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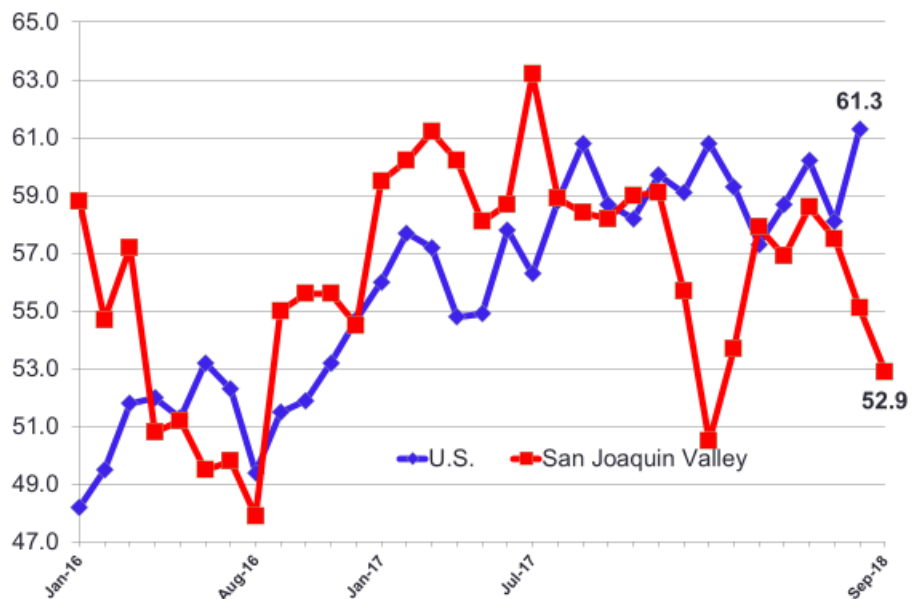
Goss video economic summary: <https://youtu.be/tXEWPoJ895o>

### San Joaquin Valley Index Falls for Third Straight Month: One-Third Report Negative Tariff Impacts

#### September survey results at a glance:

- Leading economic indicator falls, but remains above growth neutral for the 25th straight month.
- Job index shows solid hiring for the month.
- More than one in three businesses indicated that tariffs and trade battles were having negative impacts on sales to, and purchases from, abroad.
- Despite negative fallout from tariffs, approximately six of ten businesses supported either raising tariffs, or leaving current China trade tariffs in place.
- Business confidence remained very strong.

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



**For Immediate Release: October 1, 2018**

FRESNO, CA-The San Joaquin Valley Business Conditions Index declined for a third straight month pointing to slower, 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](http://www.ism.ws)).

**Overall Index:** From August's 55.1, the region's Business Conditions Index declined to a still growth positive 52.9. 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 25th 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 solid 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 52.5 from 55.0 in August. "The San Joaquin region has experienced strong job growth at 1.8 percent over the past 12 months, or above the nation's 1.7 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 number of unemployed workers in the region has declined by 40,000 over the past seven years. 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, climbed to 68.5 from August's 67.6, indicating modest inflationary pressures at the wholesale level. Both the San Joaquin regional wholesale inflation index and the U.S. inflation gauge are elevated. For example, this calendar year steel prices have risen by more than 19.0 percent. This is spilling over into a broad range of products.

"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, I expect the Federal Reserve's interest rate setting committee to raise short-term interest rates by another one-quarter of one percentage point (25 basis points) at their December 19 meeting," said Goss.

**Business Confidence:** Looking ahead six months, economic optimism, as captured by the business confidence index, climbed to 62.8 from August’s 62.5. “Healthy profit growth, still attractive interest rates, and lower taxes boosted business confidence,” reported Goss.

**Inventories:** The inventory index rose above growth neutral for the month. The index which reflects the growth or decline in supplies of raw materials, and other inputs increased to 50.6 from 45.3 in August.

**Trade:** The new export orders index fell to 43.1 from August’s 49.9, while the import index sank to 40.6 from 44.9 in August. “More than one in three businesses, or 34.8 percent indicated that tariffs and trade battles were having negative impacts on sales to, and purchases from, abroad,” said Goss.

Despite negative fallout from tariffs, more than six of ten businesses, or 60.9 percent, support either raising tariffs or leaving current China trade tariffs in place.

**Other components:** Other components of the September Business Conditions Index were: new orders at 52.0, down from 59.5 in August; production or sales at 53.2, down from 61.3 in August; and delivery lead time at 56.2, up from last month’s 54.5.

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

Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	September 2017	August 2018	September 2018
Leading economic indicator	58.4	55.1	52.9
New orders	59.7	59.5	52.0
Production or sales	63.3	61.3	53.2
Employment	54.0	55.0	52.5
Inventories	56.5	45.3	50.6
Delivery lead time	58.8	54.5	56.2
Wholesale prices	73.4	67.6	68.5
Imports	54.3	44.9	40.6
Export orders	52.0	49.9	43.1
Business confidence	68.8	62.5	62.8

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

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