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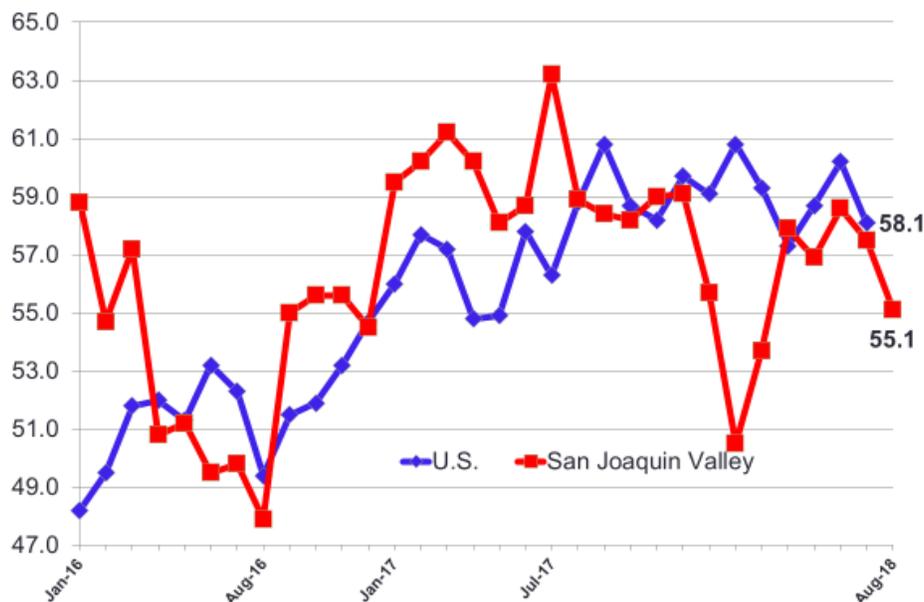
Goss video economic summary: <https://youtu.be/wme16xcl-Qw>

### August's San Joaquin Valley Index Falls: 6 of 10 Businesses Support China Tariffs

#### August survey results at a glance:

- Leading economic indicator falls, but remains above growth neutral for the 24th straight month.
- Job index shows healthy hiring for the month.
- Almost one in four businesses indicated that tariffs and trade battles were having negative impacts on sales to, and purchases from, abroad.
- Despite negative fallout from tariffs, approximately six of ten businesses supported either raising tariffs, or leaving current China trade tariffs in place.
- Business confidence remained very strong.

PMIs for U.S. & San Joaquin Valley, Jan. 2016 – August 2018



**For Immediate Release: September 4, 2018**

FRESNO, CA-The San Joaquin Valley Business Conditions Index declined slightly into a range pointing to healthy growth in the next 3 to 6 months. The index is 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](http://www.ism.ws)).

**Overall Index:** From July's solid 57.5, the region's Business Conditions Index declined to a still growth positive 55.1. Since bottoming out in August 2016, the index has moved into a range pointing to positive economic growth ahead. 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.

"This is the 24th straight month that the overall index has moved above growth neutral. Both durable and non-durable goods manufacturing reported solid gains for the month. As in recent months, construction activity in the San Joaquin Valley continued to expand at a very healthy pace. I expect this pace to remain strong for the next 3 to 6 months," said Ernie Goss, Ph.D., research faculty with the Craig School of Business at Fresno State University.

**Employment:** The employment gauge moved lower to 55.0 from 57.5 in July. "The San Joaquin region has experienced strong job growth at 2.7 percent over the past 12 months, or significantly above the nation's 1.6 percent expansion over the same period of time. I expect the region to continue to add jobs, but at a somewhat slower pace for the next 3 to 6 months," reported Goss.

The region's unemployment rate has now fallen to its lowest level since September 2006. Not surprisingly, businesses reported difficulty in finding and hiring qualified workers.

**Wholesale Prices:** The prices-paid index, which tracks the cost of purchased raw materials and supplies, slipped to 67.6 from July's 68.6, indicating modest inflationary pressures at the wholesale level. Both the San Joaquin regional wholesale inflation index and the U.S. inflation gauge are elevated. Over the past 12 months, U.S. wholesale prices have expanded by 5.8 percent, the fastest growth since 2009. At the consumer level, the consumer price index advanced by 2.9 percent over the same 12 months.

"I expect rising tariffs, and trade restrictions to continue to boost wholesale and consumer inflation growth above the Federal Reserve's target. This trend has already begun to push consumer inflation higher. As a result, I expect the Federal Reserve's interest rate setting committee to raise short-term interest rates by one-quarter of one percentage point (25 basis points) at their September 26 meeting," said Goss.

**Business Confidence:** Looking ahead six months, economic optimism, as captured by the business confidence index, fell to a healthy 62.5 from July’s 65.5. “Healthy profit growth, still attractive interest rates, and lower taxes boosted business confidence. However, I expect rising tariffs and trade restrictions to shrink business confidence in the months ahead,” reported Goss.

**Inventories:** The inventory index once again fell below growth neutral. The index which reflects the growth or decline in supplies of raw materials, and other inputs fell to 45.3 from 47.2 in July.

**Trade:** The new export orders index fell to 49.9 from July’s 55.4, while the import index sank to 44.9 from 49.8 in July. “Almost one in four businesses, or 23.8 percent indicated that tariffs and trade battles were having negative impacts on sales to, and purchases from, abroad,” said Goss.

Despite negative fallout from tariffs, more than six of ten businesses, or 61.9 percent, support either raising tariffs or leaving current China trade tariffs in place.

One survey participant reported that, “Tariffs may cause disruption and reduced revenues or profits for my company, but it is necessary to drive a harder bargain on trade and not continue allowing China to take advantage with their unfair trade practices.”

**Other components:** Other components of the August Business Conditions Index were: new orders at 59.5 down from 63.7 in July; production or sales at 61.3, down from 65.1 in July; and delivery lead time at 54.5, up slightly from last month’s 54.1.

Table 1 details survey results for August 2017, last month, and August 2018. Survey results for September will be released on October 1, the first business day of the month.

Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	August 2017	July 2018	August 2018
Leading economic indicator	58.9	57.5	55.1
New orders	60.5	63.7	59.5
Production or sales	62.8	65.1	61.3
Employment	57.9	57.5	55.0
Inventories	52.3	47.2	45.3
Delivery lead time	61.4	54.1	54.5
Wholesale prices	70.2	68.6	67.6
Imports	41.9	49.8	44.9
Export orders	46.9	55.4	49.9
Business confidence	65.3	65.5	62.5

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

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