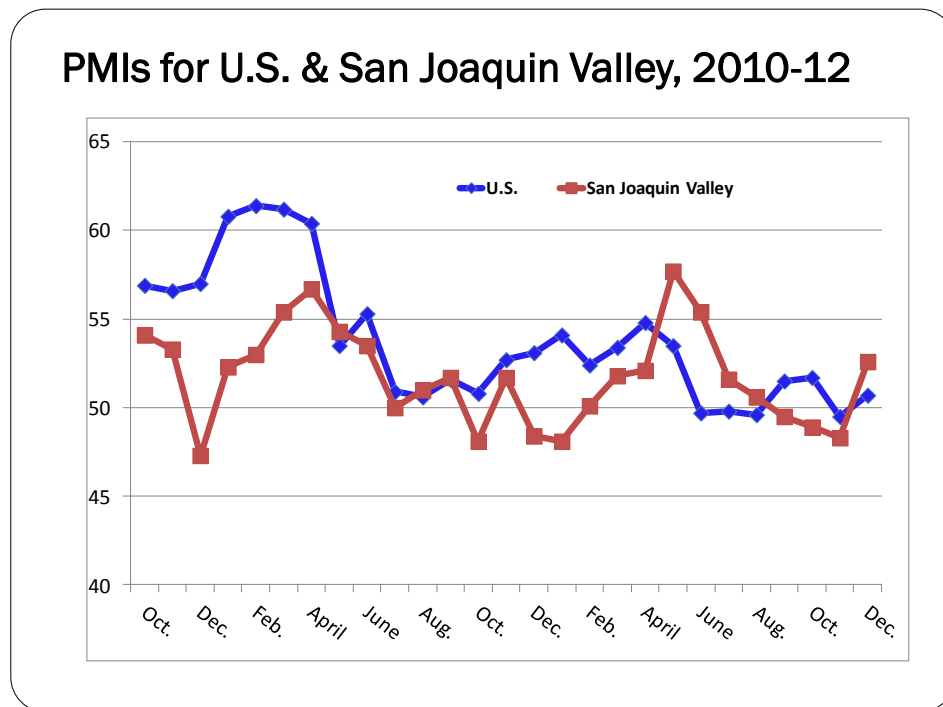


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San Joaquin Valley Leading Economic Indicator Expands Wholesale Inflation Declines for December

December survey results at a glance:

- For the first time since August, the area's leading economic indicator climbed above growth neutral.
- Inflation gauge trends downward.
- Business confidence remains very weak.
- Hiring was positive for month.



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Fresno, CA –After moving below growth neutral for three straight months, the San Joaquin Valley Business Conditions Index advanced above this threshold for December, signaling positive but slow economic and job growth for the area in the months ahead. The index is a leading economic indicator from a survey of individuals making company purchasing

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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).

Overall Index: The index, produced by Ernie Goss Ph.D., Research Associate with the Craig School of Business at California State University, Fresno, expanded to 52.6 from 48.3 in November. 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. “Both durable and non-durable goods manufacturers report modest expansions for the month. Additionally, an improving residential construction sector is positively influencing firms with ties to this important sector. After slumping below growth neutral for three consecutive months, the national ISM index crawled to 50.7 for December,” said Goss.

Employment: For a second straight month, the hiring gauge moved above the growth neutral threshold. The job index expanded slightly to 53.7 from November’s 50.5. “The area has been adding jobs but a slow but improving pace. Our surveys over the past several months point to a slight uptick in new hiring in the months ahead,” said Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, declined to 59.1 from November’s 63.7. “Weaker commodity prices, such as those for fuel and related and metals, linked to slower global growth are showing up in our survey.

“The cheap dollar policy of the Federal Reserve has thus far failed to ignite inflation or economic growth in the nation or region. Instead, slower global growth and elevated unemployment remain an obstacle to significantly raising wholesale prices,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, dipped to a feeble 37.0 from November’s 38.9. “Despite improvements in residential housing, uncertainty surrounding the fiscal cliff and healthcare reform continue to lower business confidence,” said Goss.

Inventories: Businesses reduced inventories for the month. The December inventory reading declined to 46.1 from 46.3 in November. “Cutbacks in inventories are yet another indicator of a slowing economy. Approximately 27.3 percent of firms reported that their inventories were below normal while only 3.7 percent indicated that inventories were above normal. Firms in the survey reported no change in inventory accumulation as a result of the impending longshoreman strike,” reported Goss.

Trade: New export orders for December were weak, but the index did rise to 46.1 from November’s reading of 37.6. At the same time, December imports contracted for the month with

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an index of 41.9, up from 40.9 in November. “Slow area growth restrained imports while slow global growth continues to confine new export orders,” reported Goss.

Other components: Other components of the December Business Conditions Index were new orders at 51.0, up from November’s 43.1; production or sales at 58.4, up from 48.0 in November; and delivery lead time at 53.8, up slightly from November’s 53.6.

Table 1 details survey results for December 2011, November 2012, and December 2012. January survey results will be released on the first business day of next month, February 1.

	San Joaquin Valley		
	December 2011	November 2012	December 2012
Leading economic indicator	48.4	48.3	52.6
New orders	46.6	43.1	51.0
Production or sales	43.6	48.0	58.4
Employment	48.0	50.5	53.7
Inventories	47.2	46.3	46.1
Delivery lead time	56.4	53.6	53.8
Wholesale prices	55.7	63.7	59.1
Imports	46.5	40.9	41.9
Export orders	44.7	37.6	46.1
Business confidence	44.1	38.9	37.0

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

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