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Goss video economic summary:

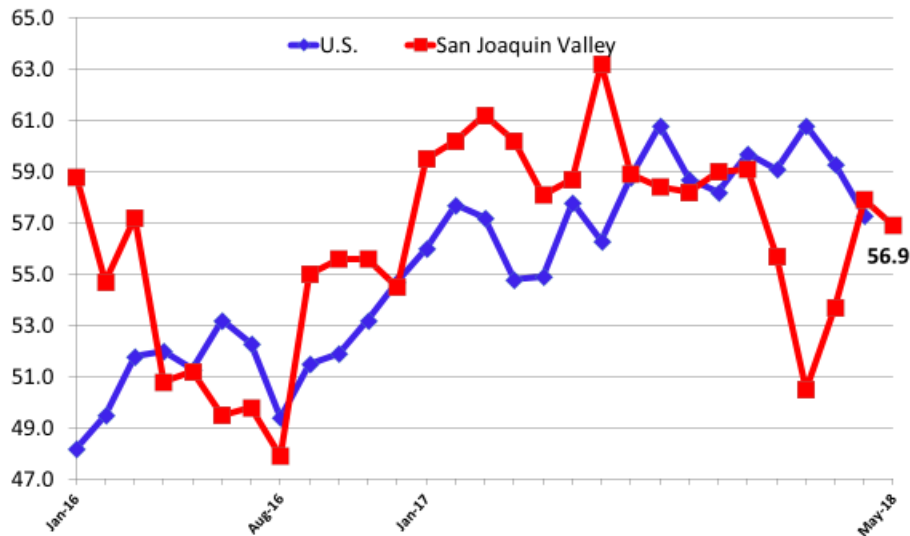
https://www.youtube.com/watch?v=UaDN_zg3M_o&feature=youtu.be

**May's San Joaquin Valley Index Solid:
Finding and Hiring Workers Biggest Challenge**

May survey results at a glance:

- Leading economic indicator above growth neutral for the 21st straight month.
- Inflation gauge indicates elevated inflationary pressures at the wholesale level.
- Business confidence index remained very strong.
- Almost four in ten businesses named finding and hiring qualified workers as the greatest 2018 economic challenge.

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



For Immediate Release: June 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 April's 57.9, the region's Business Conditions Index dipped to a still solid 56.9. 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 21st 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 54.7 from 54.6 in April. "The San Joaquin region has experienced strong job growth at 2.8 percent over the past 12 months, or almost double 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 expanding regional economy is boosting wage growth in the area with hourly wages expanding over the past 12 months at a 2.9 percent rate of growth compared to 2.7 percent for the nation.

This month survey participants were asked to identify the greatest economic challenge to 2018 business operations. Almost four of ten, or 38.1 percent, reported that finding and hiring qualified workers represented the top challenge facing their firm for 2018. Almost one-fourth, or 23.8 percent, reported that U.S. economic weakness was potentially the greatest 2018 economic challenge to their business operations.

Wholesale Prices: After declining for three straight months, the prices-paid index, which tracks the cost of purchased raw materials and supplies, rose to 74.2 from April's 73.3 indicating elevated inflationary pressures at the wholesale level. "Inflationary pressures at both the consumer

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and wholesale levels will likely trend higher in the months ahead. Moreover, I expect the Federal Reserve to raise short-term interest rates at their June meetings by one quarter of one percentage point (25 basis points) to combat growing inflationary pressures,” said Goss.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, advanced to a very healthy 69.9 from April’s 65.9. “Healthy profit growth and still low interest rates boosted business confidence. However, the May survey was completed before the Trump Administration’s tariff increase placed on steel and aluminum beginning June 1. I expect these tariffs to shrink business confidence in the months ahead,” reported Goss.

Inventories: The inventory index unexpectedly fell below growth neutral for May. The index which reflects the growth or decline in supplies of raw materials and supplies, fell to 44.0 from 52.8 in April.

Trade: The new export orders index slumped to 43.9 from 52.2 in April, while the import index slipped to solid 56.3 from 57.5 in April. “The expanding regional economy is supporting international purchases from regional businesses,” said Goss.

Other components: Other components of the May Business Conditions Index were: new orders at 64.1, up from 61.5 in April; production or sales at 64.2, up from April’s 61.6; and delivery lead time at 57.8, down from last month’s 58.5.

Table 1 details survey results for May 2017, last month, and May 2018. Survey results for May will be released on July 2, the first business day of the month.

	San Joaquin Valley		
	May 2017	April 2018	May 2018
Leading economic indicator	58.1	57.9	56.9
New orders	60.5	61.5	64.1
Production or sales	62.3	61.6	64.2
Employment	59.0	54.6	54.7
Inventories	54.4	52.8	44.0
Delivery lead time	56.0	58.5	57.0
Wholesale prices	65.4	73.3	74.2
Imports	53.4	57.6	56.3
Export orders	53.7	52.2	43.9
Business confidence	72.6	65.9	69.9

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

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