

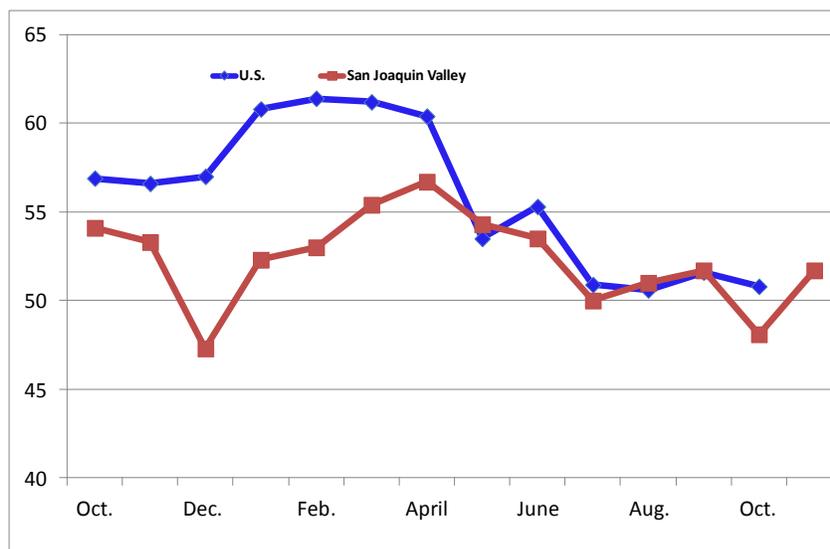
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San Joaquin Valley Leading Economic Indicator Advances: Minimal Job Gains for November

November survey results at a glance:

- Leading economic indicator moves above growth neutral.
- Firms report net job gains for the month after four months of losses.
- Over the next six months, approximately one-fifth of firms expect to add workers and 20 percent anticipate layoffs, while the remaining 59 percent look for level employment.
- Business managers anticipate wholesale prices to grow by 3.2 percent over the next six months or approximately 6.4 percent on an annualized basis.

PMIs for U.S. & San Joaquin Valley, 2010-11



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Fresno, CA – After slumping below growth neutral last month, the San Joaquin Valley Business Conditions Index rose above growth neutral 50.0 for November. The survey from individuals making company purchasing decisions in firms in the counties of Fresno, Madera, Kings and Tulare continues to point to slow to no growth in the coming months. The index, a leading economic indicator for the area, 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, advanced to 51.7 from 48.1 in October. An index greater than 50 indicates an expansionary economy over the course of the next three to six months. Survey results for the last three months for the San Joaquin Valley are listed in the accompanying table. “Based on our surveys over the past several months, I expect growth to weaken and potentially turn negative in the next three to six months,” said Goss.

Employment: The hiring gauge increased to a tepid 50.3 from October’s weak 44.7. This is the fifth consecutive month that the employment index has plunged below growth neutral. “Manufacturing and construction firms continue to shed jobs. Both durable and non-durable goods manufacturers detailed pullbacks in hiring for the month,” said Goss.

“Employment data indicate that the region’s employment level bottomed in August 2011. Since then, the area has added almost 5,000 jobs. However, even with these gains, the region will have to add almost 24,000 to return to pre-recession employment levels,” said Goss.

This month firms were asked about their hiring expectations for the next six months. “More than one-fifth, or 21 percent, expect to add workers, 20 percent anticipate layoffs, while the remaining 59 percent look for level employment for the next six months. “These expectations are somewhat more optimistic than September 2011 when 33 percent expected layoffs in the next six months,” said Goss.

Wholesale prices: The prices-paid index, which tracks the cost of raw materials and supplies, dipped to a somewhat inflationary 63.8 from October’s 66.7. “As area growth has waned, so have inflationary pressures at the wholesale level. Lower inflation in the pipeline gave the Federal Reserve room to take the coordinated monetary easing action it initiated yesterday with five other central banks,” reported Goss.

This month supply managers were asked how much they expected prices of products they buy to increase in the next six months. Approximately 20 percent of the supply managers expect these prices to grow by more than 6 percent during the next six months. Overall, supply managers anticipate prices to grow by 3.2 percent over the next six months or approximately

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6.4 percent on an annualized basis. “Last December when we asked the same question, supply managers expected annualized price growth of 5.6 percent. Thus, anticipated wholesale price growth has increased by 0.8 percentage points since last December,” said Goss.

Inventories: Businesses expanded inventories at a slow pace for the month. The inventory index, which tracks the change in the inventory of raw materials and supplies, advanced to 50.4 from 43.7 in October. “The lack of any significant buildup in inventories is another indicator of a negative outlook by businesses,” reported Goss

Business Confidence: Looking ahead six months, economic optimism, captured by the November business confidence index, rose to a still anemic 42.5 from 37.0 in October. “Both U.S. and global economic uncertainty and slow growth continue to restrain economic confidence among individuals making purchasing decisions for their firms,” said Goss.

Trade: For a fifth straight month, firms experienced a pullback in new export orders to 43.8. While this was up from October’s 41.7, it still indicates reductions in export orders from October. At the same time the area’s import index stood at a weak 47.5, but up from October’s 36.7 and September’s 41.9. “Slow area growth and weakening global business continue to push trade numbers below growth neutral for the area,” said Goss.

Other components: Other components of the November Business Conditions Index were new orders at 52.3, up from 48.1 in October; production or sales at 49.2, up from 48.3; and delivery lead time at 56.1, up from 55.6 in October.

Table 1 details survey results for the last three months. December survey results will be released on the first business day of next month, January 2.

	San Joaquin Valley		
	November 2010	October 2011	November 2011
Leading economic indicator	53.3	48.1	51.7
New orders	56.3	48.1	52.3
Production or sales	53.5	48.3	49.2
Employment	50.1	44.7	50.3
Inventories	51.4	43.7	50.4
Delivery lead time	55.1	55.6	56.1
Wholesale prices	65.2	66.7	63.8
Imports	51.8	36.7	47.5
Export orders	50.6	41.7	43.6
Business confidence	54.8	37.0	42.5

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

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