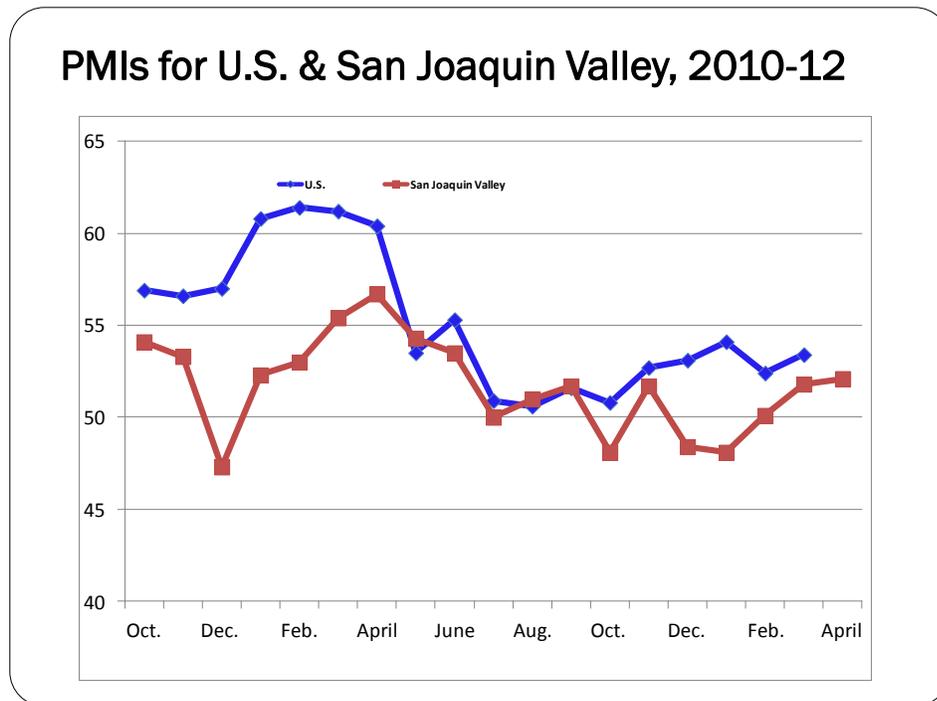


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## San Joaquin Valley Leading Economic Indicator Up Again: Inflationary Pressures Cool

### April survey results at a glance:

- Leading economic indicator rises for third straight month.
- Exports remain important contributor to growth.
- Inflation cools for the month.
- Input prices expected to expand by a low 2.0 percent for rest of 2012.
- Almost one-third indicated that regulatory burdens were a big obstacle for their firm's growth.



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Fresno, CA –For a third straight month, the San Joaquin Valley Business Conditions Index increased and rose above growth neutral 50.0, signaling slowly improving economic

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conditions for the area in the months ahead. The index is a leading economic indicator from a survey of individuals making company purchasing decisions in firms in the counties of Fresno, Madera, Kings and Tulare. The index is produced using the same methodology as that of the national Institute for Supply Management ([www.ism.ws](http://www.ism.ws)).

**Overall Index:** The index, produced by Ernie Goss Ph.D., Research Associate with the Craig School of Business at California State University, Fresno, rose to 52.1 from 51.8 in March. An index greater than 50 indicates an expansionary economy over the course of the next three to six months. Survey results for the last two months and one year ago are listed in the accompanying table. “We are tracking a slowly improving economy. As in the past several months, companies linked to agriculture and international markets are experiencing upturns in overall economic activity,” said Goss.

This month we asked survey participants what federal action would most positively affect their company’s growth. “More than one-third, 39 percent, reported that a reduction in federal spending would underpin long-term growth for their firm. Another 29 percent indicated that a reduction in regulatory burdens would be the most beneficial public policy action to support their company’s growth. Another 14 percent supported a reduction in personal income taxes to boost their company’s sales and income growth. No other factor garnered above single digit support,” said Goss.

**Employment:** The hiring gauge climbed to a solid 55.9 from 54.6 in March. This is only the third time in the past eight months that the employment index has risen above growth neutral. “However, we are tracking a job market that is improving, especially for durable goods producers linked to international markets and to food producers,” said Goss.

**Wholesale Prices:** The prices-paid index, which tracks the cost of raw materials and supplies, sank to 62.0 from 65.6 in March. “Even as prices for certain inputs continue to grow at an unsustainable pace, this pullback in overall input prices is very good news. This month, we asked survey participants to project price hikes for the rest of 2012 for inputs that they buy. Owners and managers anticipate a very modest 2.0 percent increase for the rest of the year. Approximately 39 percent of companies expect no increase or a price decline for inputs for the remainder of 2012. This downturn is certainly surprising to me, potentially stemming from a national and global economic slowdown,” stated Goss.

**Inventories:** Businesses once again contracted inventories for the month. The April inventory reading advanced to a sub-growth neutral 46.2 from March’s weak 45.1. “An inventory index below growth neutral is an indicator of a negative outlook by businesses. Businesses are reluctant to add to inventories with this negative outlook,” reported Goss

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**Business Confidence:** Looking ahead six months, economic optimism, captured by the April business confidence index, rose to a tepid 51.9 from March's 50.2 and February's 47.3. "A dip in fuel prices and expanding regional growth more than offset concerns surrounding the nation's employment conditions," said Goss.

**Trade:** For April, firms experienced an upturn in new export orders with an April reading of 64.7, up from March's very healthy 63.7. At the same time the area's import index slumped to 53.6 from March's 57.1. "Exports continue to be one of the most important factors driving growth in the area economy higher. Short of trading skirmishes or a strong dollar, I expect exports to remain healthy for the area," said Goss.

**Other components:** Other components of the April Business Conditions Index were new orders at 52.3, down from March's 56.4; production or sales at 50.1, down from 52.0; and delivery lead time at 56.1, up from 51.4 in March.

Table 1 details survey results for April 2011, March 2012, and April 2012. May survey results will be released on the first business day of next month, June 1.

	San Joaquin Valley		
	April 2011	March 2012	April 2012
Leading economic indicator	56.7	51.8	52.1
New orders	59.1	56.4	52.3
Production or sales	60.1	52.0	50.1
Employment	56.6	54.6	55.9
Inventories	55.0	45.1	46.2
Delivery lead time	52.8	51.4	56.1
Wholesale prices	85.6	65.6	62.0
Imports	66.5	57.1	53.6
Export orders	57.5	63.7	64.7
Business confidence	62.5	50.2	51.9

Craig School of Business: <http://www.craig.csufresno.edu/>

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