

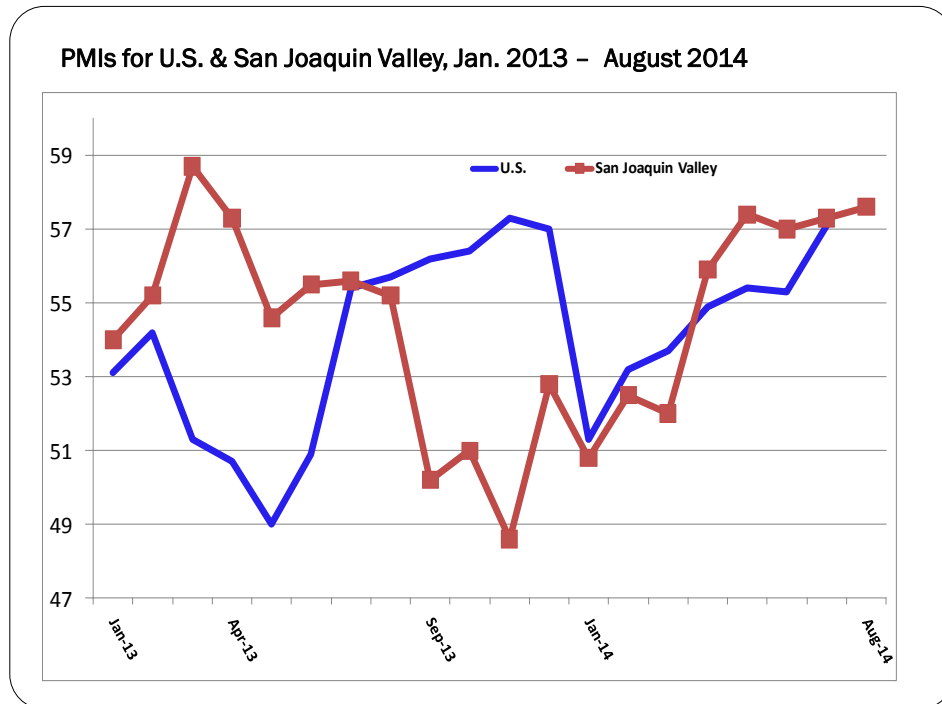
For More Information Contact:
Ernie Goss Ph.D., 559-278-2352
University Business Center
Craig School of Business
California State University, Fresno

Goss video summary at: <https://www.youtube.com/watch?v=1mZMp9tzX74&feature=youtu.be>

San Joaquin Valley Economic Indicator Healthy for August: More Than One-Third Report Negative Drought Fallout

August survey results at a glance:

- Leading economic indicator rises to healthy level for the second straight month.
- More than one-third, or 35.3 percent, of businesses reported negative impacts from the drought.
- This month approximately 26.7 percent of businesses reported that the number of job openings at their firm exceeded the number of job applicants.
- Inflation gauge indicates modest inflationary pressures at the wholesale level.



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FRESNO, CA-For the ninth consecutive month, the San Joaquin Valley Business Conditions Index rose above the 50.0 threshold. Not only did the index rise for a second 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).

Overall Index: The index rose to 57.6, up from 57.3 in July. 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.

“Despite the healthy reading, more than one-third, or 35.3 percent, of the businesses in the region reported negative impacts from the drought. This is up slightly from April of this year when 33.3 percent indicated that the drought was negatively affecting their company. More than seven of ten, or 70.6 percent, expect a continuation of the drought to negatively impact their business. 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 seven months. The job index slid to a solid 57.0 from 58.1 in July. “The region is adding jobs at a very healthy pace. Since the national economic recovery began in July 2009, the region has added almost 24,000 for a gain of 8.2 percent. Our surveys indicate that these additions will continue at a healthy pace for the remainder of 2014,” reported Goss.

This month approximately 26.7 percent of businesses reported that the number of job openings at their firm exceeded the number of applicants. On the other hand, 53.3 percent of companies indicated that the number of job applicants was greater than the number of job openings. The remaining 20 percent indicated that the number of job openings and applicants were approximately equal.

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 66.0 from 70.2 in July.

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“Inflationary pressures at the wholesale level, according to our survey and other surveys of businesses, are elevated from this time last year, but still in a range indicating modest inflationary pressures,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, declined to 58.6 from 61.3 in July. “Despite the drought, the improving national economy and an expanding regional construction industry continue to underpin the economic outlook of business leaders in our survey,” said Goss.

Inventories: Businesses reduced inventories of raw materials and supplies for the month. The August inventory reading sank to 47.2 from July’s 47.5.

Trade: The new export order index advanced slightly to a very weak 43.6 from July’s 43.5. “The weak new export orders index over the past several months will place some downward pressures on regional growth. The regional import reading for August advanced to 52.4 from July’s 49.3 as expanding sales encouraged businesses to add to their buying from abroad,” reported Goss.

Other components: Other components of the August Business Conditions Index were new orders at 61.0, down from 62.5 in July; production or sales at 66.6, up from July’s 62.6; and delivery lead time at 56.2, up slightly from last month’s 56.1.

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

	San Joaquin Valley		
	August 2013	July 2014	August 2014
Leading economic indicator	55.4	57.3	57.6
New orders	60.9	62.5	61.0
Production or sales	60.4	62.6	66.6
Employment	51.2	58.1	57.0
Inventories	46.3	47.5	47.2
Delivery lead time	58.2	56.1	56.2
Wholesale prices	52.5	70.2	66.0
Imports	50.5	49.3	52.4
Export orders	42.7	43.5	43.6
Business confidence	51.1	61.3	58.6

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

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