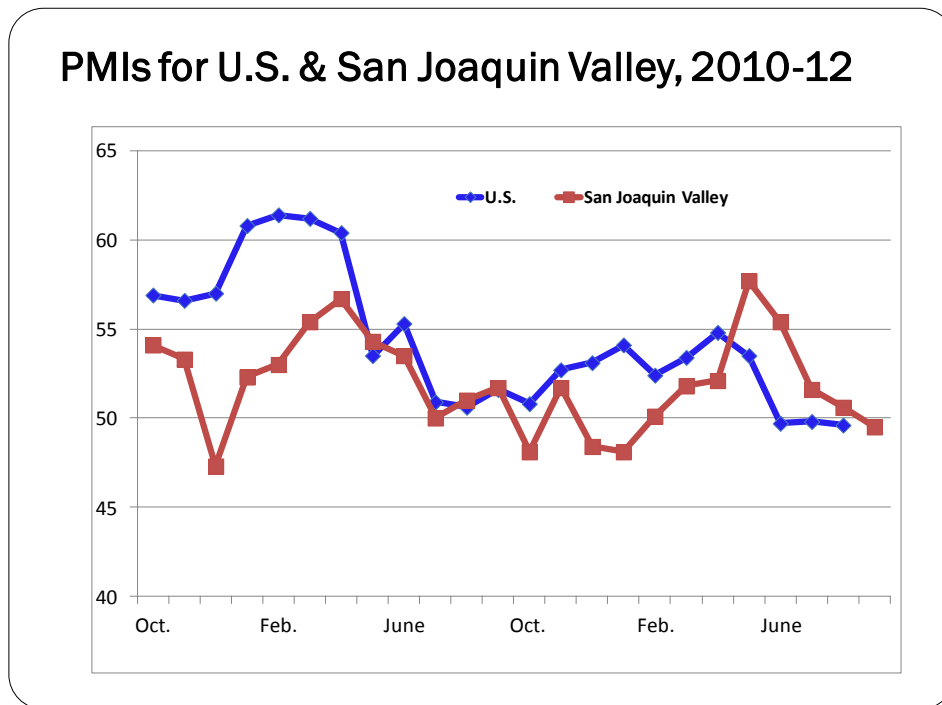


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San Joaquin Valley Leading Economic Indicator Dips Below Growth Neutral for September

September survey results at a glance:

- For the first time since January, leading economic indicator declines below growth neutral.
- New export orders slump again.
- Business confidence remains very weak.



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Fresno, CA –For a fourth straight month, the San Joaquin Valley Business Conditions Index declined. For the first time since January of 2012 the leading economic indicator sank below growth neutral 50.0, signaling slow to no growth for the area in the months ahead. The

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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 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, dipped to 49.5 from 50.6 in August. 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. “Much like the rest of the nation, the area is growing at a slow pace. Our survey results point to slow to no growth for the final quarter of 2012. The national ISM index has now moved below growth neutral for four months in a row,” said Goss.

Employment: The hiring gauge improved slightly for the month. The job index rose to 50.4 from August’s 48.6. “The area has been adding jobs but at a very slow pace. Our surveys over the past several months point to slow to no job growth for the final quarter of 2012. Expansions for non-durable goods producers will be offset by pullbacks for durable goods manufacturers,” said Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, slipped to a still inflationary 62.1 from 62.3 in August. “At the wholesale level, we are tracking price growth at an expanding pace. Furthermore over the next six months, survey participants expect the costs of inputs that they purchase to rise by 2.9 percent. This annualized rate of 5.8 percent is much too high for the Federal Reserve (Fed) to ignore any Fed action on inflation. With food prices pushed higher by the drought, further cheapening of the dollar by the Fed via QE3 (bond buying) would only serve to drive food and energy prices even higher with consumer prices rising well above the Fed’s comfort zone,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, fell to a weak 36.1 from 38.8 in August. “Survey participants, much like the entire business sector, remain very pessimistic regarding future economic conditions even with the improving housing market. The drought, the fiscal cliff, the elections, and European economic turmoil are all weighing on economic confidence,” said Goss.

Inventories: Businesses expanded inventories for the month. The September inventory reading climbed to 55.4 from 54.0 in August. “At this point in time, we cannot determine if this expansion is planned or unplanned. Given the other negative indicators in our August survey, it is likely that the inventory accumulation resulted from a downturn in sales and production rather than a more optimistic outlook,” reported Goss.

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Trade: New export orders once again declined for the month, sinking to 33.5 from August's 34.8. At the same time, August imports contracted for the month with an index of 43.2, down from 47.1 in August. "Weaker global and area growth are weighing on both foreign purchases and sales," said Goss.

Other components: Other components of the August Business Conditions Index were new orders at 41.2, down from 47.7 in August; production or sales at 45.6, down from 47.4; and delivery lead time at 54.8, lower than August's 55.0.

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

	San Joaquin Valley		
	September 2011	August 2012	September 2012
Leading economic indicator		50.6	49.5
New orders		47.7	41.2
Production or sales		47.4	45.6
Employment		48.6	50.4
Inventories		54.0	55.4
Delivery lead time		55.0	54.8
Wholesale prices		62.3	62.1
Imports		47.1	43.2
Export orders		34.8	33.5
Business confidence		38.8	36.1

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

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