

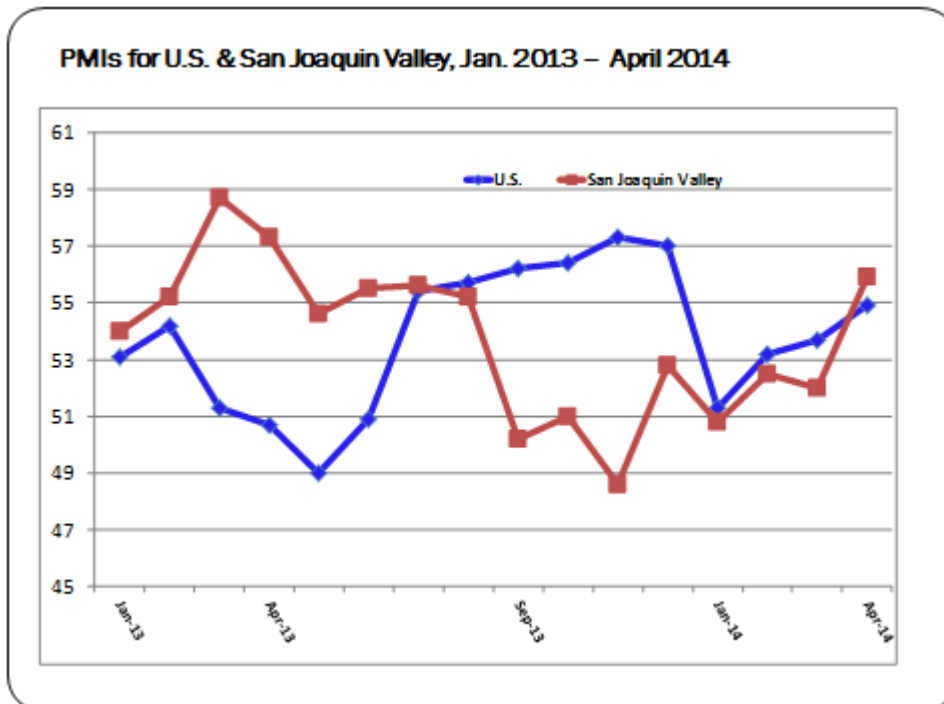
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Goss video summary at: http://youtu.be/RSK1IGv_7bY

San Joaquin Valley Leading Economic Indicator Bounces Higher: Almost One-fifth Report Negative Fallout from Drought

April survey results at a glance:

- Leading economic indicators takes largest one month increase since December 2012.
- Approximately 18.2 percent of businesses indicated that the drought has had a negative impact on their business thus far.
- Almost 10 percent of businesses expect 2014 drought impacts to be negative and severe.
- Job gains very healthy with wholesale trade leading the way.
- Wholesale inflation gauge moves higher.



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FRESNO, CA-For the sixteenth time in the past seventeen months, the San Joaquin Valley Business Conditions Index rose above the 50.0 threshold. The index took its largest one month increase since December 2012. The index, a leading economic indicator from a survey of individuals making company purchasing decisions for firms in the counties of Fresno, Madera, Kings and Tulare, points to positive and improving growth for the next 3 to 6 months. The index is produced using the same methodology as that of the national Institute for Supply Management (www.ism.ws).

Overall Index: The index advanced to 55.9 from 52.0 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.

“This month we asked survey participants to identify the biggest economic challenge likely faced by their company for 2014. More than one-fourth, or 27.3 percent, named the continuing drought to be the largest threat to their business. However, only 18.2 percent of businesses indicated that the drought has had a negative impact on their business thus far. Approximately 8.7 percent of the firms expect the drought impacts to be negative and severe for 2014. Almost one-third, or 30.4 percent, anticipate that the drought will generate little or no impact on their firm. As in past months, firms in the region’s wholesale trade industries are experiencing healthy growth, while manufacturers are expanding their output via higher productivity but with very little job growth,” said Ernie Goss, Ph.D., research faculty with the Craig School of Business at California State University, Fresno.

Employment: After moving below growth neutral for January, the hiring gauge has moved above the 50.0 threshold for the last three months. The job index expanded to a solid 55.1 from March’s softer 53.3. “The region is adding jobs at a very healthy annual pace of almost four percent. Our surveys indicate that this pace will remain healthy. Manufacturing firms continue to expand output but with almost no job gains,” reported Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, increased for the month. The wholesale inflation gauge climbed from March’s 72.1 to 75.3 for April.

“Inflationary pressures at the wholesale level, according to our survey and other surveys of businesses, are climbing. This trend will encourage the Federal Reserve to continue to reduce their monthly stimulus or bond buying program, termed quantitative easing (QE3). This will tend to push long-term interest rates, including mortgage rates, higher in the months ahead,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, rose to 56.2 from last month’s 52.8. “Even with negative fallout from the drought, improvements in the job market supported the business outlook for the month. Furthermore,

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some of the uncertainty surrounding the number of signups for the Affordable Care Act has been reduced thus boosting confidence,” said Goss.

Inventories: Businesses expanded inventories of raw materials and supplies for the month and at a faster pace than in March. The April inventory reading jumped to 60.0 from 52.5 in March. “This is yet another signal of rising business confidence as firms add inventory in anticipation of greater sales in the weeks and months ahead,” said Goss.

Trade: The new export order declined to a still healthy 56.0 from March’s very strong 67.0. “Readings over the past two months have been economically encouraging for a region where exports are an important component of growth,” said Goss. The regional import reading for April increased to 57.3 from March’s 56.3. Businesses experiencing growth continue to boost their purchases from abroad.

Other components: Other components of the April Business Conditions Index were new orders at 56.7, up from 51.4 in March; production or sales at 50.7, up from 49.3 in March; and delivery lead time at 57.1, up from last month’s 53.6.

Table 1 details survey results for April 2013, last month and April 2014. May survey results will be released on the first business day of next month, June 2.

	San Joaquin Valley		
	April 2013	March 2014	April 2014
Leading economic indicator	57.3	52.0	55.9
New orders	58.0	51.4	56.7
Production or sales	63.5	49.3	50.7
Employment	56.7	53.3	55.1
Inventories	50.9	52.5	60.0
Delivery lead time	57.2	53.6	57.1
Wholesale prices	63.5	72.1	75.3
Imports	51.5	56.3	57.3
Export orders	47.0	67.0	56.0
Business confidence	55.7	52.8	56.2

Craig School of Business: <http://www.fresnostate.edu/craig/ubc/sjvs.html>

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