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**Goss video summary at:**

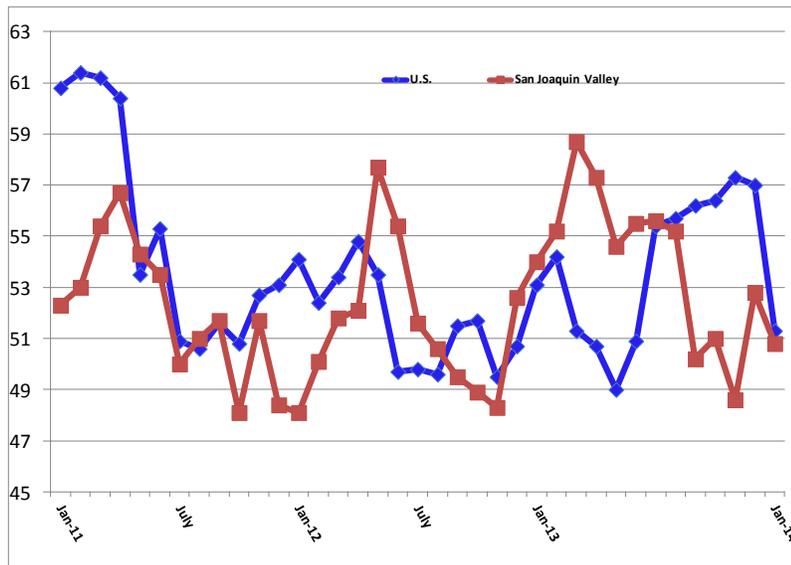
<http://www.youtube.com/watch?v=QBBIS-kMqKg&feature=youtu.be>

**San Joaquin Valley Leading Economic Indicator Sinks for January:  
Drought Pushes Confidence Lower**

**January survey results at a glance:**

- Regional economic indicator drops for the month.
- Slight job losses registered for the month.
- More than half of respondents expect no pay raise for 2014.
- On average a 1.2 percent wage gain is projected for 2014.
- Business confidence sinks due to impact of drought.

**PMIs for U.S. & San Joaquin Valley, Jan. 2011 – January 2014**



**For Immediate Release: Feb. 3, 2014**

FRESNO, CA-For the thirteenth time in the past fourteen months, the San Joaquin Valley Business Conditions Index rose above the 50.0 threshold. The index, a leading economic indicator from a survey of individuals making company purchasing decisions for firms in the counties of Fresno, Madera, Kings and Tulare, points to positive but slow growth for the next 3 to 6 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 sank to 50.8 from 52.8 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.

"More and more businesses are reporting negative economic impacts from the drought. As in past month, companies in the area continue to expand output via temporary hiring. Growth has cooled for manufacturing firms in the region. Construction firms are experiencing improving business conditions," said Ernie Goss, Ph.D., research faculty with the Craig School of Business at California State University, Fresno.

**Employment:** After moving above growth neutral for 14 straight months, the hiring gauge declined below the 50.0 threshold. The job index slumped to 49.5 from December's much stronger 54.0. "Manufacturing job losses, even in food processing, more than offset gains in business services for the month. Firms in the region continue to increase output via temporary employment," reported Goss.

This month managers and owners in the region were asked by how much wages in their firm would increase in the next year. On average a 2014 pay raise of 1.2 percent is expected. This is down slightly from the 1.4 percent expected annual gain recorded in November of last year when we asked the same question.

**Wholesale Prices:** The prices-paid index, which tracks the cost of purchased raw materials and supplies, increased for the month. The wholesale inflation gauge climbed from 60.2 in December to 66.4 for January.

"After remaining tepid for most of the last year, inflationary pressures at the wholesale level are once again expanding at a faster pace. Business managers and owners indicated that on average they expect prices for the products and services that they purchase to rise by a modest 3.8 percent in 2014. While the Federal Reserve has announced it intends to scale back its bond buying program, termed QE3, by another \$10 billion in February, I expect the Fed to begin scaling this program more aggressively in the months ahead as inflationary pressures at the wholesale level rise at a somewhat faster pace," said Goss.

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**Business Confidence:** Looking ahead six months, economic optimism, captured by the business confidence index, slumped to 48.4 from December's 54.2. "Businesses, especially those linked to agriculture, are experiencing negative impacts from the drought. The drought is driving business confidence lower," said Goss.

**Inventories:** Businesses once again reduced inventories of raw materials and supplies for the month as the reading moved below growth neutral. However, the reduction was less than last month as the inventory index expanded to 48.1 from 46.1 in December.

**Trade:** The new export order reading plummeted to 45.2 from December's much stronger 57.0. The regional import reading for January rose to 52.6 from December's 50.6.

**Other components:** Other components of the January Business Conditions Index were new orders at 50.3, down from 53.3 in December; production or sales at 49.3, down from December's 53.9; and delivery lead time at 57.1 up from 56.7 in December.

Table 1 details survey results for January 2013, last month and January 2014. February survey results will be released on the first business day of next month, March 3.

	San Joaquin Valley		
	January 2013	December 2013	January 2014
Leading economic indicator	54.0	52.8	50.8
New orders	55.4	53.3	50.3
Production or sales	57.2	53.9	49.3
Employment	56.3	54.0	49.5
Inventories	42.6	46.1	48.1
Delivery lead time	58.7	56.7	57.1
Wholesale prices	63.9	60.2	66.4
Imports	42.3	50.6	52.6
Export orders	46.1	57.0	45.2
Business confidence	41.2	54.2	48.4

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

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