

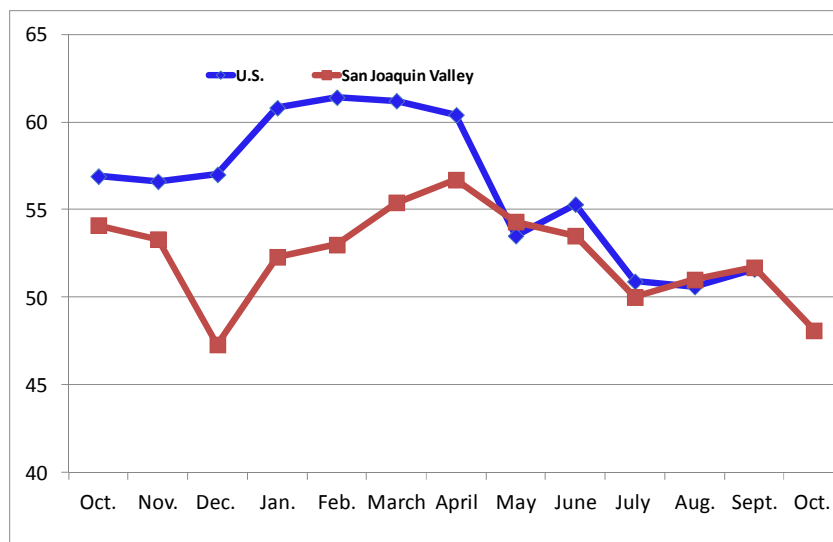
For More Information Contact:
Ernie Goss Ph.D., 559-278-2352
University Business Center
Craig School of Business
California State University, Fresno

San Joaquin Valley Leading Economic Indicator Drops Below Growth Neutral Neutral: Job Losses for 4th Straight Month

October survey results at a glance:

- Leading economic indicator declines below growth neutral for the first time in 2011.
- Firms report net job losses for a fourth consecutive month.
- Approximately 42 percent expect recession in 2012.
- Survey participants expect only a one percent growth in holiday linked business activity from 2010 levels.

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



San Joaquin Business Conditions Index – p. 2 of 3

For Immediate Release: November 1, 2011

Fresno, CA – For the first time since December 2010, the San Joaquin Valley Business Conditions Index dropped below growth neutral 50.0. 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, sank to 48.1 from 51.7 in September. 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. “Based on our surveys over the past several months, I expect growth to weaken and potentially turn negative in the next three to six months,” said Goss.

This month we asked survey participants if they expected the U.S. economy to move back into recessionary territory for 2012. Approximately 42 percent think a recession is likely while only 8 percent judge a recession as unlikely. The remaining 50 percent assess a 50-50 chance of an economic recession in 2012. Almost one year ago when we asked this same question, only 21 percent expected a recession for 2011 while 32 percent thought a recession was unlikely. “Clearly over the past year, recession expectations have risen among those make supply decisions for their organizations,” said Goss.

Employment: The hiring gauge sank to a feeble 44.7 from 47.1 in September. This is the fourth consecutive month that the employment index has plunged below growth neutral. “Manufacturing and construction firms continue to shed jobs. Both durable and non-durable goods manufacturers detailed pullbacks in hiring for the month,” said Goss.

Wholesale prices: The prices-paid index, which tracks the cost of raw materials and supplies, dipped to a still inflationary 66.7 from September’s 71.7. “As area growth has waned, so have inflationary pressures at the wholesale level. Lower inflation in the pipeline will give the Federal Reserve more flexibility to further stimulate the economy with another QE3. I expect a launch announcement at their December 13 meeting with the November 1-2 meeting used to lay the foundation for the December unveiling,” said Goss.

Inventories: Businesses continue to reduce inventories. The inventory index, which tracks the change in the inventory of raw materials and supplies, slumped to 43.7 from 48.4 in

San Joaquin Business Conditions Index – p. 3 of 3

September. “Inventory reductions are another indicator of a negative outlook by businesses,” reported Goss

Business Confidence: Looking ahead six months, economic optimism, captured by the October business confidence index, rose to a still anemic 37.0 from September’s record low 33.2. “Supply managers’ reduction in inventories, increase in recession expectations and low confidence are solid indications of slower economic growth in the months ahead with rising recession probabilities,” said Goss.

Holiday buying. This month we asked survey participants how much they expected business activity linked to holiday buying to expand from 2010 levels. Overall only a one percent increase is expected.

Trade: For a fourth straight month, firms experienced a pullback in new export orders. The area’s import index dipped to 36.7 from 41.9 in September. “A somewhat stronger dollar, making U.S. goods less price competitive, and economic weakness among trading partners pushed new export orders to a frail 41.7 from September’s 45.9. Given the importance of exports to regional growth, recent pullbacks are a real concern,” said Goss.

Other components: Other components of the October Business Conditions Index were new orders at 48.1, down from 53.8 in September; production or sales at 48.3, down from 48.7; and delivery lead time at 55.6, down from 60.3 in September.

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

	San Joaquin Valley		
	October 2010	September 2011	October 2011
Leading economic indicator	54.1	51.7	48.1
New orders	56.9	53.8	48.1
Production or sales	55.6	48.7	48.3
Employment	50.2	47.1	44.7
Inventories	54.3	48.4	43.7
Delivery lead time	53.6	60.3	55.6
Wholesale prices	64.2	71.7	66.7
Imports	49.0	41.9	36.7
Export orders	53.8	45.9	41.7
Business confidence	46.3	33.2	37.0

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

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