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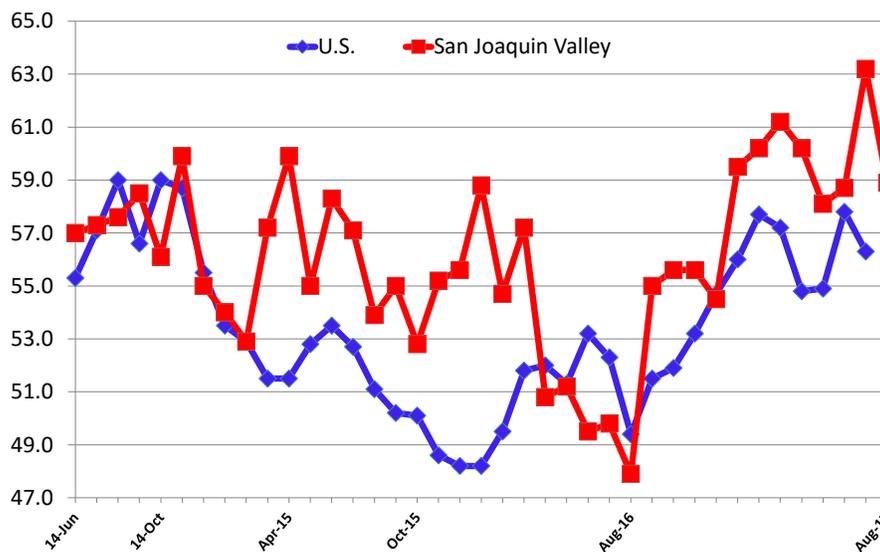
Goss video economic summary: <https://youtu.be/aF0S-5nGL-E>

August San Joaquin Valley Indicator Falls to Healthy Level: Goldilocks Economy, Healthy Growth and Modest Inflation

August survey results at a glance:

- Leading economic indicator falls to a healthy level from July's record level signaling strong growth ahead.
- Employment index indicates strong hiring for the month.
- Wholesale inflationary pressures remain modest but elevated.

PMIs for U.S. & San Joaquin Valley, June 2014 – August 2017



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FRESNO, CA-The San Joaquin Valley Business Conditions Index fell into a range pointing to strong growth in the next 3 to 6 months. 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. The index is produced using the same methodology as that of the national Institute for Supply Management (www.ism.ws).

Overall Index: From July's record high 63.2, the region's August index declined to a still healthy 58.9. Since bottoming out 12 months ago, the index has moved into a range indicating healthy economic growth. 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.

"The region is currently experiencing solid non-manufacturing growth combined with upturns in regional construction. However as in past months, durable, or heavy manufacturing, continues to lag behind non-durable manufacturing, including food processing," said Ernie Goss, Ph.D., research faculty with the Craig School of Business at Fresno State University.

Employment: After moving below growth neutral for December 2016, the employment gauge climbed above the threshold every month since. The August index declined to a still healthy 57.9 from July's record high 63.2. "Over the past 12 months, the San Joaquin region has experienced strong and improving job growth at 2.1 percent, which is well above the pace of the nation's 1.5 percent," reported Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, slipped to 70.2 from 71.2 in July indicating modest, but elevated inflationary pressures at the wholesale level. "I expect inflationary pressures at both the consumer and wholesale level to moderate in the months ahead. As a result, I expect the Federal Reserve to delay another rate hike until the end of the fourth quarter of 2017, or first quarter of 2018," said Goss.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, sank to 65.3 from July's 70.0. "Businesses in the region and nation continue to expect improving business conditions, and profits. However upcoming political economic hurdles of the national debt ceiling, a potential U.S. budget impasse, tax reform and shipping bottlenecks tied to Hurricane Harvey may weigh on economic confidence in the next month," said Goss.

Inventories: In another show of economic confidence, the inventory index remained above growth neutral for August. The August inventory declined to 52.3 from 54.5 in July.

Trade: The new export orders index fell to 46.9 from July's 53.8 while the import index dropped to 41.9 from July's 48.1.

San Joaquin Business Conditions Index – p. 3 of 3

Other components: Other components of the August Business Conditions Index were: new orders at 60.5, down from 67.1 in July; production or sales at 62.8, down from July's 71.7; and delivery lead time at 61.4, up from last month's 57.4.

Table 1 details survey results for August 2016, last month, and August 2017. September's survey results will be released on the first business day of October.

Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	August 2016	July 2017	August 2017
Leading economic indicator	47.9	63.2	58.9
New orders	45.8	67.1	60.5
Production or sales	43.7	71.7	62.8
Employment	51.8	65.8	57.9
Inventories	39.6	54.5	52.3
Delivery lead time	58.8	57.4	61.4
Wholesale prices	53.7	71.2	70.2
Imports	36.1	48.1	41.9
Export orders	30.0	53.8	46.9
Business confidence	44.8	70.0	65.3

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

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