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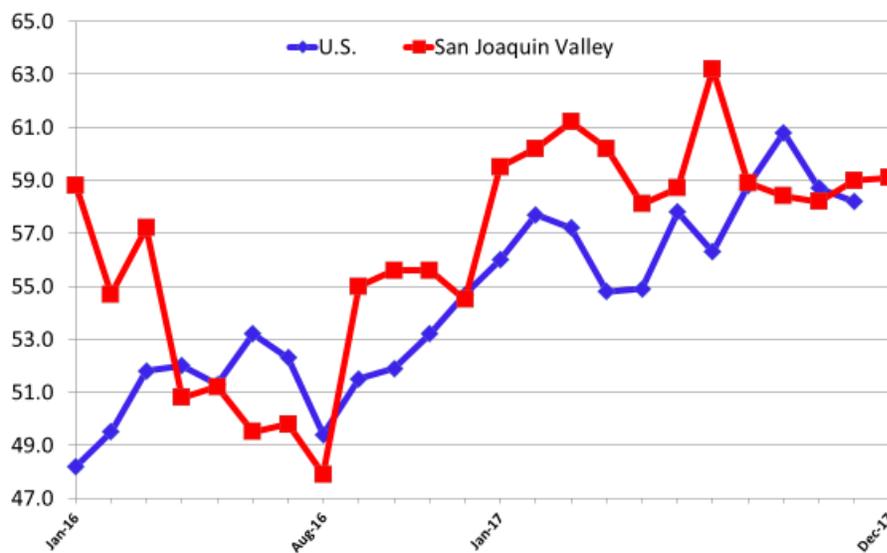
Goss video economic summary: [San Joaquin Valley Business Conditions Index // December 2017](#)

San Joaquin Valley Indicator Ends Year on High Note: Rising Regulatory Costs Top Economic Challenge

December survey results at a glance:

- Leading economic indicator rises to healthy level from November's stout reading, signaling healthy growth ahead.
- Wholesale price gauge indicates elevated and climbing inflationary pressures.
- Only 14.3 percent think the abolition of the North American Free Trade Agreement (NAFTA) would have a negative impact of their company's profitability.
- In terms of the greatest challenge to company profitability over the next five years, rising regulatory costs named by 28.6 percent was the top issued identified.

PMIs for U.S. & San Joaquin Valley, Jan. 2016 – Dec. 2017



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FRESNO, CA-The San Joaquin Valley Business Conditions Index advanced into a range pointing to healthy 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 November's strong 59.0, the region's Business Conditions Index inched higher to 59.1. Since bottoming out in August 2016, the index has moved into a range indicating healthy 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 16th straight month that the overall index has moved above growth neutral. For a third consecutive month, the survey tracked weakness among non-durable goods producers. However, gains for durable goods manufacturers more than offset weakness among non-durable goods producers. As in recent months, construction and wholesale trade activity in the San Joaquin Valley continued to expand at a healthy pace," said Ernie Goss, Ph.D., research faculty with the Craig School of Business at Fresno State University.

This month survey respondents were asked to identify the greatest economic challenge facing their companies' profitability over the next five years. Approximately 28.6 percent named rising regulatory costs as the biggest threat, while more than one in five, or 21.4 percent indicated that slow or negative economic growth as the largest challenge to their businesses over the next five years.

Employment: After moving below growth neutral for December 2016, the employment gauge has climbed above the threshold every month since. The December index advanced to a solid 53.6 from November's 50.1. "Over the past 12 months, the San Joaquin region has experienced strong job growth at 1.6 percent, which is significantly above the nation's 1.4 percent gain for the same period of time," reported Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, soared to 83.3 from 75.0 in November, indicating elevated and rising inflationary pressures at the wholesale level. "I expect inflationary pressures at both the consumer and wholesale level to rise in the months ahead. Even though both our regional wholesale inflation index and the U.S. inflation gauge are elevated, I expect the Federal Reserve to forgo a short-term interest rate hike at the next meeting of their rate setting committee on Feb. 1. However, I do expect a 0.25 percent rate increase at the March 15 meetings," said Goss.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, expanded to a very strong 70.1 from November’s healthy 61.6. “Healthy profit growth, still low interest rates, and the recently passed tax reform package pushed business confidence to a very robust reading,” reported Goss.

Inventories: In another show of economic confidence, the inventory index remained above growth neutral for December. The December inventory was unchanged from November’s very healthy 62.6.

Trade: The new export orders index was unchanged from November’s 30.0, while the import index rose to 69.7 from 64.3 in November.

Only 14.3 percent of respondents expect an abolition of the North American Free Trade Agreement (NAFTA) to negatively affect their company. “It is surprising to measure little concern regarding the abolition of NAFTA,” reported Goss.

Other components: Other components of the December Business Conditions Index were: new orders at 52.0, up from 50.0 in November; production or sales at 61.9, down from November’s 66.7; and delivery lead time at 65.4, down slightly from last month’s 65.5.

Table 1 details survey results for December 2016, last month, and December 2017. January’s survey results will be released on the first business day of February.

Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	December 2016	November 2017	December 2017
Leading economic indicator	54.5	59.0	59.1
New orders	54.9	50.0	52.0
Production or sales	54.9	66.7	61.9
Employment	49.0	50.1	53.6
Inventories	62.0	62.6	62.6
Delivery lead time	51.8	65.5	65.5
Wholesale prices	54.2	75.0	83.3
Imports	49.1	64.3	69.7
Export orders	50.8	30.0	30.0
Business confidence	64.4	61.6	70.1

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