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## **San Joaquin Valley Leading Economic Indicator Declines for June: Business Confidence Tumbles**

### **June survey results at a glance:**

- Leading economic indicator for the area declines for a second straight month.
- New hiring remains tepid.
- Over the next six months, only 13 percent expect to increase the size of their workforce while 24 percent anticipate layoffs.
- Over the next six months, 17 percent of respondents anticipate a pay reduction.

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Fresno, CA – For the ninth time in the past ten months, the San Joaquin Valley Business Conditions Index climbed above growth neutral. The survey from individuals making company purchasing decisions in firms in the counties of Fresno, Madera, Kings and Tulare points to positive and improving growth for the next six 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](http://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 second straight month to 53.5 from 54.3 in May and 56.7 in April. 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, growth in the region's economy is likely to slow, but remain positive, in the next three to six months,” Goss said today.

**Employment:** “The hiring gauge slumped to 51.9 from May's 55.6. “This month we asked businesses about their hiring plans for the next six months. Over the next six months, only 13 percent expect to increase the size of their workforce while 24 percent anticipate layoffs. Consistent with this weak hiring, 17 percent of survey participants expect a pay reduction over the next six months; 48 percent anticipate no change in their salary; the remaining 35 percent expect a salary increase of one percent to five percent,” reported Goss.

**Wholesale prices:** The prices-paid index, which tracks the cost of raw materials and supplies, dipped to a still inflationary 80.1 from May's 84.2. “Higher commodity prices, especially for energy products, continue to be a burden for businesses in the region, especially food processors,” said Goss.

**Business Confidence:** Looking ahead six months, economic optimism, captured by the June business confidence index, plunged to 44.6 from 57.1 in May. “Elevated commodity prices and a very weak construction sector continue to restrain the economic outlook for the San Joaquin Valley economy,” said Goss.

**Trade:** New export orders for June were healthy. The June export orders reading declined to 59.2 from May's 63.7. The area's import index dipped to 58.5 from May's 59.9. “While the Federal Reserve's cheap money policies have pushed domestic prices upward, they have served to reduce the value of the U.S. dollar thus making U.S. goods more price-competitive abroad. This has had very positive impacts on regional businesses selling abroad. Those same policies have increased the price of imported goods,” said Goss.

**Inventories:** The inventory index, which tracks the change in the inventory of raw materials and supplies, rose to 51.3 from 48.3 in May.

**Other components:** Other components of the June Business Conditions Index were new orders at 54.4, down from May's 56.9; production or sales at 53.7, down from 57.4; and delivery lead time at 56.4, up from 53.3 in May.

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](http://www.ism.ws)). The overall index, referred to as the Business Conditions

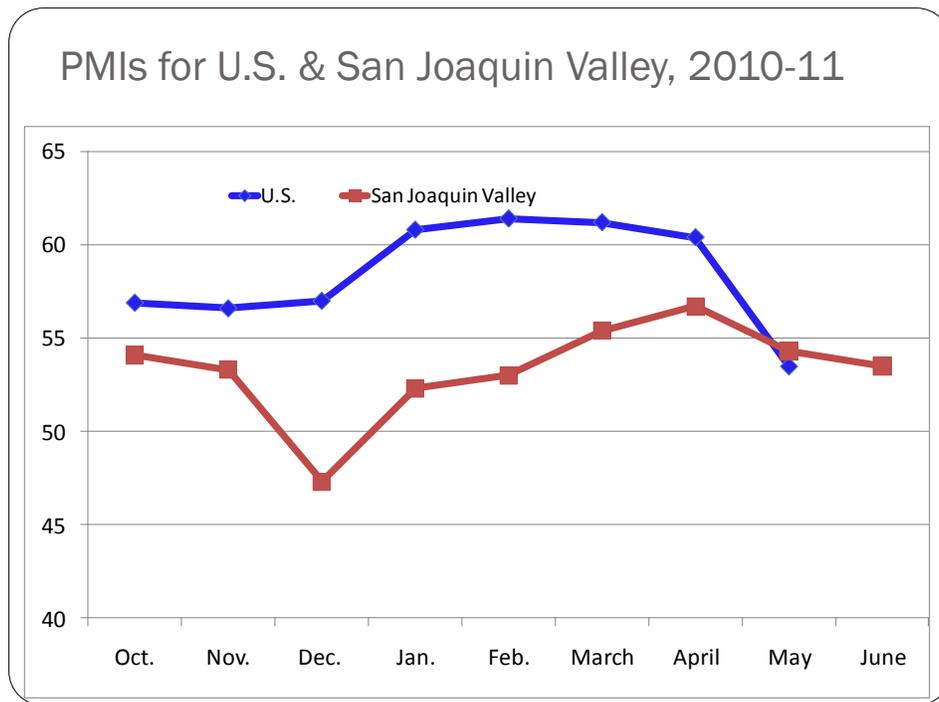
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Index, ranges between 0 and 100. The overall index is a mathematical average of indices for new orders, production or sales, employment, inventories and delivery lead time.

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

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Table 1: Overall and component indices for last 3 months (above 50.0 indicates expansion)			
	San Joaquin Valley		
	April 2011	May 2011	June 2011
Leading economic indicator	56.7	54.3	53.5
New orders	59.1	56.9	54.4
Production or sales	60.1	57.4	53.7
Employment	56.6	55.6	51.9
Inventories	55.0	48.3	51.3
Delivery lead time	52.8	53.3	56.4
Wholesale prices	85.6	84.2	80.1
Imports	66.5	59.9	58.5
Export orders	57.5	63.7	59.2
Business confidence	62.5	57.1	44.6



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