

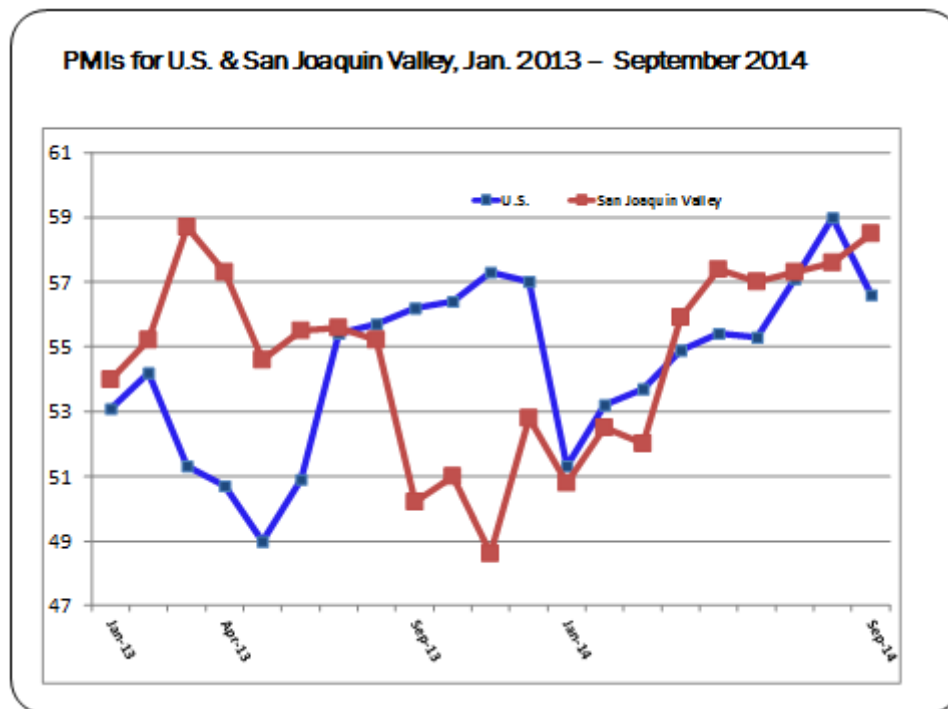
For More Information Contact:  
Ernie Goss Ph.D., 559-278-2352  
University Business Center  
Craig School of Business  
California State University, Fresno

Goss video summary at: <http://youtu.be/LFqyiJMa678>

### San Joaquin Valley Economic Indicator Strong for September: Drought's Negative Impact Declines for Month

#### September survey results at a glance:

- Leading economic indicator rises to healthy level for the third straight month.
- New export orders advance for the month.
- Approximately 27.8 percent of businesses reported negative business impacts from drought. This is down from August's 35.3 percent.
- Inflation gauge declines again indicating only modest inflationary pressures at the wholesale level.



**For Immediate Release: October 1, 2014**

FRESNO, CA-For the tenth consecutive month, the San Joaquin Valley Business Conditions Index rose above the 50.0 threshold. Not only did the index rise for a third straight month, the August reading is the highest recorded since March 2013. The index, a leading economic indicator from a survey of individuals making company purchasing decisions for firms in the counties of Fresno, Madera, Kings and Tulare, points to positive and improving growth for 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](http://www.ism.ws)).

**Overall Index:** The index rose for a third straight month to 58.5 from August's healthy reading of 57.6. 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.

Approximately 27.8 percent of survey participants indicated that the drought was having a negative impact on their business operations. This is down from last month when 35.3 reported that the drought was negatively influencing business conditions for their firm. If the drought persists, 55.6 percent of businesses expect the water shortage to have a negative impact on their business. This is down from 70.6 percent in August when we asked the same question.

"Despite the severity of the drought, it appears that its negative impact on the regional economy remains significant but has diminished a bit from last month. Even with drought conditions, business activity was healthy for the month, especially for non-durable goods manufacturers including food processors," said Ernie Goss, Ph.D., research faculty with the Craig School of Business at California State University, Fresno.

**Employment:** After moving below growth neutral for January, the hiring gauge has moved above the 50.0 threshold for the last eight months. However, the job index slid to 54.9 from August's 57.0.. "The region is adding jobs at a very healthy pace but I expect the pace to slow for the final quarter of 2014. Non-durable goods manufacturers, including food processors, added jobs at a healthy pace for the month even as construction job growth slowed. Average weekly earnings for the region expanded by a healthy 3.9 percent and well above inflation," said Goss.

**Wholesale Prices:** The prices-paid index, which tracks the cost of purchased raw materials and supplies, declined to a level indicating only modest inflationary pressures at the wholesale level. The wholesale inflation gauge slumped to 59.4 from 66.0 in August.

"Inflationary pressures at the wholesale level, according to our survey and other national surveys of businesses, are still in a range indicating modest inflationary pressures," said Goss.

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**Business Confidence:** Looking ahead six months, economic optimism, captured by the business confidence index, declined to 57.1 from 58.6 in August. “Despite the drought, an improving national economy continues to underpin the economic outlook of business leaders in our survey,” said Goss.

**Inventories:** Businesses increased inventories of raw materials and supplies for the month but at a slow pace. The September inventory reading climbed to 51.5 from last month’s below growth neutral 47.2.

**Trade:** The new export order index advanced briskly to 55.1 from August’s much weaker 43.6 while the import index fell from 52.4 in August to 48.9 for September. The stronger U.S. dollar, which makes U.S. goods less competitively priced abroad and foreign good more attractively priced in the U.S., did not have the expected negative impact on exports for the month. “However, I expect the global economic slowdown and a stronger dollar to boost imports and restrain exports for the region in the months ahead,” reported Goss.

**Other components:** Other components of the September Business Conditions Index were new orders at 68.7, down from 61.0 in August; production or sales at 61.2, down from August’s 66.6; and delivery lead time at 55.9, down slightly from 56.2 in August.

Table 1 details survey results for September 2013, last month and September 2014. September survey results will be released on the first business day of next month, November 3.

	San Joaquin Valley		
	September 2013	August 2014	September 2014
Leading economic indicator	50.2	57.6	58.5
New orders	49.5	61.0	68.7
Production or sales	51.5	66.6	61.2
Employment	51.5	57.0	54.9
Inventories	43.3	47.2	51.5
Delivery lead time	55.1	56.2	55.9
Wholesale prices	56.8	66.0	59.4
Imports	42.4	52.4	48.9
Export orders	41.0	43.6	55.1
Business confidence	48.7	58.6	57.1

Craig School of Business: <http://www.fresnostate.edu/craig/ubc/sjvs.html>

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