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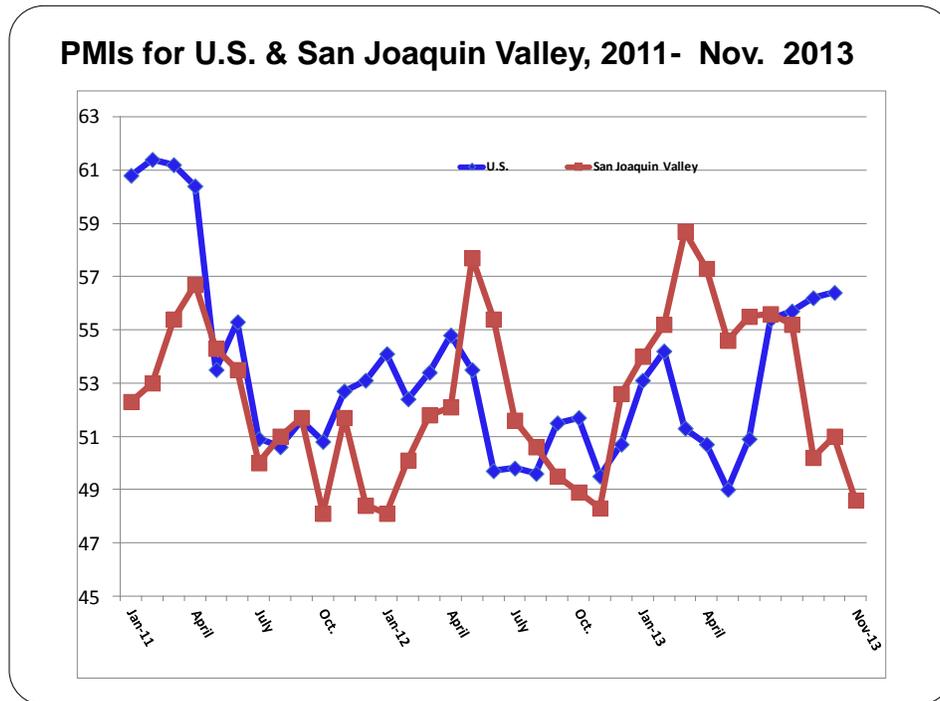
Goss video summary at:

<http://youtu.be/Umw06POn8L8>

**San Joaquin Valley Overall Index Falls for November:
But Hiring Up for the Month**

November survey results at a glance:

- Regional index sinks below growth neutral.
- Firms expect wages to growth by 1.4 percent for next 12 months.
- Businesses increased hiring for the month.
- Survey respondents expect prices to grow by 1.8 percent in the next 6 months.



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FRESNO, CA-After moving above growth neutral for eleven straight months, the San Joaquin Valley Business Conditions Index fell below the 50.0 threshold for November. The index, a leading economic indicator from a survey of individuals making company purchasing

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decisions for firms in the counties of Fresno, Madera, Kings and Tulare, points to positive but slower business economic conditions in 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).

Overall Index: The index sank to 48.6 from 51.0 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. “As a result of continuing economic uncertainty, companies in the area continue to expand output via temporary hiring. Firms in wholesale trade, food processing and business services are expanding economic activity. Construction activity continues to expand at a steady but slow pace,” said Ernie Goss, Ph.D., research faculty with the Craig School of Business at California State University, Fresno.

Employment: For 13 straight months, the hiring gauge moved above the growth neutral threshold. The job index climbed to a tepid 52.4 from 50.7 in October. Readings over the past several months indicate that the job market will continue to improve through the first quarter of 2014.

“However, even with recent expansions, the overall job market has yet to climb back to pre-recession levels. As a result of the weak job market, respondents expect a very modest 1.4 percent pay increase for next year, or slightly below the rate of expected inflation,” reported Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, increased for the month. The wholesale inflation gauge climbed to 58.0 from 57.6 in October but down from last November’s reading of 63.7.

“Inflationary pressures at the wholesale level remain tame. This is likely to result in consumer prices growing at an annual pace significantly below the Federal Reserve’s target of approximately two percent. While the inflation gauge remains in a range indicating only modest inflationary pressures, the Federal Reserve’s \$85 billion monthly bond buying stimulus program continues to boost asset prices such as housing and stocks at rates that are not sustainable,” said Goss.

This month we asked business respondents how much they expected prices of products and services that they purchase to change by in the next six months. Almost four in ten, or 38.5 percent expect no change or an actual price decline with overall growth of 1.8 percent anticipated. “There is clearly more downward pressure on wholesale prices than the Federal Reserve is comfortable with,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, sank to 44.9 from October’s 45.5. “Despite temporarily raising the

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debt ceiling and getting the federal government back into operations last month and this month, businesses remain pessimistic about future economic conditions,” said Goss.

The federal spending sequestration is having very little impact on the outlook. “For each of the last nine months, we have asked survey participants how the federal spending sequestration was affecting their company. In the November survey, approximately 80.0 percent of firms indicated that the cuts have had no impact on their company to date. Only one in five businesses reported impacts from sequestration,” said Goss.

Inventories: Businesses once again reduced inventories for the month. The index remained below growth neutral, dropping to an even weaker 40.0 from 40.4 in October.

Trade: The new export order reading increased to a weak 45.0 from 43.6 in October. At the same time, the import reading for November advanced to 51.2 from 42.9 in October. “In 2013, the value of the U.S. dollar has increased by more than four percent. This has made U.S. goods less competitively priced abroad and put downward pressure on new export orders and boosted imports,” said Goss.

Other components: Other components of the November Business Conditions Index were new orders at 44.2 down from last month’s 51.9; production or sales at 48.9 down from 53.5; and delivery lead time at 57.4 which is down from 58.6 in October.

Table 1 details survey results for November 2012, last month and November 2013. 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 2012	October 2013	November 2013
Leading economic indicator	48.3	51.0	48.6
New orders	43.1	51.9	44.2
Production or sales	48.0	53.5	48.9
Employment	50.5	50.7	52.4
Inventories	46.3	40.4	40.0
Delivery lead time	53.6	58.6	57.4
Wholesale prices	63.7	57.6	58.0
Imports	40.9	42.9	51.2
Export orders	37.6	43.6	45.0
Business confidence	38.9	45.5	44.9

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

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