started in the fourth quarter of this year, but an upswing in job growth and an accompanying drop in the unemployment rate will not occur until mid-2010.

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.



All four components of the indicator series—real exports, real GDP, construction spending and S&P 500—are still showing negative year-over-year growth rates in the third quarter of 2009, but the annualized rate of declines for three of these components is improving.

Real exports growth declined at an annualized rate of 11.2 percent compared to a 15.2 percent decline the previous quarter. Year-over-year percent change in real GDP showed a decrease of 2.3 percent, better than the decline of 3.8 percent, in the second quarter of '09. The S&P 500 is lower by 9.2 percent from its level in the third quarter of 2008, a significant improvement from the previous quarter decline of 28.2 percent. California construction spending, which is derived from six-quarter lagged real values of total building permit valuation, decreased by 28.4 percent in the third quarter of 2009, worse than a decline of 23.2 percent in the previous quarter. The weakness in all four components of the indicator series explains why the indicator series remains below the reading of 100.

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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| 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 |
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| SEPTEMBER | ‣ California Consumer Sentiment Survey |
| OCTOBER | ‣ California Purchasing Managers Survey |
| NOVEMBER | ‣ California Leading Employment Indicator |
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