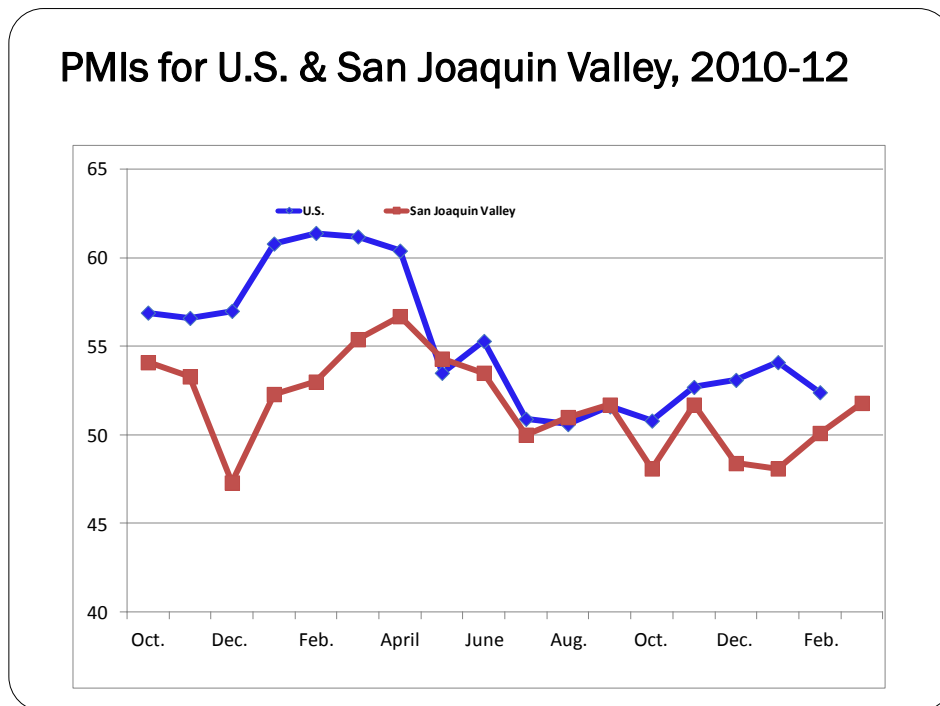


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San Joaquin Valley Leading Economic Indicator Up Again: Exports Lead the Way

March survey results at a glance:

- Leading economic indicator moves above growth neutral for the second straight month.
- Wholesale inflation gauge climbs higher.
- New export orders rise dramatically for month.
- Approximately three of four, or 75 percent, of firms indicated that suppliers were adding fuel surcharges to the cost of supplies.



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Fresno, CA –For a second straight month, the San Joaquin Valley Business Conditions Index moved above growth neutral 50.0, signaling 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

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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, rose to 51.8 from 50.1 in February. 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. “Absent a significant upturn in oil prices or a catastrophe such as last year’s Japanese Tsunami, I expect the regional expansion to continue for the next three to six months. However the expansion is likely to be slow. Firms with close ties to agriculture as well as businesses selling internationally continue to lead the regional economy,” said Goss.

“This month we asked survey participants how their suppliers were dealing with higher fuel prices. Approximately three of four, or 75 percent, indicated that suppliers were adding fuel surcharges to the cost of supplies while 25 percent of suppliers absorbed the added costs,” said Goss.

Employment: The hiring gauge climbed to a solid 54.6 from February’s weak 44.8. This is only the second time in the past eight months that the employment index has risen above growth neutral. “Past month’s new orders are translating into new hiring for both durable and non-durable manufacturing firms in the San Joaquin economy,” said Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, rose to 65.6 from 62.4 in February. “While much of the growth has been driven by higher energy prices, businesses report rapidly increasing prices for a broad range of supplies they purchase. Managers and owners reported sharp increases in food, chemicals and metal products for the month. While the expanding economy has been an important factor pushing prices higher, the Federal Reserve’s (Fed) easy money policy has been a big contributor to increases in our inflation gauge. I expect the Fed to begin raising rates well before their announced date of 2014. In my judgment, the Fed’s pro-growth stance poses significant inflation risks,” stated Goss.

Inventories: Businesses once again contracted inventories for the month. The March reading declined to 45.1 from 49.5 in February. “An inventory index below growth neutral is another indicator of a negative outlook by businesses. Businesses are reluctant to add to inventories with this negative outlook,” reported Goss

Business Confidence: Looking ahead six months, economic optimism, captured by the March business confidence index, rose to a tepid 50.2 from 47.3 in February. “Thus far, an

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improving national job picture has yet to ignite business confidence in the San Joaquin Valley,” said Goss.

Trade: For March, firms experienced a sharp upturn in new export orders with a March reading of 63.7, up from February’s healthy 58.9. At the same time the area’s import index advanced to 57.1 from February’s 48.6. “The export of manufactured goods, particularly those connected to agriculture, has been a very important contributor to regional growth. At the same time, the regional economic improvement has boosted imports by regional companies,” said Goss.

Other components: Other components of the March Business Conditions Index were new orders at 56.4, up from 50.3 in February; production or sales at 52.0, up from 50.8; and delivery lead time at 51.4, down from 55.9 in February.

Table 1 details survey results for March 2011, February 2012, and March 2012. April survey results will be released on the first business day of next month, May 1.

Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	March 2011	February 2012	March 2012
Leading economic indicator	55.4	50.1	51.8
New orders	56.3	50.3	56.4
Production or sales	59.3	50.8	52.0
Employment	54.8	44.8	54.6
Inventories	53.8	49.5	45.1
Delivery lead time	52.8	55.9	51.4
Wholesale prices	84.2	62.4	65.6
Imports	64.6	48.6	57.1
Export orders	56.6	58.9	63.7
Business confidence	63.8	47.3	50.2

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

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