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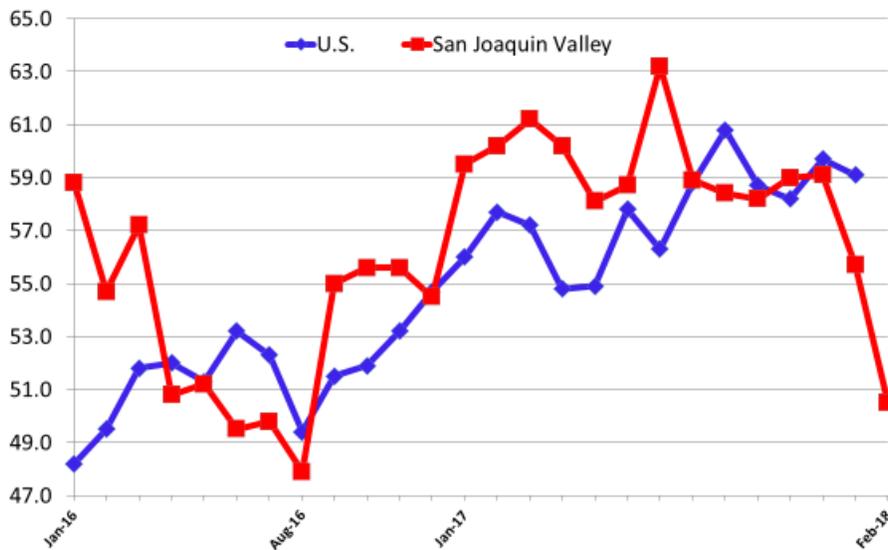
Goss video economic summary: <https://youtu.be/2vsKqxyOnhw>

San Joaquin Valley Economy in Like a Lamb: But Inflation and Business Confidence Roar

February survey results at a glance:

- Leading economic indicator above growth neutral for the 18th straight month, but drops to lowest reading since August 2016.
- Inflation gauge indicates that price pressures are mounting in the region.
- Business confidence index remained very strong.
- In terms of hiring, 45.5 percent expect to add workers over the next six months.

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



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FRESNO, CA-The San Joaquin Valley Business Conditions Index advanced into a range pointing to weaker, but positive 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).

Overall Index: From January's solid 55.7, the region's Business Conditions Index fell to a positive, but weaker, 50.5. 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 18th straight month that the overall index has moved above growth neutral. For a fourth consecutive month, the survey tracked weakness among non-durable goods producers, except for food processors. 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. 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: For second straight month, the employment gauge sank below growth neutral. The February index slumped to 40.7 from January's 45.0. "Despite the downturn in our survey, the San Joaquin region has experienced strong job growth at 2.7 percent over the past 12 months, or almost double the nation's 1.5 percent expansion. I consider the last two months as outliers for the region with job growth likely to continue for 2018," reported Goss.

In terms of hiring and firing over the next 6 months, 45.5 percent expect new hiring while a smaller 27.3 percent anticipate some layoffs.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, dipped to a robust 77.8 from 80.6 in January, indicating elevated inflationary pressures at the wholesale level. "I expect inflationary pressures at both the consumer and wholesale level to rise in the months ahead. Moreover, I expect the Federal Reserve to raise short-term interest rates at their March 21 meetings by one quarter of one percentage point (25 basis points)," said Goss.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, dipped to a still robust 66.4 from January's 69.1. "Healthy profit growth, still

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low interest rates, and the recently passed tax reform package maintained the business confidence at a very healthy reading,” reported Goss.

Inventories: In another show of economic confidence, the inventory index remained above growth neutral for February. The February inventory fell to a solid 54.4 from January’s 58.8 indicating growth in inventories but at slower pace than for January.

Trade: The new export orders index increased to a weak 47.5 from January’s 35.0, while the import index fell to 61.2 from 64.0 in January.

Other components: Other components of the February Business Conditions Index were: new orders at 45.5, down from 51.0 in January; production or sales at 50.5, down from 61.0 in January; and delivery lead time at 58.9 down from last month’s 62.7.

Table 1 details survey results for February 2017, last month, and February 2018. March’s survey results will be released on April 2, or the first business day of the month.

	San Joaquin Valley		
	February 2017	January 2018	February 2018
Leading economic indicator	60.2	55.7	50.5
New orders	67.2	51.0	45.5
Production or sales	63.5	61.0	50.5
Employment	54.2	45.0	40.7
Inventories	68.7	58.8	54.4
Delivery lead time	47.7	62.7	58.9
Wholesale prices	63.5	80.6	77.8
Imports	56.9	64.0	61.2
Export orders	56.1	35.0	47.5
Business confidence	75.3	69.1	66.4

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

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