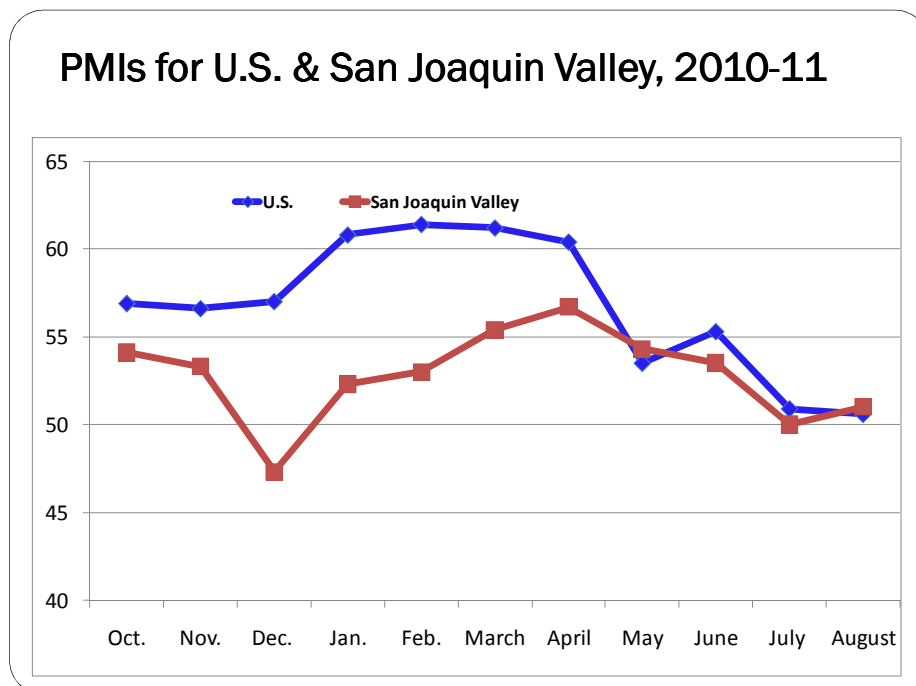


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San Joaquin Valley Leading Economic Indicator Increases for First Time Since April: August Job Losses

August survey results at a glance:

- Leading economic indicator rises for the first time since April of this year.
- Firms report net job losses for a second consecutive month.
- Approximately 35.7 percent of businesses expect a decline in business activity for the rest of 2011.
- In terms of stimulating the economy, 37 percent recommend reducing regulatory burdens on businesses.



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Fresno, CA – For the first time since April of this year, the San Joaquin Valley Business Conditions Index increased. The survey from individuals making company purchasing decisions in firms in the counties of Fresno, Madera, Kings and Tulare continues to point to slow to no growth in the coming months. The index, a leading economic indicator for the area, is produced using the same methodology as that of the national Institute for Supply Management (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, climbed to 51.0 from July's growth neutral 50.0. An index greater than 50 indicates an expansionary economy over the course of the next three to six months. Survey results for the last three months for the San Joaquin Valley are listed in the accompanying table.

“According to survey participants in our survey, economic growth is likely to wane in the region's economy in the next three to six months. This month we asked survey participants managers what the expected sales growth was for their company for the rest of 2011. Approximately 35.7 percent expect a decline in business activity, 32.0 percent anticipate an upturn in sales, and the remaining 32.3 percent expect no change in business activity for the rest of 2011,” said Goss.

Employment: The hiring gauge slumped to a weak 44.2 from 46.3 in July. This is the second straight month that the employment index has sunk below growth neutral. “Both durable and non-durable manufacturing firms in the area are shedding jobs, and this economic softness is also spilling over into non-manufacturing firms in the region,” said Goss.

Wholesale prices: The prices-paid index, which tracks the cost of raw materials and supplies, dipped to a still inflationary 74.4 from 77.1 in July. “Higher commodity prices, especially for energy products, continue to be a factor pushing business activity lower. This month we asked how much survey participants expected prices for inputs that their firm purchases to increase over the next six months. Respondents expect prices to increase at an annualized rate of 8.3 percent over the next six months,” said Goss.

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Business Confidence: Looking ahead six months, economic optimism, captured by the July business confidence index, slumped to 40.4 from July’s already weak 42.5. “Elevated energy prices combined with uncertainty surrounding the U.S. debt situation remain important factors restraining business confidence. This month survey participants were asked to recommend policy actions by the federal government to encourage growth. Approximately 20 percent recommended launching a new stimulus program and 37 percent endorsed reducing regulatory burdens. No other federal government action garnered more than muted support from the business managers,” said Goss.

Trade: For a second straight month, firms experienced a pullback in new export orders. August export orders plummeted to a very weak 36.3 from July’s 45.7 and from June’s healthy 59.2. The area’s import index dipped to 43.8 from 45.3 in July and 58.5 in June.

Inventories: The inventory index, which tracks the change in the inventory of raw materials and supplies, climbed to 46.8 from July’s 45.3.

Other components: Other components of the August Business Conditions Index were new orders at 53.5, up from 50.7 in July; production or sales at 51.3, down from 51.1; and delivery lead time at 59.3, up from July’s 56.6.

Table 1 details survey results for the last three months. September survey results will be released on the first business day of next month, October 3.

	San Joaquin Valley		
	June 2011	July 2011	August 2011
Leading economic indicator	53.5	50.0	51.0
New orders	54.4	50.7	53.5
Production or sales	53.7	51.1	51.3
Employment	51.9	46.3	44.2
Inventories	51.3	45.3	46.8
Delivery lead time	56.4	56.6	59.3
Wholesale prices	80.1	77.1	74.4
Imports	58.5	45.3	43.8
Export orders	59.2	45.7	36.3
Business confidence	44.6	42.5	40.4

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

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