

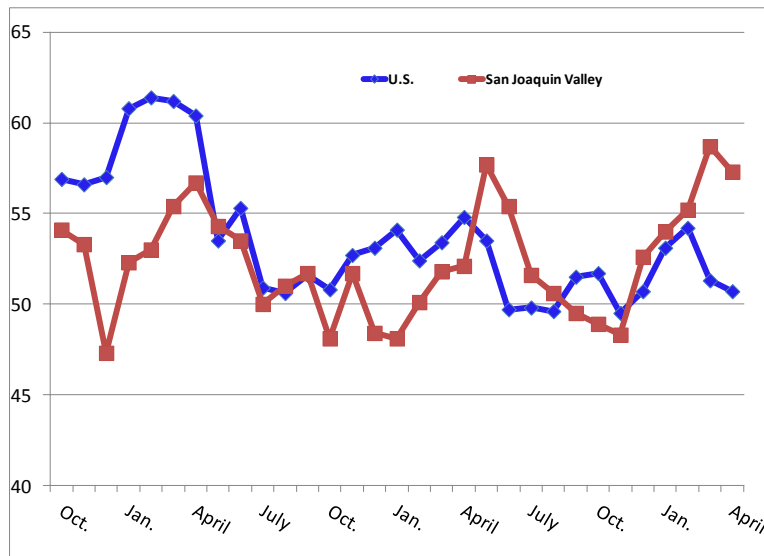
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## San Joaquin Valley Leading Economic Indicator remains Healthy for April

### April survey results at a glance:

- Leading economic indicator continues to point towards growth for the next 3 to 6 months
- Business confidence on the rise
- Exports have dipped below the growth neutral levels
- Approximately half of businesses surveyed have experienced or expect to experience negative impacts from the Affordable Care Act

PMIs for U.S. & San Joaquin Valley, 2010-13



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Fresno, CA –After growing for four straight months, the San Joaquin Valley Business Conditions Index declined to a still healthy level. 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, slid to 57.3 from 58.7 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. “The turnaround in the housing sector continues to boost the regional economy. Firms linked to housing are experiencing improving economic conditions,” said Goss.

**Employment:** For a sixth straight month, the hiring gauge moved above the growth neutral threshold. The job index dipped to 56.7 from 57.7 in March and February’s much softer 51.1. The April 2013 index is above the April 2012 reading of 55.9. “Readings over the past several months indicate that the job market has been expanding and will continue to improve, albeit at a slow pace,” said Goss.

**Wholesale Prices:** The prices-paid index, which tracks the cost of raw materials and supplies, increased from 60.4 in March to 63.5 in April. This month survey participants were asked how much they expected the prices for their company’s products and services to increase this year in comparison to last year. “The Federal Reserve Open Market Committee, which sets U.S. interest rate policy remains committed to their current aggressive ‘cheap’ money policy. While it has not sparked any significant inflationary pressures for U.S. consumers, this policy is boosting our wholesale inflation gauge and is pushing U.S. asset prices up at a pace that is causing disruptions in certain sectors of the economy such as agriculture,” said Goss.

**Business Confidence:** Looking ahead six months, economic optimism, captured by the business confidence index, rose to a positive level not seen for a while for the area. The April business confidence index increased to 55.7 from 50.4 in March. “Supply managers expect the upturn in housing to remain an important ingredient of the economic expansion. The federal spending sequestration is having almost no impact on the outlook. The last two months, we have asked supply managers how the federal spending sequestration was affecting their company. More than three-fourths of supply managers in March and April indicated that the cuts

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have had no impact on their company to date. Less than one-fourth reported only modest impacts. None of the businesses reported significant impacts,” said Goss.

This month we also asked supply managers the expected outcome from the Affordable Care Act. Approximately fifty percent have experienced, or expect to experience negative impacts. Only 2 percent anticipate positive impacts, while the remaining 48 percent expect little or no impact on their business.

**Inventories:** Businesses maintained inventories at the growth neutral level for the month of April. The index slid from 51.9 to 50.9. “Healthy inventory growth normally signals that supply managers expect production expansions in the months ahead and the inventory level over 50 is consistent with economic growth and expanding business confidence,” said Goss.

**Trade:** The new export order reading dipped to 47.0 from March’s 51.7. At the same time, April imports also declined for the month with an import index of 51.5, down from 56.3 in March. “Recent political instability and economic weakness among the region’s important trading partners weighed on exports,” said Goss.

**Other components:** Other components of the April Business Conditions Index were new orders at 58.0, down from 62.0 in March; production or sales at 63.5, holding at the same level from March’s 63.5; and delivery lead time at 57.2, down from 58.4 in March.

Table 1 details survey results for April 2012, March 2013 and April 2013. May survey results will be released on the first business day of next month, June 1.

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Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	April 2012	March 2013	April 2013
Leading economic indicator	52.1	58.7	57.3
New orders	52.3	62.0	58.0
Production or sales	50.1	63.5	63.5
Employment	55.9	57.7	56.7
Inventories	46.2	51.9	50.9
Delivery lead time	56.1	58.4	57.2
Wholesale prices	62.0	60.4	63.5
Imports	53.6	56.3	51.5
Export orders	64.7	51.7	47.0
Business confidence	51.9	50.4	55.7

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

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