

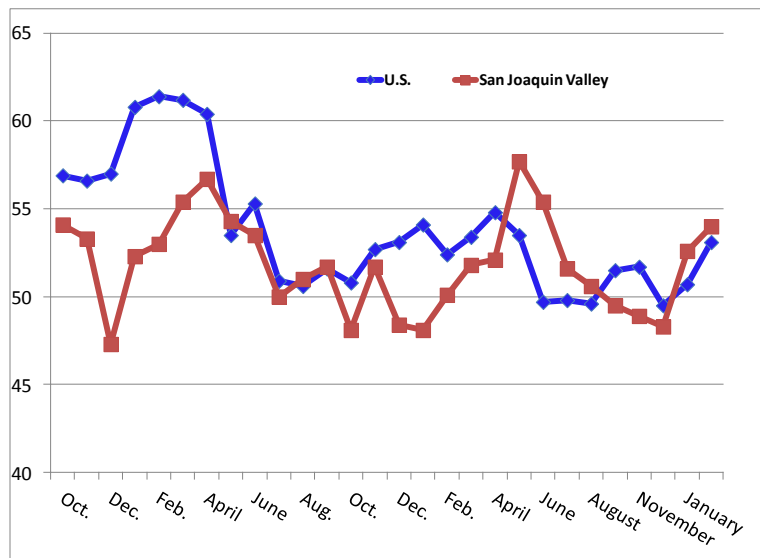
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San Joaquin Valley Leading Economic Indicator Heads Higher

January survey results at a glance:

- Leading economic indicator expands for a second straight month.
- Survey participants expect prices of goods and services they purchase to rise by 7.2 percent annualized over the next six months.
- On average a 1.1 percent wage increase is expected by area firms for 2013.

PMIs for U.S. & San Joaquin Valley, 2010-13



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For Immediate Release: February 1, 2013

Fresno, CA –The San Joaquin Valley Business Conditions Index advanced for a second straight month. The index is a leading economic indicator from a survey of individuals making company purchasing 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 54.0 from 52.6 in December. 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. “Improvements in the area’s housing sector along with manufacturing growth pushed the overall index higher for the month. The January reading was slightly higher than the national ISM reading of 53.1. Both readings point to a slowly expanding economy,” said Goss.

Employment: For a third straight month, the hiring gauge moved above the growth neutral threshold. The job index expanded slightly to 56.3 from December’s 53.7. “Job growth is picking up in the area. However, the pace is still too slow to move the unemployment rate down to acceptable levels. It is going to take some time before pre-recession levels of unemployment are achieved. Firms in the survey expect wages to grow by a tepid 1.1 percent for 2013, or well below the rate of inflation,” said Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, expanded to 63.9 from 59.1 in December. “While this is not in a range indicating excessive inflationary pressures, there is a danger that the Federal Reserve’s (Fed) ultra-aggressive interest rate policies will produce inflationary pressures well above the Fed’s target as early as late 2013 and early 2014,” said Goss.

This month survey participants were asked how much they expected prices for inputs they purchase to increase in the next six months. On average, an annualized 7.2 percent growth in wholesale prices is expected. This increase is well above the reading in July of 2012 when we asked this same question.

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, declined to 41.2 from 37.0 in December. “Uncertainty surrounding potential sequestration and healthcare reform continue to lower business confidence,” said Goss.

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Inventories: Businesses contracted inventories for the month. The January inventory index declined to 42.6 from 46.1 in December. “Cutbacks in inventories are yet another indicator of a weak business confidence,” reported Goss.

Trade: New export orders for January remained very weak with an index of 46.1, unchanged from December’s reading. At the same time, January imports contracted for the month with an index of 42.3, up slightly from 41.9 in December. “Weaker global and area growth are weighing on both foreign purchases and sales abroad,” said Goss.

Other components: Other components of the January Business Conditions Index were new orders at 55.4 up from December’s 51.0; production or sales at 57.2, down from 58.4; and delivery lead time at 58.7, up from December’s 53.8.

Table 1 details survey results for January 2012, December 2012, and January 2013. February survey results will be released on the first business day of next month, March 1.

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Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	January 2012	December 2012	January 2013
Leading economic indicator	48.1	52.6	54.0
New orders	46.4	51.0	55.4
Production or sales	46.8	58.4	57.2
Employment	47.0	53.7	56.3
Inventories	46.2	46.1	42.6
Delivery lead time	54.3	53.8	58.7
Wholesale prices	57.2	59.1	63.9
Imports	51.8	41.9	42.3
Export orders	42.8	46.1	46.1
Business confidence	47.0	37.0	41.2

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

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