

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

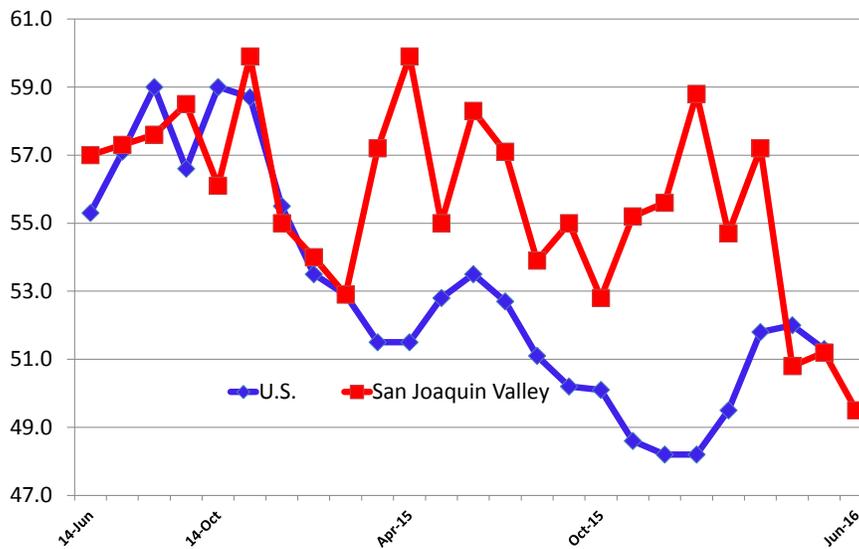
Goss video economic summary: <https://youtu.be/qolRKvC6c0o>

San Joaquin Valley Economic Indicator Weakens for June: One in Five Companies Anticipate Layoffs in Second Half of Year

June survey results at a glance:

- Leading economic indicator falls below growth neutral for first time since December 2013.
- Approximately one-fifth of companies expect layoffs in second half of 2016.
- Approximately one-fourth of firms anticipate additional hiring in the second half of 2016.
- Slight job losses for June.
- New export orders decline again.

PMIs for U.S. & San Joaquin Valley, June 2014 – June 2016



For Immediate Release: July 1, 2016

FRESNO, CA-For the first time since December 2013, the San Joaquin Valley Business Conditions Index fell below 50.0 growth neutral threshold. The index, a leading economic indicator from a survey of individuals making company purchasing decisions for firms in the counties of Fresno, Kings, Madera, and Tulare, sank into a range pointing to slower economic 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 June index sank to 49.5 from 51.2 recorded in May. Readings over the past months are in a range pointing to slower economic and business growth over the next 3 to 6 months for the region. An index greater than 50.0 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.

“One month below growth neutral does not, in of itself, set the stage for slower economic growth for the San Joaquin Valley. We will have to see several months of sub-45.0 readings before a negative economic growth forecast will be issued. However, weaker readings since January of this year are raising concerns. Manufacturing activity, especially for food processors was strong for the month,” said Ernie Goss, Ph.D., research faculty with the Craig School of Business at Fresno State University.

Employment: For a third straight month, the regional hiring gauge fell below growth neutral 50.0 threshold. The employment index did expand slightly to frail 49.8 from May’s 49.7. “Until very recently, San Joaquin businesses had been boosting employment at a strong pace. Over the past 12 months, the region has experienced job growth of 3.0 percent which is more than double the pace of the nation’s job growth. I expect job gains to be slight in the months ahead,” reported Goss.

This month respondents were asked expected hiring situation at their firm for the second half of 2016. More than one-fourth, or 26.6 percent, anticipate new hiring, 53.3 expect no change in hiring while one-fifth, or 20.1 percent, forecast layoffs for their firm for the rest of 2016.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, dipped to 54.1 from May’s 54.4. “Just as in other regional surveys and the national survey, Fresno State’s survey over the past many months shows only modest inflationary pressures at the wholesale level,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, climbed to a weak 47.9 from May’s 45.9. “Since most survey participants completed the survey before Great Britain’s exit vote last week, the confidence index does not fully account for recent increases in global economic uncertainty brought about by the exit vote,” said Goss.

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Inventories: Businesses reduced inventories of raw materials and supplies for June at a faster pace than in May. The June inventory index plummeted to 41.9 from 49.1 in May.

Trade: The new export orders index remained below growth neutral for June. The index slumped to 34.4 from May's 43.8, and the import index rose to 54.1 from 48.4 in May. "Even though the U.S. dollar has declined in 2016, it remains relatively strong making U.S. goods less competitively priced abroad. At the same time, weaker regional growth reduced imports into the area for the month," said Goss.

Other components: Other components of the June Business Conditions Index were: new orders at 54.8, up from May's 51.8; production or sales at 49.5, up from 49.0 in May; and delivery lead time at 51.4, which is well below last month's 56.4.

Table 1 details survey results for June 2015, last month, and June 2016. June survey results will be released on the first business day of next month, August 1.

	San Joaquin Valley		
	June 2015	May 2016	June 2016
Leading economic indicator	58.3	51.2	49.5
New orders	56.2	51.8	54.8
Production or sales	56.6	49.0	49.5
Employment	62.6	49.7	49.8
Inventories	57.5	49.1	41.9
Delivery lead time	58.6	56.4	51.4
Wholesale prices	60.2	54.4	54.1
Imports	49.8	48.4	46.4
Export orders	49.1	43.8	34.4
Business confidence	54.1	45.9	47.9

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

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