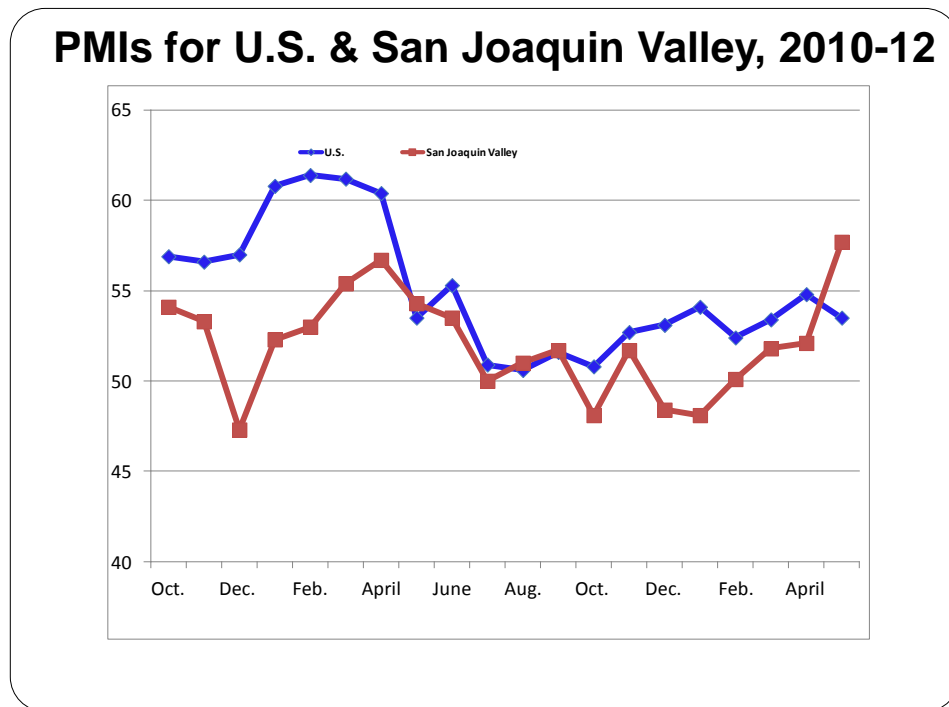


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San Joaquin Valley Leading Economic Indicator Soars: Negative Fallout from Europe

May survey results at a glance:

- Leading economic indicator rises for fourth straight month.
- Approximately 23 percent report negative fallout from European economic turmoil.
- Wholesale inflation cools again.
- Business confidence nosedives.



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Fresno, CA –For a fourth straight month, the San Joaquin Valley Business Conditions Index increased and rose above growth neutral 50.0, signaling slowly improving economic conditions for the area in the months ahead. The index is a leading

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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, rose to a healthy 57.7 from April's 52.1 and 51.8 in March. 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. "We are tracking a slowly improving economy. As in the past several months, companies linked to agriculture and international markets are experiencing upturns in overall economic activity," said Goss.

This month survey participants were asked the impact of European economic problems on their firm. Approximately 23 percent reported negative fallout from Europe's problems. "Although exports to Europe are relatively small for most firms in the region, the impacts via the strengthening of the dollar are considerable. On a positive note, as the Euro has weakened, so have the prices of supplies from Europe," said Goss.

Employment: The hiring gauge climbed to a solid 57.9 from 55.9 in April. This is only the fourth time in the past nine months that the employment index has risen growth neutral. "However, we are tracking a job market that is improving, especially for food producers and other non-durable goods producers linked to international markets," said Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, sank to 56.0 from April's 62.0. "Our inflation gauge is sinking at a quickening pace. Slower economic growth and a stronger dollar are both slowing the growth in prices for input across the board. I expect the problems in Europe and waning inflationary pressures to push the Federal Reserve to take additional actions in the months ahead. This month, we asked survey participants to project price hikes for the next six months for inputs that they buy. They anticipate that prices will grow by 2.2

percent for the next six months. Approximately 16 percent expect price declines for inputs over this same period of time,” said Goss.

Inventories: Businesses expanded inventories for the month. The May inventory reading advanced to 53.1 from April’s weak 46.2. “An inventory index above growth neutral is an indicator of an improving outlook by businesses. Businesses are adding to inventories in anticipation of growth in sales and production in the months ahead,” reported Goss

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, slumped to 46.8 from 51.9 in April. “The downturn in U.S. economic growth and Europe’s economic problems are definitely negatively influencing business confidence in the area,” reported Goss.

Trade: For May, firms experienced slower growth in new export orders with a May reading of 53.5, down from 64.7 in April. At the same time the area’s import index expanded to 53.9 from April’s 53.6. “Exports continue to be one of the most important factors driving growth in the regional economy higher. However, gains in the value of the dollar will slow growth in new export orders in the months for the area,” said Goss.

Other components: Other components of the May Business Conditions Index were new orders at 58.2, up from 52.3 in April; production or sales at 59.0, up from 50.1; and delivery lead time at 60.2, up from April’s 56.1.

Table 1 details survey results for May 2011, April 2012, and May 2012. June survey results will be released on the first business day of next month, July 2.

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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		
	May 2011	April 2012	May 2012
Leading economic indicator	54.3	52.1	57.7
New orders	56.9	52.3	58.2
Production or sales	57.4	50.1	59.0
Employment	55.6	55.9	57.9
Inventories	48.3	46.2	53.1
Delivery lead time	53.3	56.1	60.2
Wholesale prices	84.2	62.0	56.0
Imports	59.9	53.6	53.9
Export orders	63.7	64.7	53.5
Business confidence	57.1	51.9	46.8

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

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