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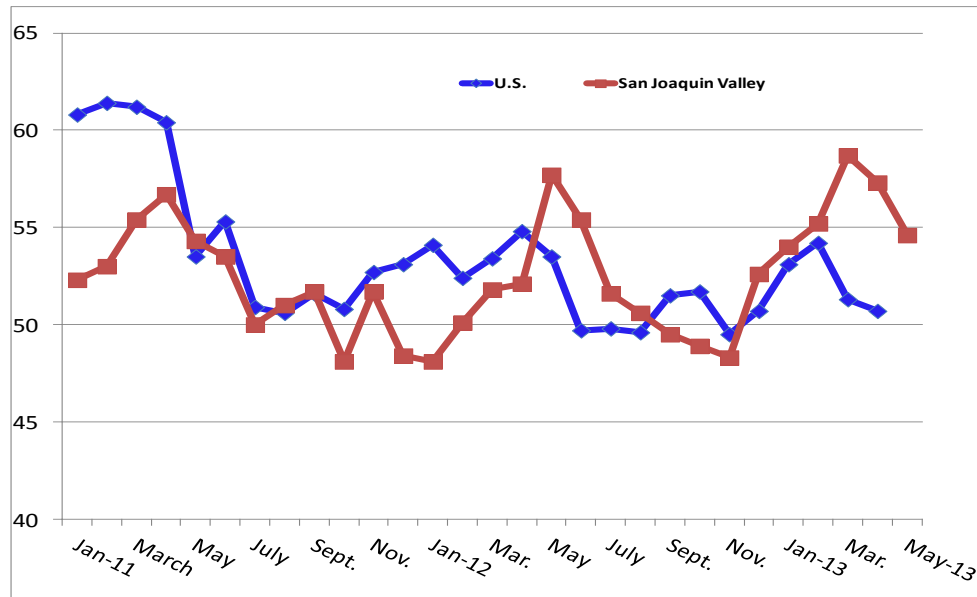
Goss video summary at: <http://youtu.be/SGxYZZEo4Ho>

May San Joaquin Valley Leading Economic Indicator Healthy: Exports Bounce Higher

May survey results at a glance:

- Leading economic indicator declines for second straight month but continues to point toward growth for the next 3 to 6 months
- New export orders soars for month.
- Healthy hiring for the month.
- Businesses project a 1.5 percent wage growth for the year.
- Regional businesses expect prices for goods and services they buy to rise at an annualized rate of 4.8 percent this year.

PMIs for U.S. & San Joaquin Valley, 2011-13



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FRESNO, CA-For a second straight month, the San Joaquin Valley Business Conditions Index declined, but to a level pointing to growth in the next 3 to 6 months. 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 slid to 54.6 from April's 57.3. 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. "Expanding economic conditions in the region's construction industry continue to boost growth prospects for the region, with firms linked to housing experiencing improving economic conditions. Additionally, a boost in new export orders for the month supported the overall reading," said Ernie Goss, Ph.D., research faculty with the Craig School of Business at California State University, Fresno.

Employment: For a seventh straight month, the hiring gauge moved above the growth neutral threshold. The job index dipped to 55.7 from 56.7 in April. Readings over the past several months indicate that the job market has been expanding and will continue to improve.

Businesses expect wages and salaries to expand by approximately 1.5 percent over the next year. This is up significantly from January when a yearly gain of 1.1 percent was projected.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, decreased from 63.5 in April to 62.0 in May. "Not only are wholesale inflationary pressures coming down, expected price increases are also slumping. Survey participants indicated that on average they expect wholesale prices to grow by 4.8 percent in the next year. This is down significantly from January 2013's estimate of 7.2 percent. I expect regional surveys such as this one as well as national surveys to give the Federal Reserve room to keep maintain their aggressive bond buying program, keeping interest rates at almost record low levels," said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, dipped to 51.6 from April's 55.7 but is higher than March's 50.4. "The federal spending sequestration is having almost no impact on the outlook. The last three

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months we have asked survey participants who make purchasing decisions for their firms how the federal spending sequestration was affecting their company. An average of almost 80 percent indicated that the cuts have had no impact on their company to date. Less than 20 percent reported only modest impacts. None of the businesses reported significant impacts,” said Goss.

Inventories: Businesses reduced inventories for the month. The index sank to 46.3 from April’s 50.9. Healthy inventory growth normally signals that businesses expect production or sales expansions in the months ahead. Thus this cut was the only negative to come from May’s report.

Trade: The new export order reading soared to 59.9 from April’s much weaker 47.0. At the same time, May’s import reading moved lower but remained above growth neutral at 50.8 from April’s 51.5. “The boost in new export orders was a real positive and a surprise given that the value of the U.S. dollar has risen by five percent in 2013. An increase in the value of the U.S. dollar makes U.S. goods less competitively priced abroad,” said Goss.

Other components: Other components of the May Business Conditions Index were new orders at 55.3, down from last month’s 58.0; production or sales at 59.3, down from April’s 63.5; and delivery lead time at 56.4, off slightly from 57.2 in April.

Table 1 details survey results for May 2012, last month, and May 2013. June survey results will be released on the first business day of next month, July 1.

Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	May 2012	April 2013	May 2013
Leading economic indicator	57.7	57.3	54.6
New orders	58.2	58.0	55.3
Production or sales	59.0	63.5	59.1
Employment	57.9	56.7	55.7
Inventories	53.1	50.9	46.3
Delivery lead time	60.2	57.2	56.4
Wholesale prices	56.0	63.5	62.0
Imports	53.9	51.5	50.8
Export orders	53.5	47.0	59.9
Business confidence	46.8	55.7	51.6

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