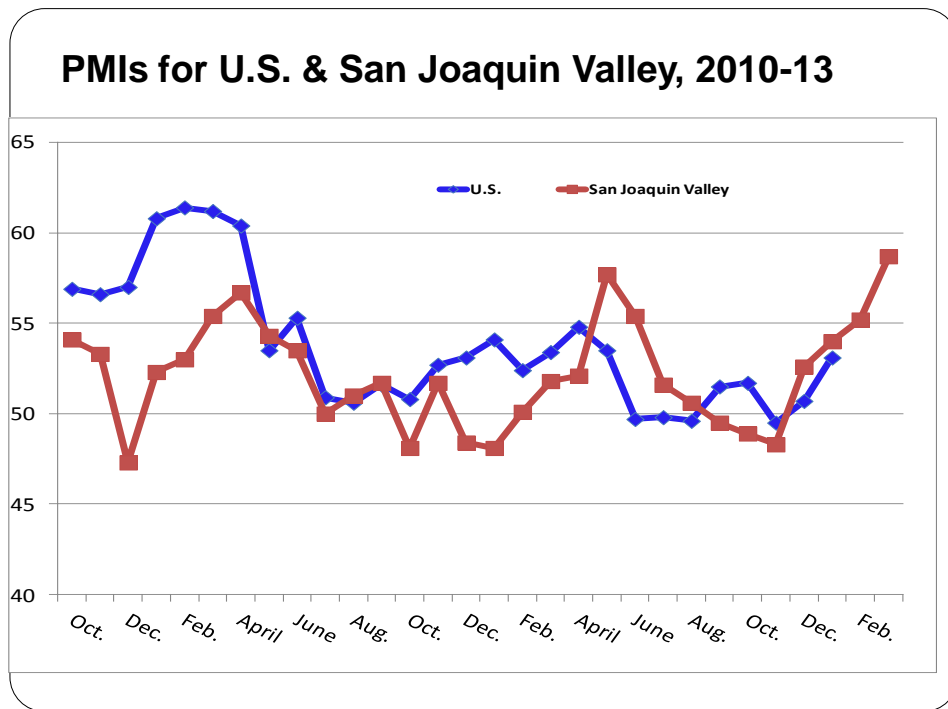


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San Joaquin Valley Leading Economic Indicator Highest in 3 Years

March survey results at a glance:

- Leading economic indicator rises to highest level in 3 years.
- Businesses reported that the federal spending sequestration is having little impact.
- Economic outlook improves slightly while inflationary pressures cool.
- Prices expected to grow by approximately one percent in 2013.



For Immediate Release: April 1, 2013

Fresno, CA –The San Joaquin Valley Business Conditions Index advanced for a fourth straight month. 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, expanded to 58.7 from 55.2 for 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. “The overall index jumped to its highest level in three years pushed higher primarily by construction and manufacturing expansion,” said Goss.

Employment: For a fifth straight month, the hiring gauge moved above the growth neutral threshold. The job index climbed to 57.7 from February’s much softer 51.1. The March 2013 index is well above the March 2012 level. “Companies in the area continue to hire temporary workers and rely on increasing the hourly work week rather than hiring permanent workers. However given the upward trend in the economy, I expect healthy increases in the hiring of permanent workers in the months ahead,” said Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, declined to 60.4 from February’s 66.0.

This month survey participants were asked how much they expected the prices for their company’s products and services to increase this year in comparison to last year. “On average, supply managers expect their prices to grow by one percent for 2013, or less than the current rate of growth in the U.S. consumer price index. Thus far, the Federal Reserve’s cheap money policy is elevating inflationary pressures, but only modestly. The bigger problem in area has been the Fed’s impact on asset prices such as farmland. However, the combination of good growth for the month and cooling inflationary pressure are very positive signals,” said Goss.

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Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, rose to a level that still indicates a somewhat pessimistic economic outlook for the area. The March business confidence index increased to 50.4 from 43.6 in February. “This month we asked companies how the federal spending sequestration was affecting their company. Approximately 90 percent indicated that the cuts were having no impact on their company. The remaining 10 percent reported only modest impacts. None of the businesses reported significant impacts,” said Goss.

Inventories: Businesses expanded inventories for the month. The March index rose to 51.9 from February’s 51.3. “Sluggish growth in inventories is yet another indicator of weak business confidence,” reported Goss.

Trade: New export orders strengthened for March with a reading of 51.7, up from February’s 44.2. At the same time, March imports expanded for the month with an import index of 56.3, up significantly from 51.9 in March. “As our overall regional gauge moved higher for March, so did purchasing from abroad. On the other hand, economic weakness among the region’s important trading partners weighed on exports,” said Goss.

Other components: Other components of the March Business Conditions Index were new orders at 62.0, up from 58.1 in February; production or sales at 63.5, up from February’s 55.6; and delivery lead time at 58.4, down from 59.6 in February.

Table 1 details survey results for March 2012, February 2013 and March 2013. April survey results will be released on the first business day of next month, May 1.

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Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	March 2012	February 2013	March 2013
Leading economic indicator	51.8	55.2	58.7
New orders	56.4	58.1	62.0
Production or sales	52.0	55.6	63.5
Employment	54.6	51.1	57.7
Inventories	45.1	51.3	51.9
Delivery lead time	51.4	59.6	58.4
Wholesale prices	65.6	66.0	60.4
Imports	57.1	51.9	56.3
Export orders	63.7	44.2	51.7
Business confidence	50.2	43.6	50.4

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

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