

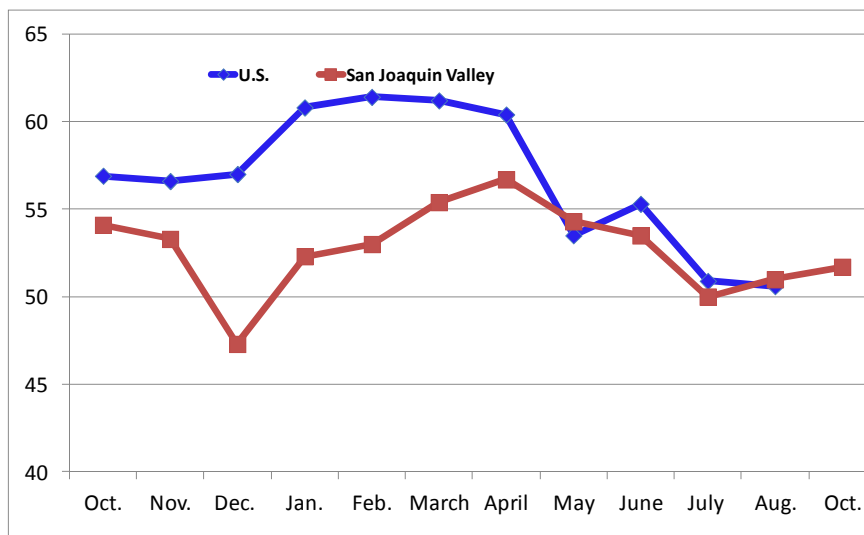
For More Information Contact:
Ernie Goss Ph.D., 559-278-2352
University Business Center
Craig School of Business
California State University, Fresno

San Joaquin Valley Leading Economic Indicator Increases Again: One-third Anticipate Layoffs in Next Six Months

September survey results at a glance:

- Leading economic indicator rises for the 2nd straight month.
- On average, survey participants expect wages to advance by slightly more than one-half of one percentage point for the next year.
- Firms report net job losses for a third consecutive month. More than one-third expect additional layoffs in the next six months.
- Business confident slumps to lowest level since initiation of survey.

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



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For Immediate Release: October 3, 2011

Fresno, CA – For a second straight month, the San Joaquin Valley Business Conditions Index increased. 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, climbed to 51.7 from 51.0 in August and from July's growth neutral 50.0. 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. "According to survey participants in our survey, economic growth is likely to wane in the region's economy in the next three to six months," said Goss.

Employment: The hiring gauge advanced to a frail 47.1 from August's 44.2. This is the third consecutive month that the employment index has sunk below growth neutral. "This month we asked survey participants about employment prospects for their firm. Approximately 36 percent expect layoffs for their firm in the next six months. As a result of the very weak job market, wages are expected to expand at a very slow pace ahead. On average, survey participants expect wages to advance by slightly more than one-half of one percent in the next year," said Goss.

Wholesale prices: The prices-paid index, which tracks the cost of raw materials and supplies, dipped to a still inflationary 71.7 from 74.4 in August and 77.1 in July. "As area growth has waned, so have inflationary pressures at the wholesale level. Asked about future price increases, supply managers anticipate input prices growing at an annualized 4.0 percent pace in the next six months. With the current Federal Reserve policy remaining very stimulative, I expect inflation to climb significantly above the Fed's target," said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the September business confidence index, slumped to a record low 33.2 from 40.4 in August. "It is clear that the economic uncertainty engulfing Europe and the

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U.S. has dampened the economic outlook of supply managers in the region. Even though the area economy continues to grow, albeit at a weak pace, survey participants remain concerned about the likely impact of a U.S. recession,” said Goss.

Trade: For a third straight month, firms experienced a pullback in new export orders. The area’s import index dipped to 41.9 from 43.8 in August. “A somewhat stronger dollar, making U.S. goods less price competitive, and economic weakness among trading partners pushed new export orders to a frail 45.9 from August’s very weak 36.3. Given the importance of exports to regional growth, the September pullback is a real concern.

Inventories: Businesses continue to reduce inventories but at a somewhat slower pace. The inventory index, which tracks the change in the inventory of raw materials and supplies, climbed to 48.4 from 46.8 in August. “Inventory reductions are another indicator of a negative outlook by businesses,” reported Goss.

Other components: Other components of the September Business Conditions Index were new orders at 53.8, up from 53.5 in August; production or sales at 48.7, down from 51.3; and delivery lead time at 60.3, down from August’s 59.3.

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

	San Joaquin Valley		
	July 2011	August 2011	September 2011
Leading economic indicator	50.0	51.0	51.7
New orders	50.7	53.5	53.8
Production or sales	51.1	51.3	48.7
Employment	46.3	44.2	47.1
Inventories	45.3	46.8	48.4
Delivery lead time	56.6	59.3	60.3
Wholesale prices	77.1	74.4	71.7
Imports	45.3	43.8	41.9
Export orders	45.7	36.3	45.9
Business confidence	42.5	40.4	33.2

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