

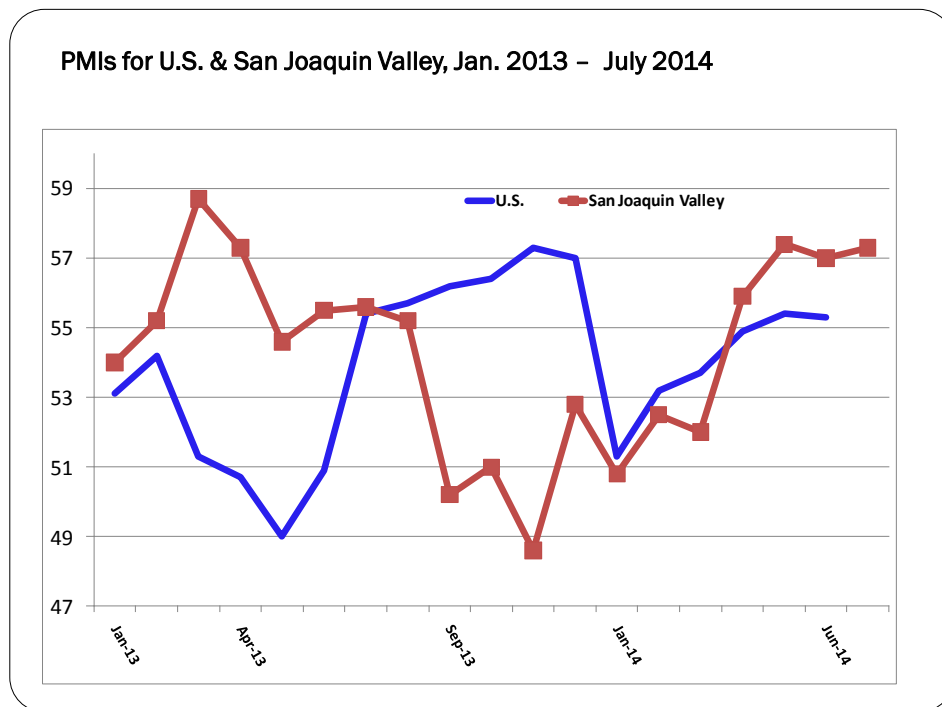
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Goss video summary at: <http://youtu.be/NYi9whakn4M>

### July's San Joaquin Valley Economic Indicator Expands: Healthy Job Growth

#### July survey results at a glance:

- Leading economic indicator healthy level for the month.
- Businesses expect to increase their prices for goods and services by 2.4 percent over next 12 months.
- Firms added jobs at a healthy pace for July
- New export orders fell for the month.



**For Immediate Release: August 1, 2014**

FRESNO, CA-For the eighth consecutive month, the San Joaquin Valley Business Conditions Index rose above the 50.0 threshold. Not only is the overall index up from last month, it is well up from the same time last year. 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 and improving 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 rose to 57.3 from 57.0 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 two months and one year ago are listed in the accompanying table.

“Construction activity continues to improve in the region spilling over into the broader economy. Additionally, expansions in food processing and wholesale trade firms boosted July readings. Surveys over the past several months point to positive and healthy overall growth for the next three to six months,” said Ernie Goss, Ph.D., research faculty with the Craig School of Business at California State University, Fresno.

This month survey participants were asked to identify the most important factor accounting for their firm’s economic prospects over the past 12 months. More than one in five, or 22.2 percent indicated that the farm economy was the single biggest factor impacting their businesses.

**Employment:** After moving below growth neutral for January, the hiring gauge has moved above the 50.0 threshold for the last six months. The job index climbed to a healthy 58.1 from 57.8 in June. “Over the past year, the region’s unemployment rate has declined by approximately two percentage points with the addition of more than 10,000 jobs. However, average hourly earnings have remained flat over this same time period. Our survey results over the past several months point to improvements in the region’s unemployment rate and overall hiring. With additions in manufacturing employment, I expect hourly wages to move higher as well in the weeks and months ahead,” reported Goss.

**Wholesale Prices:** The prices-paid index, which tracks the cost of purchased raw materials and supplies, increased to a level indicating elevated inflationary pressures at the wholesale level. The wholesale inflation gauge jumped to 70.2 from 69.8 in June. Over the next year, business leaders in our survey, on average, expect the prices of products and services that they **buy** to advance by 6.6 percent while anticipated growth in the prices of products and services that they **sell** to expand by 2.4 percent. “Without significant improvements in productivity, this will, of course, squeeze company profitability in the next 12 months,” said Goss.

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**Business Confidence:** Looking ahead six months, economic optimism, captured by the business confidence index, advanced to 61.3 from 58.8 in June. “The improving national economy and an expanding regional construction industry continue to underpin the economic outlook of business leaders in our survey,” said Goss.

**Inventories:** Businesses reduced inventories of raw materials and supplies for the month. The July inventory reading sank to 47.5 from June’s 53.9. “After increasing inventories in the second quarter, businesses reduced their levels for the first month of the third quarter,” said Goss.

**Trade:** The new export orders index fell to 43.5 from June’s weak 48.2. “Given the importance of export orders to regional growth, readings over the past two months indicate that exports will dampen growth somewhat in the months ahead,” said Goss. The regional import reading for July advanced to a weak 49.3 from June’s 48.2.

**Other components:** Other components of the July Business Conditions Index were new orders at 62.5, up from 55.6 in June; production or sales at 62.6, up from June’s 58.3; and delivery lead time at 56.1, down from last month’s 59.3.

Table 1 details survey results for July 2013, last month and July 2014. August survey results will be released on the first business day of next month, September 2.

	San Joaquin Valley		
	July 2013	June 2014	July 2014
Leading economic indicator	55.6	57.0	57.3
New orders	59.8	55.6	62.5
Production or sales	59.8	58.3	62.6
Employment	54.2	57.8	58.1
Inventories	44.6	53.9	47.5
Delivery lead time	59.5	59.3	56.1
Wholesale prices	58.9	69.8	70.2
Imports	47.9	53.1	49.3
Export orders	43.7	48.2	43.5
Business confidence	50.4	58.8	61.3

Craig School of Business: <http://www.fresnostate.edu/craig/ubc/sjvs.html>

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