

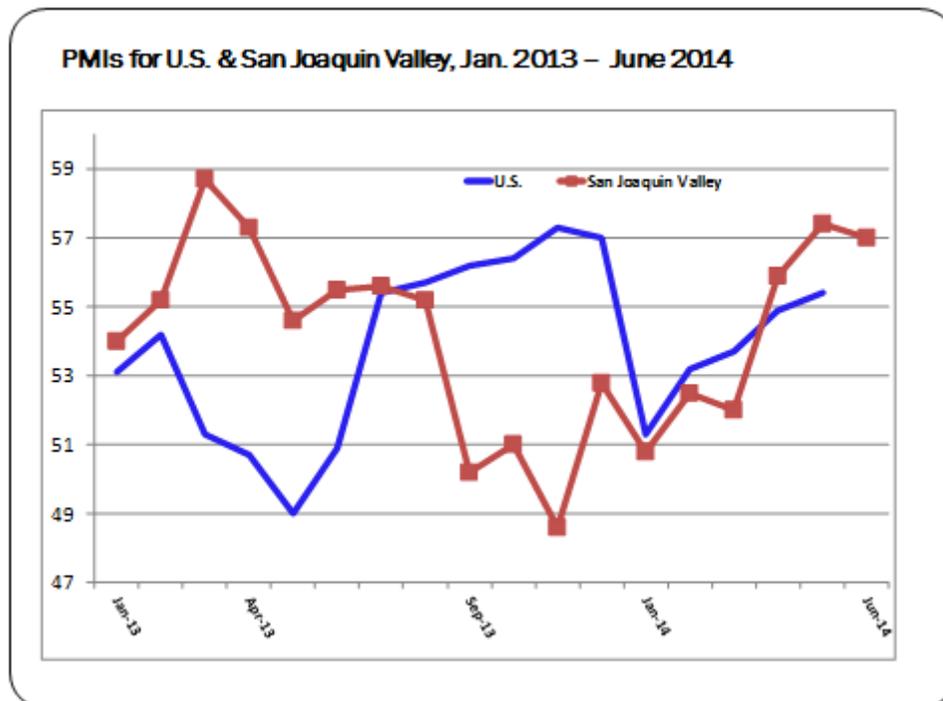
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Goss video summary at: <https://www.youtube.com/watch?v=FcWDnGLnj3k&feature=youtu.be>

### June's San Joaquin Valley Economic Indicator Healthy: 2015 Health Insurance Costs Expected to Rise by 9.5 Percent

#### June survey results at a glance:

- Leading economic indicator healthy level for the month.
- Construction activity continues to improve in the region, spilling over into the broader economy.
- Businesses expect a 9.5 percent increase in health insurance costs for 2015.
- On average, business leaders in our survey expect prices to rise by an annualized 6.6 percent in the second half of 2014.
- New export orders drop for the month.



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

FRESNO, CA-For the eighteen time in the past nineteen months, the San Joaquin Valley Business Conditions Index rose above the 50.0 threshold. After rising to its highest level since March 2013 in May, the index declined slightly for June. 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 dipped to 57.0 from 57.4 in May, but is up from June of last year. 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 among wholesale trade firms boosted June readings. Accordingly, our surveys over the past several months indicate that overall growth will remain healthy 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.

**Employment:** After moving below growth neutral for January, the hiring gauge has moved above the 50.0 threshold for the last five months. The job index declined to a healthy 57.8 from 58.8 in May. “There are more workers on business payrolls in the region than ever before. Moreover, the region is adding jobs at a very healthy annual pace, or just over four percent. However, a large share of the added jobs is temporary. Surveys over the last several months point to improving job growth with many of the temporary jobs being converted to permanent,” reported Goss.

**Wholesale Prices:** The prices-paid index, which tracks the cost of purchased raw materials and supplies, declined for a second straight month. The wholesale inflation gauge fell to 69.8 from 71.4 in May. On average, business leaders in our survey expect prices to rise by 3.3 percent in the next six months, or approximately 6.6 percent annualized.

“Inflationary pressures at the wholesale level, according to our survey and other surveys of businesses across the U.S., are above this time last year. Elevated inflationary pressures and economic expansion will encourage the Federal Reserve to continue to reduce their monthly stimulus or bond buying program, termed quantitative easing (QE3). Furthermore, I expect the Fed to begin raising short term interest rates, termed the funds rate, in the first half of 2015,” said Goss.

This month businesses in the region were asked how much they expect the price of health insurance to increase for 2015 over 2014 levels. On average, businesses anticipate an increase of 9.5 percent increase in the cost of health insurance.

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**Business Confidence:** Looking ahead six months, economic optimism, captured by the business confidence index, advanced to 58.8 from 55.6 in May. “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 expanded inventories of raw materials and supplies for the month but at a slower pace than in May. The June inventory reading sank to 53.9 from May’s 57.8. “This is yet another signal of rising business confidence as firms add inventory in anticipation of greater sales in the weeks and months ahead,” said Goss.

**Trade:** The new export order fell to 48.2 from May’s much stronger 55.5. “This month’s export reading is discouraging given the important contribution that sales abroad make to regional growth,” said Goss. The regional import reading for June slid to 53.1 from 56.2 in May. Businesses experiencing growth continue to boost their purchases from abroad, although that pace slowed for the month.

**Other components:** Other components of the June Business Conditions Index were new orders at 55.6, down from May’s 58.6; production or sales at 58.3, up from May’s 52.9; and delivery lead time at 59.3, up slightly from last month’s 59.1.

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

Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	June 2013	May 2014	June 2014
Leading economic indicator	55.5	57.4	57.0
New orders	56.6	58.6	55.6
Production or sales	58.7	52.9	58.3
Employment	58.4	58.8	57.8
Inventories	46.8	57.8	53.9
Delivery lead time	57.1	59.1	59.3
Wholesale prices	58.8	71.4	69.8
Imports	56.6	56.2	53.1
Export orders	49.9	55.5	48.2
Business confidence	50.8	55.6	58.8

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

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