

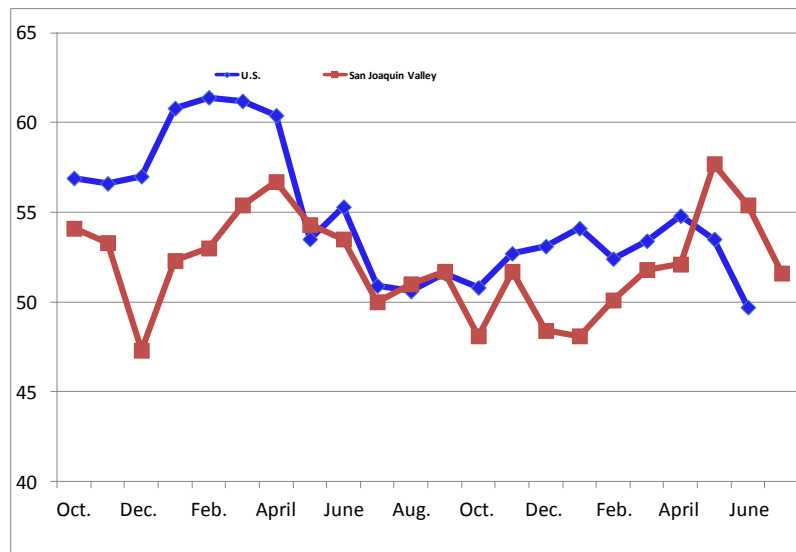
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San Joaquin Valley Leading Economic Indicator Slumps: Business Confidence Declines

July survey results at a glance:

- Leading economic indicator declines but remains above growth neutral.
- New export orders plummet.
- Business confidence slumps.
- Slow but positive job additions.

PMIs for U.S. & San Joaquin Valley, 2010-12



For Immediate Release: August 1, 2012

Fresno, CA –For a second straight month, the San Joaquin Valley Business Conditions Index declined. However, the index remained above growth neutral 50.0 for the sixth straight

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month signaling slowly improving economic conditions for the area in the months ahead. 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, slid to 51.6 from June's stronger 55.4. 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. "We are beginning to see slight improvements in the area's construction sector and businesses tied to construction. However, it is too early to call this a rebound. This month, we did see a pullback in firms tied to agriculture and international markets," said Goss.

This month supply managers were asked the biggest negative hurdle facing their firm in the next year. The largest share, 27 percent, indicated that the end of the so-called Bush tax cuts at year's end posed the biggest threat to their company's 2013 business. Another 13 percent reported that the implementation of healthcare reform was the number one negative factor ahead for their company. One fourth responded that continuing difficulties in the housing sector represented the biggest problem for their business in 2013. Approximately 22 percent indicated that the European economic turmoil represented the largest economic headwind for their company. The remaining 13 percent reported that the lack of wage growth was the biggest economic obstacle for their company in 2013.

Employment: The hiring gauge dipped to 51.3 from June's 55.4. This is only the sixth time in the past eleven months that the employment index has risen above growth neutral. "The area has been adding jobs at a slow and unspectacular pace for the last several months. Our index points to a continuation of this positive trend. Both durable and non-durable manufacturing firms are expanding. Food processing is experiencing solid job additions," said Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, expanded to 52.9 from June's 50.5. At the wholesale level, we are tracking growth at a very moderate pace. This month business respondents were asked the how the Midwest drought was impacting the costs of inputs purchased and the sales of output sold by their companies. Only 5 percent reported negative impacts on sales, while 18 percent reported increasing costs due to the drought. Over the next six months, companies expect the costs of supplies and materials that they purchase to rise by 3.1 percent.

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Inventories: Businesses expanded inventories for the month. The July inventory reading was unchanged from June’s strong 60.4. “An inventory index above growth neutral is an indicator of an improving outlook by businesses. Businesses are adding to inventories in anticipation of growth in sales and production in the months ahead,” reported Goss

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, fell to a weak 39.5 from 49.5 in June. “European economic turmoil, the impending fiscal cliff, the national economic slowdown and the national drought all combined to push the confidence index to recession levels,” said Goss.

Trade: For July, firms experienced a pullback in new export orders with a July reading of 44.6, down from 67.7 in June. At the same time, the area’s import index slumped to 48.4 from 54.4 in June. “Weaker global growth and the rising value of the dollar making U.S. goods less competitive abroad pushed the export reading lower. Additionally, slower regional growth restrained the demand for imported supplies and materials. I expect trade numbers to weaken even more in the months ahead for the area,” said Goss.

Other components: Other components of the June Business Conditions Index were new orders at 43.4, down from 51.7 in June; production or sales at 42.8, down from 52.3; and delivery lead time at 60.1, off of June’s 57.6.

Table 1 details survey results for July 2012, June 2012, and July 2011. August survey results will be released on the first business day of next month, September 4.

	San Joaquin Valley		
	July 2011	June 2012	July 2012
Leading economic indicator	50.0	55.4	51.6
New orders	50.7	51.8	43.4
Production or sales	51.1	52.3	42.8
Employment	46.3	55.0	51.3
Inventories	45.3	60.4	60.4
Delivery lead time	56.6	57.6	60.1
Wholesale prices	77.1	50.5	52.9
Imports	45.3	54.4	48.4
Export orders	45.7	67.7	44.6
Business confidence	42.5	49.5	39.5

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

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