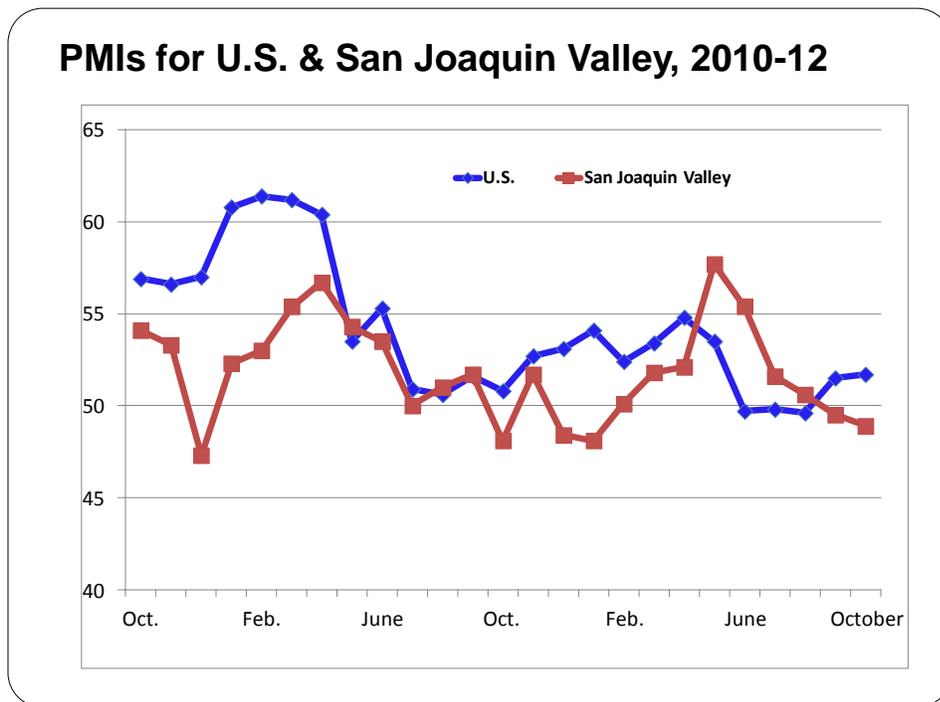


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San Joaquin Valley Leading Economic Indicator Dips Below Growth for Second Straight Month

October survey results at a glance:

- For a second straight month, the area's leading economic indicator declines below growth neutral.
- Businesses expect 2013 holiday sales to grow by 2.1 percent from 2012 levels.
- Approximately 21.2 percent of survey participants expect 2013 recession.
- Business confidence remains very weak.



For Immediate Release: November 1, 2012

Fresno, CA –For a second straight month, the San Joaquin Valley Business Conditions Index declined below growth neutral signaling slow to no growth for the area in the months ahead. The 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

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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 48.9 from 49.5 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 two months and one year ago are listed in the accompanying table. “Our survey results point to slightly negative growth for the next 3 to 6 months. The national ISM index has now moved above growth neutral for two straight months,” said Goss.

Employment: The hiring gauge moved below the growth neutral threshold for October. The job index sank to 49.4 from September’s 50.4. “The area has been adding jobs but at a very slow pace. Our surveys over the past several months point to slightly negative job growth for the next 3 to 6 months. Our surveys are tracking pullbacks in non-durable goods firms such as food processors. This is expected to spillover into the broader economy in the months ahead,” said Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, expanded to an inflationary 65.2 from 62.1 in September. “At the wholesale level, we are tracking price growth at an expanding pace. The Federal Reserve’s latest stimulus, quantitative easing 3 (QE3), and rising food and energy prices are pushing the wholesale price gauge well above acceptable levels. I expect this to show up in higher consumer prices in the months ahead. This will limit the Fed’s options regarding further monetary easing,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, advanced to a very weak 39.8 from 36.1 in September. “Even as the economic conditions in the housing sector have improved, the area’s business sector remains very pessimistic regarding future economic conditions. The fiscal cliff, the elections, and European economic turmoil are all weighing on economic confidence,” said Goss.

This month survey participants were asked to gauge the likelihood of a 2013 recession. More than one in five, or 21.2 percent think a recession is likely or very likely for 2013. A slightly less 15.2 percent think a 2013 recession is unlikely. The remaining 63.6 percent think there is a 50-50 chance of a recession next year.

Inventories: Businesses expanded inventories for the month. The October inventory reading declined to 50.9 from 55.4 in September. “Given the other negative indicators in our last two surveys, it is likely that the lower inventory reading is the result of a downturn in expected future sales,” reported Goss.

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This month businesses were also asked to estimate the percentage increase in 2013 holiday sales from 2012. Overall, a very low 2.1 percent growth is expected. Approximately 27.5 percent expect a gain of more than 4 percent. On the other hand, almost 17.2 percent expect a decrease in 2013 holiday sales over their 2012 levels. “To be considered healthy, holiday sales should grow in excess of 5 percent from previous year sales,” said Goss.

Trade: New export orders for October were very weak with a reading of 35.9, but up from September’s 33.5. At the same time, September imports contracted for the month with an index of 46.6, but up from September’s 43.2. “Weaker global and area growth are weighing on both foreign purchases and sales,” said Goss.

Other components: Other components of the October Business Conditions Index were new orders at 43.1, up from 41.2 in August; production or sales at 47.8, up from September’s 45.6; and delivery lead time at 53.3, down slightly from September’s 54.8.

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

	San Joaquin Valley		
	October 2011	September 2012	October 2012
Leading economic indicator	48.1	49.5	48.9
New orders	48.1	41.2	43.1
Production or sales	48.3	45.6	47.8
Employment	44.7	50.4	49.4
Inventories	43.7	55.4	50.9
Delivery lead time	55.6	54.8	53.3
Wholesale prices	66.7	62.1	65.2
Imports	36.7	43.2	46.6
Export orders	41.7	33.5	35.9
Business confidence	37.0	36.1	39.8

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

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