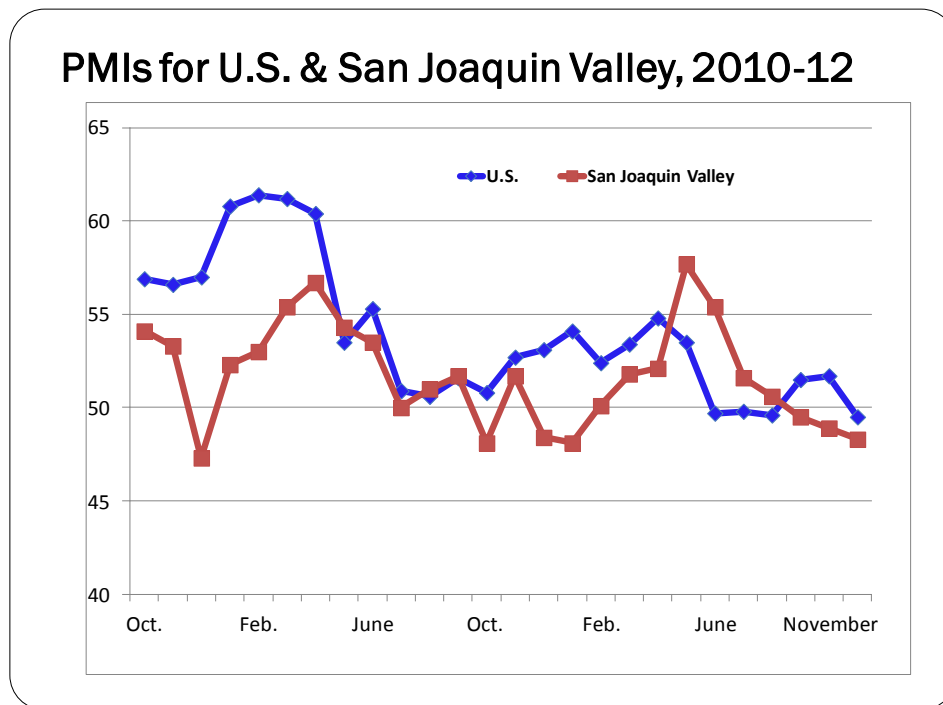


For More Information Contact:  
Ernie Goss Ph.D., 559-278-2352  
University Business Center  
Craig School of Business  
California State University, Fresno

## San Joaquin Valley Leading Economic Indicator Slips Below Growth Neutral for Third Straight Month

### November survey results at a glance:

- For a third straight month, the area's leading economic indicator declines below growth neutral.
- Approximately 56.6 percent of businesses in the area expect no pay raise next year.
- On average, supply managers project a 0.1 percent wage gain for the next year.
- Business confidence remains very weak.



For Immediate Release: December 3, 2012

Fresno, CA –For a third straight month, the San Joaquin Valley Business Conditions Index declined below growth neutral, signaling slow to no growth for the area in the months ahead. 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

## San Joaquin Business Conditions Index – p. 2 of 3

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, produced by Ernie Goss Ph.D., Research Associate with the Craig School of Business at California State University, Fresno, dipped to 48.3 from 48.9 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 two months and one year ago are listed in the accompanying table. “Both durable and non-durable goods manufacturers report pullbacks. Our survey results point to slightly negative growth for the next 3 to 6 months for the metropolitan economy. The national ISM index has now moved above growth neutral for three straight months,” said Goss.

**Employment:** The hiring gauge moved above the growth neutral threshold for November. The job index expanded slightly to 50.5 from 49.4 in October. “The area has been adding jobs but at a very slow pace. Our surveys over the past several months point to slightly negative job growth for the next 3 to 6 months. Our surveys are tracking job losses in non-durable goods firms such as food processors as well as reductions in the average weekly hours. As a result of the weak job market, approximately 56.6 percent of businesses in the area expect no pay raise next year. On average, survey participants project a 0.1 percent wage gain for the next year,” said Goss.

**Wholesale Prices:** The prices-paid index, which tracks the cost of raw materials and supplies, declined to a still inflationary 63.7 from 65.2 in October. “Weaker commodity prices, such as those for fuel and related and metals, linked to slower global growth are showing up in our survey. However, I expect the Federal Reserve’s easy money policy to continue to support elevated commodity prices even with the global economic slowdown,” said Goss.

This month survey participants were asked how much they expect prices for products they purchase to change in the next six months. On average, a 3.0 percent increase is expected. This compares to a projected 2.0 percent increase recorded in April of this year. “Thus, businesses have raised their annualized projected wholesale price index from 4 percent to 6 percent,” said Goss.

**Business Confidence:** Looking ahead six months, economic optimism, captured by the business confidence index, advanced to a very weak 39.8 from 36.1 in September. “Uncertainty surrounding the fiscal cliff and healthcare reform continue to lower business confidence,” said Goss.

## San Joaquin Business Conditions Index – p. 3 of 3

**Inventories:** Businesses expanded inventories for the month. The November inventory reading declined to 46.3 from 50.9 in October and 55.4 in September. “Cutbacks in inventories are yet another indicator of a slowing economy,” reported Goss.

**Trade:** New export orders for November were very weak with a reading of 37.6, but up from October’s 35.9. At the same time, November imports contracted for the month with an index of 40.9, down from October’s 46.6. “Weaker global and area growth are weighing on both foreign purchases and sales abroad,” said Goss.

**Other components:** Other components of the November Business Conditions Index were new orders unchanged from October’s 43.1; production or sales at 48.0, up from 47.8 in October; and delivery lead time at 53.6, up from 53.3 in October.

Table 1 details survey results for November 2011, October 2012, and November 2012. December survey results will be released on the first business day of next month, January 2. .

Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	November 2011	October 2012	November 2012
Leading economic indicator	51.7	48.9	48.3
New orders	52.3	43.1	43.1
Production or sales	49.2	47.8	48.0
Employment	50.3	49.4	50.5
Inventories	50.4	50.9	46.3
Delivery lead time	56.1	53.3	53.6
Wholesale prices	63.8	65.2	63.7
Imports	47.5	46.6	40.9
Export orders	43.6	35.9	37.6
Business confidence	42.5	39.8	38.9

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

Follow Goss: Twitter at <http://twitter.com/erniegoss> or [www.ernestgoss.com](http://www.ernestgoss.com)