

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

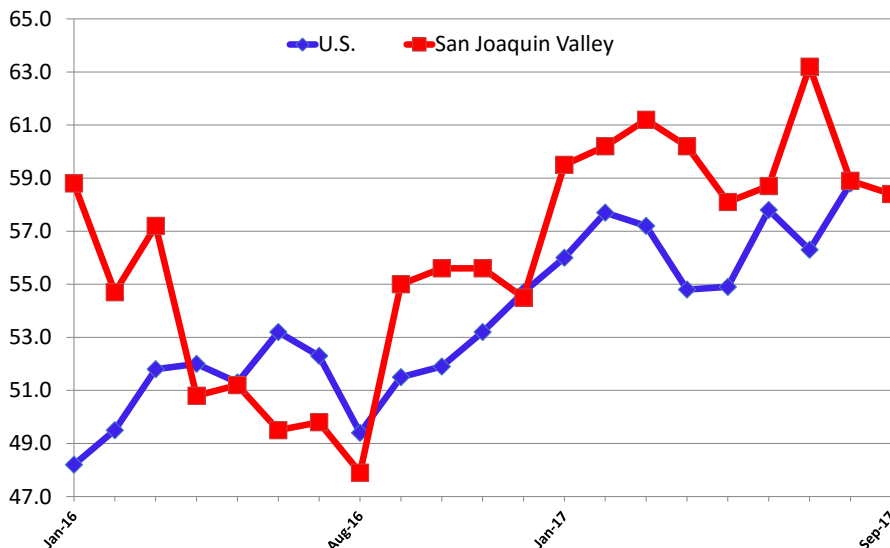
Goss video economic summary: <https://youtu.be/5HS-0OSFWUE>

August San Joaquin Valley Indicator Falls to Healthy Level: Inflation Gauge Elevated

September survey results at a glance:

- Leading economic indicator falls to a healthy level from August's strong reading, signaling healthy growth ahead.
- Employment index declines to solid reading indicating positive job growth for the month.
- More than one in four businesses expect another 2017 Federal Reserve rate hike to have a negative impact on their company.
- Wholesale inflationary pressures elevated for the month.

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



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FRESNO, CA-The San Joaquin Valley Business Conditions Index fell 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 August's healthy 58.9, the index slips to 58.4. 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 13th straight month that the overall index has moved above growth neutral. This month, we tracked weakness among non-durable goods producers, including food processors. However, gains for durable goods manufacturers more than offset this weakness," said Ernie Goss, Ph.D., research faculty with the Craig School of Business at Fresno State University.

Employment: After moving below growth neutral for December 2016, the employment gauge climbed above the threshold every month since. The September index declined to a solid 54.0 from 57.9 in August. "Over the past 12 months, the San Joaquin region has experienced strong and improving job growth at 1.8 percent, which is well above the pace of the nation's 1.3 percent," reported Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, climbed to 73.4 from 70.2 in August 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. As a result, I expect the Federal Reserve to raise short term interest rates by one-fourth of one percentage point before the end of 2017," said Goss.

The month survey participants were asked how another Federal Reserve rate hike would impact their firm. More than one-fourth, or 26.7 percent indicated that such an increase would have negative impact on their business operations.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, rose to 68.8 from August's 65.3. "Businesses in the region and nation continue to expect improving business conditions, and profits. If forthcoming, I expect passage of a significant tax reform package to boost economic confidence even higher in the months ahead," said Goss.

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Inventories: In another show of economic confidence, the inventory index remained above growth neutral for September. The September inventory advanced to 56.5 from 52.3 in August.

Trade: The new export orders index expanded to 52.0 from August's 46.9 while the import index climbed to 54.3 from August's 41.9.

Other components: Other components of the September Business Conditions Index were: new orders at 59.7, down from 60.5 in August; production or sales at 63.3, up from August's 62.8; and delivery lead time at 58.8, down from last month's 61.4.

Table 1 details survey results for September 2016, last month, and September 2017. October's survey results will be released on the first business day of November.

	San Joaquin Valley		
	September 2016	August 2017	September 2017
Leading economic indicator	55.0	58.9	58.4
New orders	53.3	60.5	59.7
Production or sales	56.8	62.8	63.3
Employment	56.8	57.9	54.0
Inventories	51.9	52.3	56.5
Delivery lead time	56.0	61.4	58.8
Wholesale prices	55.4	70.2	73.4
Imports	43.0	41.9	54.3
Export orders	36.9	46.9	52.0
Business confidence	44.5	65.3	68.8

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

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