

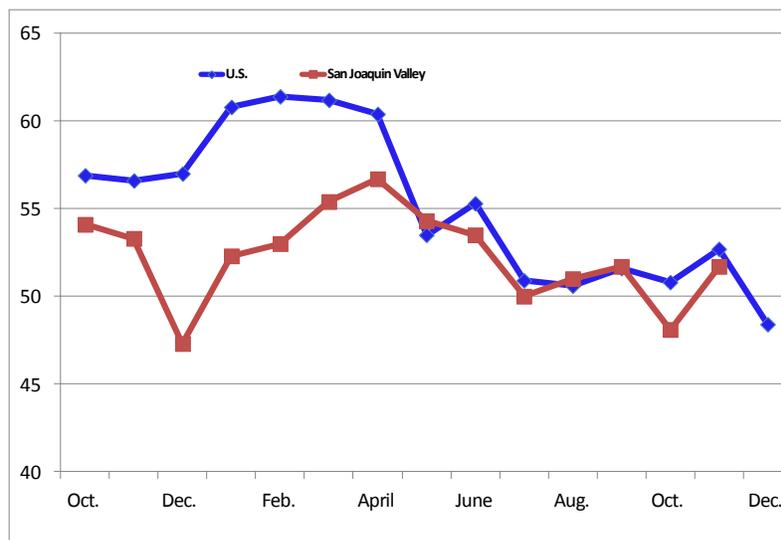
For More Information Contact:
Ernie Goss Ph.D., 559-278-2352
University Business Center
Craig School of Business
California State University, Fresno

San Joaquin Valley Leading Economic Indicator Ends Year on Sour Note

December survey results at a glance:

- Leading economic indicator fell below growth neutral for December.
- For the fifth time in the past six months, firms report net job losses.
- Firms expect an average 1.6 percent pay raise for 2012.

PMIs for U.S. & San Joaquin Valley, 2010-11



For Immediate Release: January 3, 2012

Fresno, CA – Since June of 2011, the San Joaquin Valley Business Conditions Index has trended downward with December's gauge moving below growth neutral. The index, a

San Joaquin Business Conditions Index – p. 2 of 3

leading economic indicator from a survey of 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 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, fell to 48.4 from 51.7 in November and 48.1 in October. An index greater than 50 indicates an expansionary economy over the course of the next three to six months. Survey results for November and December of 2011 as well as December 2010 for the San Joaquin Valley are listed in the accompanying table. “Based on our surveys over the past several months, I expect economic growth to weaken and potentially turn negative in the next three to six months,” said Goss.

This month survey participants were asked to project sales or business activity for 2012. More than one-fourth, or 26.3 percent, anticipate no change from 2011 levels, 57.9 percent expect an improvement in 2012, while 15.8 percent project no change in sales for 2012 compared to 2011.

Employment: The hiring gauge slumped to 48.0 from November’s tepid 50.3. This is the fifth time in the past six months that the employment index has plunged below growth neutral. “Manufacturing and construction firms continue to shed jobs. Both durable and non-durable goods manufacturers detailed pullbacks in hiring for the month,” said Goss.

Estimated San Joaquin Valley 2011 growth: Jobs 0.4 percent, inflation adjusted GDP 2.2 percent. **Projected San Joaquin Valley 2012 growth:** Jobs -0.4 percent, inflation adjusted GDP 1.4 percent.

Reflecting the weak job market, respondents were less than optimistic regarding pay increases for 2012, with an average boost in pay of 1.6 percent anticipated for the year. Almost one-half, or 52 percent, anticipate a pay cut or no change in pay for 2012.

Wholesale prices: The prices-paid index, which tracks the cost of raw materials and supplies, dipped to a modest 55.7 from November’s 63.8. “European debt problems and slower regional growth have pushed our inflation gauge lower. Over the past two months, due to investors’ flight out of European debt into U.S. debt, the value of the U.S. dollar has increased by 5.3 percent. The upturn in the value of the dollar has helped push commodity prices and our inflation gauge lower,” said Goss.

Inventories: Businesses once again contracted inventories for the month. The inventory index, which tracks the change in the inventory of raw materials and supplies,

San Joaquin Business Conditions Index – p. 3 of 3

slumped to 47.2 from 50.4 in November. “The lack of any significant buildup in inventories is another indicator of a negative outlook by businesses,” reported Goss

Business Confidence: Looking ahead six months, economic optimism, captured by the December business confidence index, rose to a still anemic 44.1 from November’s 42.5. “Both U.S. and global economic uncertainty and slow growth continue to restrain economic confidence among individuals making purchasing decisions for their firms,” said Goss.

Trade: For a sixth straight month, firms experienced a pullback in new export orders with a December reading of 44.7, up slightly from 43.8 in November. At the same time the area’s import index stood at a weak 46.5, down from 47.5 in November. “Slow area growth and weakening global business continue to diminish trade numbers for the area,” said Goss.

Other components: Other components of the December Business Conditions Index were new orders at 46.6, down from 52.3 in November; production or sales at 43.6, down from 49.2; and delivery lead time at 56.4, up slightly from November’s 56.1.

Table 1 details survey results for November and December of 2011 and December of 2010. January results will be released on the first business day of next month, February 1.

	San Joaquin Valley		
	December 2010	November 2011	December 2011
Leading economic indicator	47.3	51.7	48.4
New orders	55.7	52.3	46.6
Production or sales	52.3	49.2	43.6
Employment	51.2	50.3	48.0
Inventories	36.4	50.4	47.2
Delivery lead time	40.9	56.1	56.4
Wholesale prices	60.5	63.8	55.7
Imports	29.6	47.5	46.5
Export orders	21.4	43.6	44.7
Business confidence	64.4	42.5	44.1

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

Follow Goss: Twitter at <http://twitter.com/erniegoss> or www.ernestgoss.com