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## **San Joaquin Valley Survey of Business Conditions Debuts Slightly Above Growth Neutral**

### **September survey results at a glance:**

- Leading economic indicator for the four-county area debuts slightly above growth neutral.
- Survey participants report pullback in employment for the month.
- Approximately 30 percent of firms expect this year's holiday sales to be up from last year by more than 5 percent.
- Approximately 18 percent of firms expect this year's holiday sales to be down from last year by more than 5 percent.
- Firms report job losses for September.

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Fresno, CA – The debut of the San Joaquin Valley Business Conditions Survey indicates that the economic area that includes the counties of Fresno, Madera, Kings and Tulare will likely experience slow economic growth in the next three to six months. The index, a leading economic indicator for the area, is identical to that produced monthly by the national Institute for Supply Management ([www.ism.ws](http://www.ism.ws)).

The index, produced by Ernie Goss Ph.D., Research Associate with the Craig School of Business at California State University, Fresno, stood at 53.0 for September. An index greater than 50 indicates an expansionary economy over the course of the next three to six months. September results from the San Joaquin Valley and August results from the national survey are listed in the accompanying table.

The Craig School of Business uses the same methodology as a national survey by the Institute for Supply Management, formerly the Purchasing Management

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Association, which has formally surveyed its membership since 1931 to gauge business conditions ([www.ism.ws](http://www.ism.ws)). The overall index, referred to as the Business Conditions Index, ranges between 0 and 100.

“The results for the San Joaquin Valley are very similar to those for the nation, with the index pointing to slow but positive economic growth but with a lack of hiring,” Goss said today.

**Employment:** “Consistent with the area’s high unemployment and negative employment growth, the September employment index was 44.0, or well below growth neutral. A high share of the 160 firms in our September survey reported pullbacks in hiring and continuing layoffs, though slight. For September, 28 percent of firms reported reduced employment, while only 16 percent indicated an upturn in employment,” said Goss.

**Inflation:** The prices-paid index, which tracks the cost of raw materials and supplies, was a robust 65.9. “Much like the national survey, our survey does not support the hypothesis of deflation. Based on our survey results, as well as other surveys of supply of purchasing managers, I still think fears of deflation are overblown. Once the economy gets back on track, inflation and price bubbles will be the problem, not deflation,” said Goss.

**Confidence:** Looking ahead six months, economic optimism, captured by the September business confidence index, stood at a tepid 51.1. “As expected, economic optimism was slightly positive but certainly not stellar,” reported Goss.

**Trade:** Trade numbers for September mirror the slow growth economy. The September new export orders reading was a tepid 53.9, while the import reading was also slightly above growth neutral at 52.7. “Exports will be an important component of the region’s expansion in the months ahead. We need to see improving exports orders in the coming months,” said Goss,

**Holiday buying:** Those surveyed make the purchasing decisions for their firm. This month those supply managers or business owners were asked about their expectations for the holiday buying season this year compared to last. Almost three in ten, or 28.9 percent, expect holiday sales to grow by more than 5 percent while 17.8 percent anticipate holiday sales declining by more than 5 percent. The remainder

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expects sales to range from no change (35.6 percent) to increase by one to four percent (15.6 percent), to decline by one to four percent, (2.2 percent).

Inventories: The September inventory index was 55.3. “Beginning in the first quarter of this year, U.S. companies began growing their inventory levels. This inventory expansion has been an important source of growth. However, it is clear inventory growth cannot continue to be a catalyst for growth,” said Goss.

Other components: Other components of the September Business Conditions Index were new orders at 58.6; production or sales at 57.3; and delivery lead time at 50.0. Table 1 details survey results for September. October survey results will be released on the first business day of next month, November 1.

	San Joaquin Valley	U.S.
	September, 2010	August, 2010
Business Conditions Index	53.0	56.3
New Orders	58.6	53.1
Production	57.3	59.9
Employment	44.0	60.4
Inventories	55.3	51.4
Delivery Lead Time	50.0	56.6
Prices Paid	65.9	61.5
Imports	52.7	56.5
Exports	53.9	55.5
Confidence	51.1	n.a.

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