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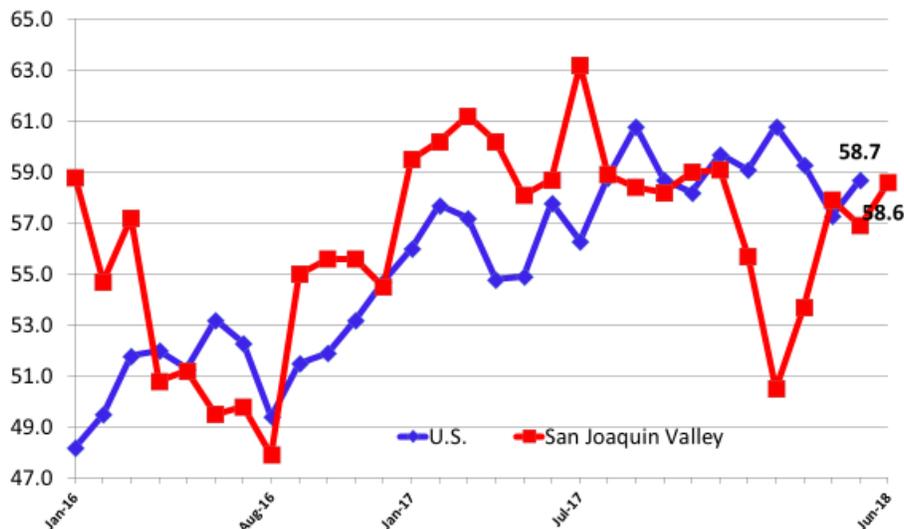
Goss video economic summary: <https://www.youtube.com/watch?v=23OV4EOFUFc&>

June's San Joaquin Valley Index Highest in 6 Months: Finding and Hiring Workers Biggest Challenge

June survey results at a glance:

- Leading economic indicator above growth neutral for the 22nd straight month.
- Inflation gauge indicates elevated inflationary pressures at the wholesale level.
- Business confidence index remained very strong.
- In anticipation of rising trade restrictions, export orders climbed for June.

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



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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,

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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 May's solid 56.9, the region's Business Conditions Index rose to a healthy 58.6. 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 22nd straight month that the overall index has moved above growth neutral. Both durable and non-durable goods manufacturing reported solid gains for the month. Food processing continues to be a major contributor to regional growth. 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: The employment gauge moved slightly higher to 59.1 from 54.7 in May. . "The San Joaquin region has experienced strong job growth at 2.5 percent over the past 12 months, or significantly above the nation's 1.5 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 in 12 years. Not surprisingly, one business leader reported that, "The shortage of qualified workers is by far the biggest issue for our company."

Another survey participant said, "A majority of our top line sales growth is being driven primarily by charging more for labor to keep up with wage increases."

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, slipped to a still inflationary 71.5 from May's 74.2 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 3.1 percent, the fastest growth since 2012. At the consumer level, the consumer price index advanced by 2.8 percent over the past 12 months.

According to one June survey participant, "Certain steel prices have gone up, plate and tube for example, which cause our tower prices to go up."

"I expect rising tariffs, trade restrictions, and higher oil prices 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

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committee will raise short-term interest rates by one-quarter of one percentage point (25 basis points) no later than Sept. 26,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, advanced to a robust 70.5 from May’s 69.9. “Healthy profit growth and still low interest rates boosted business confidence. However, the I expect rising tariffs and trade restriction 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 to 47.0 from 44.0 in May.

Trade: The new export orders index climbed to 50.8 from May’s 43.9, while the import index slipped to solid 55.2 from 56.3 in May. “The expanding regional economy is supporting international purchases from regional businesses,” said Goss.

Other components: Other components of the June Business Conditions Index were: new orders at 66.0, up from 64.1 in May; production or sales at 65.0, up from May’s 64.2; and delivery lead time at 55.7, down from last month’s 57.8.

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

	San Joaquin Valley		
	June 2017	May 2018	June 2018
Leading economic indicator	58.7	56.9	58.6
New orders	57.0	64.1	66.0
Production or sales	66.1	64.2	65.0
Employment	60.8	54.7	59.1
Inventories	59.0	44.0	47.0
Delivery lead time	51.1	57.0	55.7
Wholesale prices	67.3	74.2	71.5
Imports	54.5	56.3	55.2
Export orders	47.7	43.9	50.8
Business confidence	69.1	69.9	70.5

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

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