

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

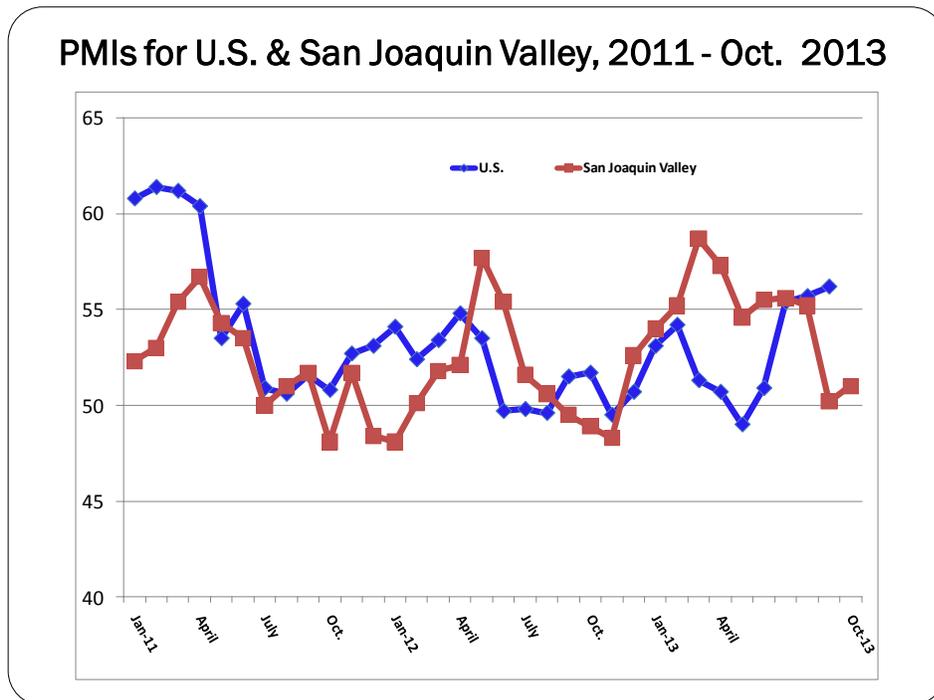
Goss video summary at:

<http://youtu.be/AxrgfW3GUPs>

**San Joaquin Valley Index Up for October:
11 Percent Report Negative Impacts from Federal Shutdown**

October survey results at a glance:

- Regional index moves above growth neutral for eleventh straight month.
- Approximately 11 percent reported that the federal shutdown negatively affected company operations.
- Three-fourths of companies report no impact from federal spending sequestration.
- Business confidence sinks below growth neutral.



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FRESNO, CA-For the eleventh straight month, the San Joaquin Valley Business Conditions Index moved above growth neutral. 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 but slower business economic conditions in 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 advanced to 51.0 from 50.2 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. “Construction firms continue to expand business activity and jobs. However, the industry will have to add another 8,000 jobs to get back to pre-recession levels. Non-durable goods, especially food processors, are experiencing expanding economic conditions,” said Ernie Goss, Ph.D., research faculty with the Craig School of Business at California State University, Fresno.

Employment: For the twelfth straight month, the hiring gauge moved above the growth neutral threshold. The job index slipped to 50.7 from September’s 51.5. Readings over the past several months indicate that the job market will continue to improve for the next 3 to 6 months.

This month we asked survey participants to assess the impact of the partial government shutdown. Approximately 11.1 percent reported negative impacts from sequestration, and 88.9 percent indicated that their firm experienced not impacts from the shutdown.

Wholesale Prices: The prices-paid index, which tracks the cost of raw materials and supplies, rose to 57.6 from 56.8 in September. “Wholesale inflationary pressures for the region remain muted. Price indices over the past several months are consistent with inflation at the wholesale level - below two percent annualized. Even if low inflation, I expect the Federal Reserve to begin tapering or reducing their \$85 billion monthly bond buying program at their December meeting,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, captured by the business confidence index, sank to 45.5 from September’s 48.7. “Uncertainty surrounding implementation of health care reform, the government shutdown and debt ceiling deliberations pushed the economic outlook lower for the month,” said Goss.

The impact of the federal spending sequestration is growing among firms in the area but remains modest. “For each of the last eight months, we have asked survey participants how the federal spending sequestration was affecting their company. In the October survey,

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approximately 74.1 percent of firms indicated that the cuts have had no impact on their company to date. Another 22.2 percent reported that impacts were modest, while the remaining 3.7 detailed significant and negative impacts from sequestration,” said Goss.

Inventories: Businesses once again reduced inventories for the month. The index remained below growth neutral, dropping to 40.4 from 43.3 in September. “Cuts in inventories were the most important factor restraining the overall reading for the month,” reported Goss.

Trade: The new export order reading advanced to a still fragile 43.6 from 41.0 in September. At the same time, the import reading for October expanded to 42.9 from September’s 42.4. “Exports and exports orders for the area remain weak. At the same time, slow regional growth weighed on purchases from abroad for the month,” said Goss.

Other components: Other components of the October Business Conditions Index were new orders at 51.9, up from 49.5 in September; production or sales at 53.5, up from last month’s 51.5; and delivery lead time at 58.6, up from September’s 55.1.

Table 1 details survey results for October 2012, September 2013 and October 2013. November survey results will be released on the first business day of next month, December 2.

	San Joaquin Valley		
	October 2012	September 2013	October 2013
Leading economic indicator	48.9	50.2	51.0
New orders	43.1	49.5	51.9
Production or sales	47.8	51.5	53.5
Employment	49.4	51.5	50.7
Inventories	50.9	43.3	40.4
Delivery lead time	53.3	55.1	58.6
Wholesale prices	65.2	56.8	57.6
Imports	46.6	42.4	42.9
Export orders	35.9	41.0	43.6
Business confidence	39.8	48.7	45.5

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

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