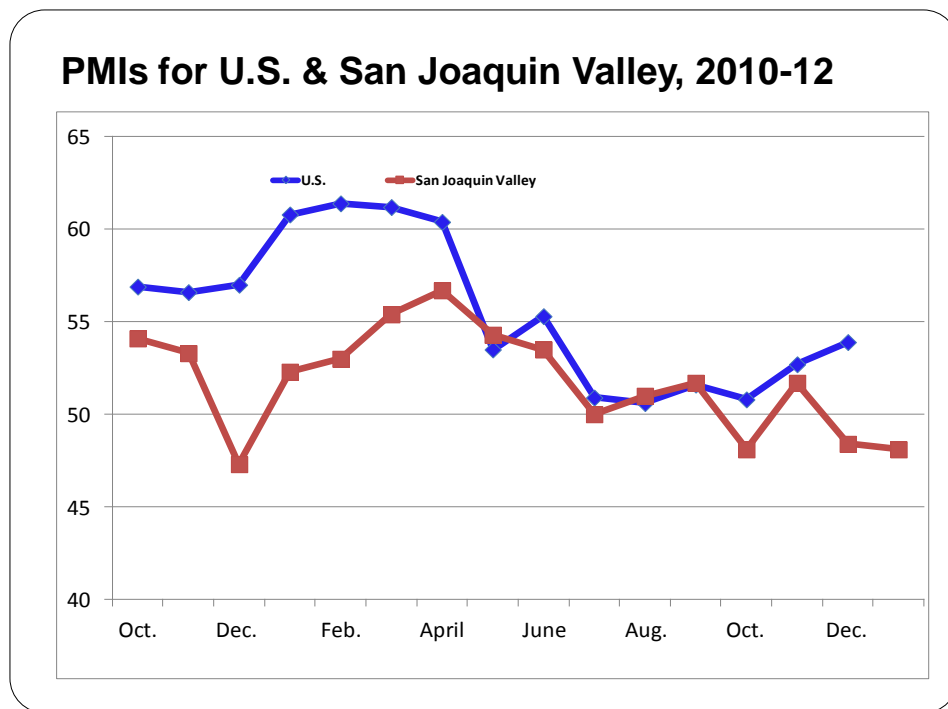


For More Information Contact:  
Ernie Goss Ph.D., 559-278-2352  
University Business Center  
Craig School of Business  
California State University, Fresno

## San Joaquin Valley Leading Economic Indicator Begins Year on Down Note

### January survey results at a glance:

- Leading economic indicator fell below growth neutral for January.
- Almost half of firms think rising federal regulation is the biggest threat to 2012 economy.
- More than one-fourth of respondents indicated that growth in farm income has been an important factor pushing their firm's growth higher.
- Input prices are expected to grow by 7.8 percent for 2012.



### For Immediate Release: February 1, 2012

Fresno, CA – The San Joaquin Valley Business Conditions Index continued its downward trend in January. The index, a leading economic indicator from a survey of individuals making company purchasing decisions in firms in the counties of Fresno, Madera,

## San Joaquin Business Conditions Index – p. 2 of 3

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](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, fell to 48.1 from 48.4 in December. An index greater than 50 indicates an expansionary economy over the course of the next three to six months. Survey results over the last several months point to slow to negative economic growth in the months ahead. Survey results for the last two months and one year ago are listed in the accompanying table.

“A large share of firms reported that very healthy farm income has been an important driver of overall economic growth. More than one-fourth, or 27 percent, of respondents indicated that growth in farm income has been an important factor pushing their firm’s growth higher,” said Goss.

In terms of risk factors, this month almost half, or 46 percent, assessed that rising federal regulations posed the greatest threat to growth prospects for their firm. Another 21 percent reported that mounting federal regulations represented the biggest potential impediment to expansions. No other issue rose above single digits according to January responses.

**Employment:** The hiring gauge slumped to 47.0 from December’s weak 48.0. This is the sixth time in the past seven months that the employment index has plunged below growth neutral. “While the region is not losing jobs, it has not yet begun to add to employment levels, particularly for manufacturing and construction,” said Goss.

While the national economy has added jobs over the past year, employment for the San Joaquin Valley has been basically flat for the last year. The area’s current employment level is approximately 25,000 lower than pre-recession levels.

**Wholesale Prices:** The prices-paid index, which tracks the cost of raw materials and supplies, rose to 57.2 from 55.7 in December. “As the area economy has cooled, so have inflationary pressures. Last week the U.S. Federal Reserve indicated that they would maintain current record-low, short-term interest rates until 2014. In my judgment, this pro-growth stance poses significant inflation risks even though current pressures appear to have eased. This month we asked respondents to project price increases for the product they buy for the next six months. On average, they expect prices to advance by 3.9 percent in the next six months or approximately 7.8 percent annualized. This is much too high for the Fed to be so aggressive in terms of low interest rates and high money supply growth,” said Goss.

## San Joaquin Business Conditions Index – p. 3 of 3

**Inventories:** Businesses once again contracted inventories for the month. The inventory index, which tracks the change in the inventory of raw materials and supplies, slumped to 46.2 from 47.2 in December. “The pullback in inventory levels is another indicator of a negative outlook by businesses. Businesses are reluctant to add to inventories with this negative outlook,” reported Goss

**Business Confidence:** Looking ahead six months, economic optimism, captured by the January business confidence index, rose to a still weak 47.0 from 44.1 in December. “Thus far, a slowly improving national job picture has failed to boost business confidence in the San Joaquin Valley,” said Goss.

**Trade:** For a seventh straight month, firms experienced a pullback in new export orders with a January reading of 42.8, down from December’s 44.7. At the same time the area’s import index rose to 51.8 from December’s 46.5. “I expect the export numbers to improve in the months ahead as the Federal Reserve’s cheap dollar policies once again make U.S. goods more competitively priced abroad,” said Goss.

**Other components:** Other components of the January Business Conditions Index were new orders at 46.4, down slightly from 46.6 in December; production or sales at 46.8, up from 43.6; and delivery lead time at 54.3, down from December’s 56.4.

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

Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	January 2011	December 2011	January 2012
Leading economic indicator	52.4	48.4	48.1
New orders	55.1	46.6	46.4
Production or sales	60.3	43.6	46.8
Employment	61.3	48.0	47.0
Inventories	45.0	47.2	46.2
Delivery lead time	40.6	56.4	54.3
Wholesale prices	72.7	55.7	57.2
Imports	67.7	46.5	51.8
Export orders	52.9	44.7	42.8
Business confidence	73.8	44.1	47.0

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

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