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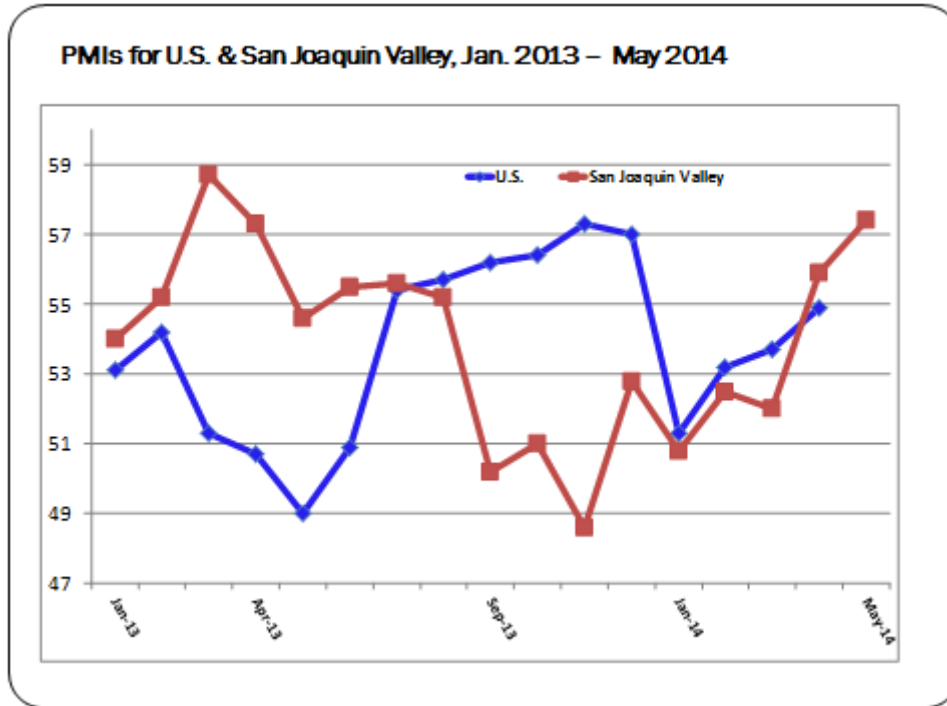
**Goss video summary at:**

[http://youtu.be/7cAmr\\_ccBQg](http://youtu.be/7cAmr_ccBQg)

**San Joaquin Valley Leading Economic Indicator Climbs Again:  
One Fourth of Businesses Expect Rapid New Hiring**

**May survey results at a glance:**

- Leading economic indicator rises for the third time in the past four months.
- More than one fourth, or 26.3 percent, of businesses expect to rapidly increase hiring for the rest of 2014.
- Wholesale trade firms, construction companies and food processors reported healthy business growth for the month.
- Employment index is consistent with annual job growth of approximately four percent.
- On average wholesale prices are expected to rise at an annual pace of approximately 8.6 percent in the months ahead.



**For Immediate Release: June 2, 2014**

FRESNO, CA-For the seventeenth time in the past eighteen months, the San Joaquin Valley Business Conditions Index rose above the 50.0 threshold. The index climbed to its highest level since March 2013. 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 advanced to 57.4 for May from 55.9 in April. 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.

“While construction activity remains below pre-recession levels, the region continues to experience solid improvements in this industry. The region has lost approximately 36.9 percent of its construction jobs compared to pre-recession levels. Additionally, healthy growth for wholesale trade firms and food producers is boosting overall growth in the region. 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.

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**Employment:** After moving below growth neutral for January, the hiring gauge has moved above the 50.0 threshold for the last four months. The job index expanded to a solid 58.8 from 55.1 in April. “The region is adding jobs at a very healthy annual pace, or just over four percent. Our surveys over the past several months indicate that this pace will remain healthy,” reported Goss.

**Hiring for 2014:** Approximately 10.6 percent of firms in the region anticipate layoffs for the remainder of this year, while 42.1 percent expect new hiring for 2014. The remaining 48.0 percent expect little or no change in employment levels for the rest of 2014. More than one-fourth, or 26.3 percent, of the businesses expect rapid new hiring for the rest of 2014.

**Wholesale Prices:** The prices-paid index, which tracks the cost of purchased raw materials and supplies, increased for the month. The wholesale inflation gauge declined to 71.4 from 75.3 in April. On average, business leaders in our survey expect prices to rise by 4.3 percent in the next six months, or approximately 8.6 percent annualized.

“Inflationary pressures at the wholesale level, according to our survey and other surveys of businesses, are elevated from 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). This will tend to push long-term interest rates, including mortgage rates, higher in the months ahead,” said Goss.

This month businesses in the region were asked how much they expect the price of products that they purchase to rise by in the next six months. On average, survey participants anticipate a gain of 4.3 percent for the next six months, or approximately 8.6 percent on an annual basis and well above the Federal Reserve’s comfort zone.

**Business Confidence:** Looking ahead six months, economic optimism, captured by the business confidence index, slipped to a still solid 55.6 for May and down from last month’s 56.2. “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 April. The May inventory reading sank to 57.8 from 60.0 in April. “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 declined to a still solid 55.5 from April’s 56.0. “Readings over the past two months have been encouraging for the regional economy for which exports are an important component of growth,” said Goss. The regional import reading for May slid to 56.2 from April’s 57.3. Businesses experiencing growth continue to boost their purchases from abroad.

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**Other components:** Other components of the May Business Conditions Index were new orders at 58.6, up from 56.7 in April; production or sales at 52.9, increased from April's 50.7; and delivery lead time at 59.1, expanded from last month's 57.1.

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

	San Joaquin Valley		
	May 2013	April 2014	May 2014
Leading economic indicator	54.6	55.9	57.4
New orders	55.3	56.7	58.6
Production or sales	59.1	50.7	52.9
Employment	55.7	55.1	58.8
Inventories	46.3	60.0	57.8
Delivery lead time	56.4	57.1	59.1
Wholesale prices	62.0	75.3	71.4
Imports	50.8	57.3	56.2
Export orders	59.9	56.0	55.5
Business confidence	51.6	56.2	55.6

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

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