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San Joaquin Valley Leading Economic Indicator Declines for Third Straight Month: July Job Losses

July survey results at a glance:

- Leading economic indicator for the area declines for a third straight month.
- Firms report layoffs for July.
- Businesses expect prices for their purchases to rise at an annualized pace of 8.3 percent over the next six months.
- Trade numbers for July worsen.

For Immediate Release: August 1, 2011

Fresno, CA – For the second time in the past eleven months, the San Joaquin Valley Business Conditions Index failed to climb above growth neutral 50.0. The survey from individuals making company purchasing decisions in firms in the counties of Fresno, Madera, Kings and Tulare points to slow to no growth in the coming months. The index, a leading economic indicator for the area, 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, declined for a third straight month to 50.0 from 53.5 in June. An index greater than 50 indicates an expansionary economy over the course of the next three to six months. Survey results for the last three months for the San Joaquin Valley are listed in the accompanying table.

“According to survey participants in our survey, economic growth is likely to wane in the region's economy in the next three to six months,” Goss said today.

Employment: “The hiring gauge slumped to 46.3 from June’s 51.9. As stated by one survey participant, “The economy appears to be sputtering as the dysfunction in Washington continues. The economy needs a ‘shot in the arm’ to get things going.”

Wholesale prices: The prices-paid index, which tracks the cost of raw materials and supplies, dipped to a still inflationary 77.1 from 80.1 in June. “Higher commodity prices, especially for energy products, continue to be a factor pushing business activity lower. This month we asked how much survey participants expected prices for inputs that their firm purchases to increase over the next six months. Respondents expect prices to increase at an annualized rate of 8.3 percent over the next six months,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the July business confidence index, slumped to 42.5 from June’s weak 44.6. “Elevated energy prices combined with uncertainty surrounding the U.S. debt situation remain important factors restraining business confidence,” said Goss.

Trade: New export orders for July were weak. The July export orders reading plummeted to 45.7 from June’s healthy 59.2. The area’s import index dipped to 45.3 from 58.5 in June. “Supported by a 10 percent decline in the U.S. dollar since February 2010, exports have underpinned regional growth. I expect this support to wane somewhat in the months ahead,” said Goss.

Inventories: The inventory index, which tracks the change in the inventory of raw materials and supplies, sank to 45.3 from June’s 51.3.

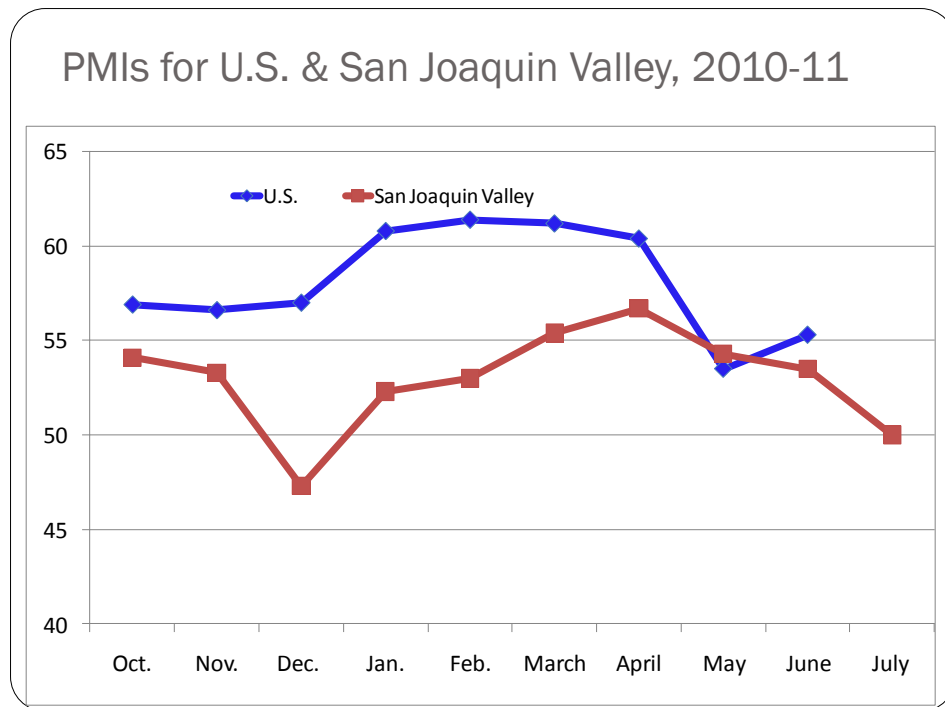
Other components: Other components of the July Business Conditions Index were new orders at 50.7, down from June’s 54.4; production or sales at 51.1, down from 53.7; and delivery lead time at 56.6, up slightly from 56.4 in June.

The Craig School of Business uses the same methodology as a national survey by the Institute for Supply Management, formerly the Purchasing Management Association, which has formally surveyed its membership since 1931 to gauge business conditions (www.ism.ws). The overall index, referred to as the Business Conditions Index, ranges between 0 and 100. The overall index is a mathematical average of indices for new orders, production or sales, employment, inventories and delivery lead time.

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Table 1 details survey results for the last three months. August survey results will be released on the first business day of next month, September 1.

	San Joaquin Valley		
	May 2011	June 2011	July 2011
Leading economic indicator	54.3	53.5	50.0
New orders	56.9	54.4	50.7
Production or sales	57.4	53.7	51.1
Employment	55.6	51.9	46.3
Inventories	48.3	51.3	45.3
Delivery lead time	53.3	56.4	56.6
Wholesale prices	84.2	80.1	77.1
Imports	59.9	58.5	45.3
Export orders	63.7	59.2	45.7
Business confidence	57.1	44.6	42.5



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