

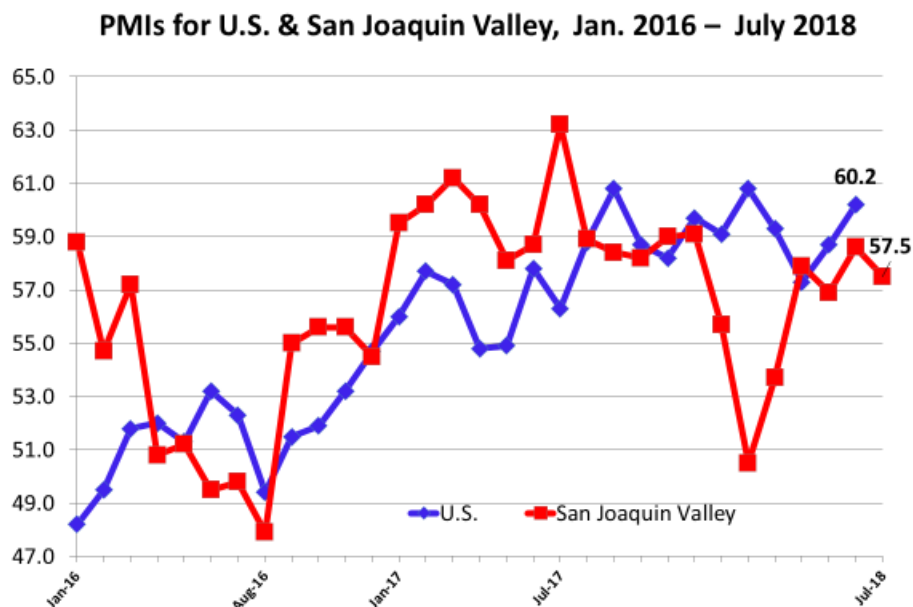
For More Information Contact:
Ernie Goss Ph.D., 559-278-2352
University Business Center
Craig School of Business
California State University, Fresno

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

July's San Joaquin Valley Index Falls: Tariffs Having Impacts

July survey results at a glance:

- Leading economic indicator falls but remains above growth neutral for the 23rd straight month.
- Job index shows healthy hiring for the month.
- One-fourth of firms reported that tariffs have made purchasing from abroad more difficult.
- Four of ten firms supported raising tariffs to put even more pressure on trading partners.
- Business confidence remained very strong.



For Immediate Release: August 1, 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).

Overall Index: From June's healthy 58.6, the region's Business Conditions Index declined to a still solid 57.5. 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 23rd 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 57.5 from 59.1 in June. "The San Joaquin region has experienced strong job growth at 2.6 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 68.6 from June's 71.5, indicating elevated 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 3.4 percent, the fastest growth since 2012. At the consumer level, the consumer price index advanced by 2.9 percent over the past 12 months.

This month, survey participants were asked how tariffs were affecting their business operations. Approximately, one-fourth of firms reported that tariffs have made purchasing from abroad more difficult. Despite this, four of ten firms support raising tariffs to put even more pressure on trade partners.

San Joaquin Business Conditions Index – p. 3 of 4

“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, in my judgment, the Federal Reserve’s interest rate setting committee will 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 65.5 from June’s 70.5. “Healthy profit growth and still low 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 supplies, climbed slightly to 47.2 from 47.0 in June.

Trade: The new export orders index climbed to 55.4 from June’s 50.8, while the import index slipped to 49.8 from 55.2 in June. “In anticipation of rising tariffs and trade restrictions, trading partners advanced purchases to get ahead of these levies,” said Goss.

Other components: Other components of the July Business Conditions Index were: new orders at 63.7, down from 66.0 in June; production or sales at 65.1, up slightly from June’s 65.0; and delivery lead time at 54.1 from last month’s 55.7.

Table 1 details survey results for July 2017, last month, and July 2018. Survey results for August will be released on September 4, the first business day of the month.

	San Joaquin Valley		
	July 2017	June 2018	July 2018
Leading economic indicator	63.2	58.6	57.5
New orders	67.1	66.0	63.7
Production or sales	71.7	65.0	65.1
Employment	65.8	59.1	57.5
Inventories	54.5	47.0	47.2
Delivery lead time	57.4	55.7	54.1
Wholesale prices	71.2	71.5	68.6
Imports	48.1	55.2	49.8
Export orders	53.8	50.8	55.4
Business confidence	70.0	70.5	65.5

San Joaquin Business Conditions Index – p. 4 of 4

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