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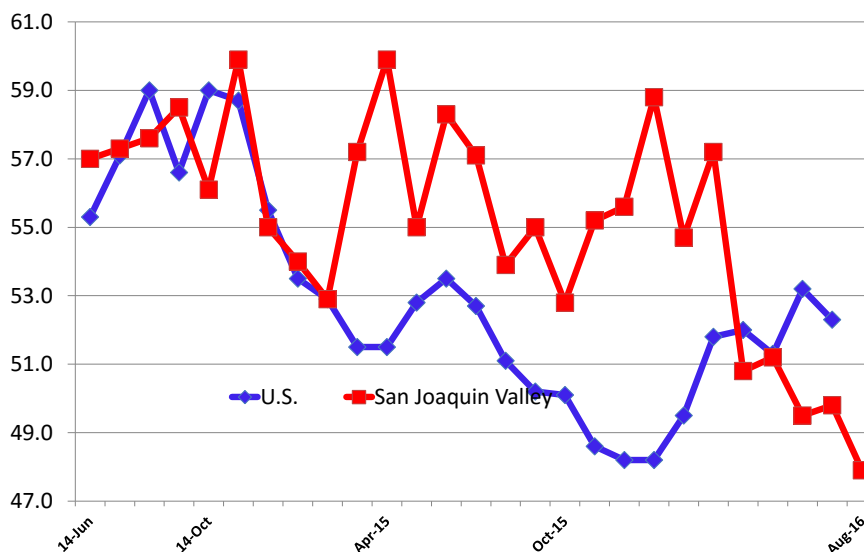
Goss video economic summary: <https://youtu.be/WbHLDGytpig>

San Joaquin Valley Indicator Below Growth Neutral for Third Straight Month: But Hiring Increased for the Month

August survey results at a glance:

- Leading economic indicator falls below growth neutral for a third straight month.
- Businesses expanded hiring for the month.
- Export orders remain very weak.
- Only modest wholesale inflationary pressures.
- Survey participants reported an expected wage gain of only 1.8 percent over the next 12 months.

PMIs for U.S. & San Joaquin Valley, June 2014 – August 2016



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FRESNO, CA-For a third straight month, the San Joaquin Valley Business Conditions Index fell below 50.0 growth neutral threshold. 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, sank into a range pointing to slower economic growth for the next 3 to 6 months. The index is produced using the same methodology as that of the national Institute for Supply Management (www.ism.ws).

Overall Index: The August index fell to 47.9 from 49.8 in July. Readings over the past months are in a range pointing to slower economic and business growth over the next 3 to 6 months for the region. 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.

“Three months of readings slightly below growth neutral do not necessarily set the stage for negative economic growth for the San Joaquin Valley. We will have to see several months of sub-45.0 readings before a negative economic growth forecast will be issued. However, weaker readings since January of this year are pointing to slower growth. Business pullbacks for the area’s durable goods producers and construction firms more than offset growth among non-durable goods manufacturers, including food processors, for the month,” said Ernie Goss, Ph.D., research faculty with the Craig School of Business at Fresno State University.

Employment: For a second straight month, the hiring gauge was at or above the growth neutral 50.0 threshold. The employment index expanded slightly to 51.8 from July’s 50.0 and June’s 49.8. “San Joaquin businesses had been boosting employment at a strong pace. Over the past 12 months, the region has experienced job growth above three percent, which is about double the pace of the nation. However, I expect overall rate of job gains to diminish in the months ahead,” reported Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, fell to 53.7 from July’s 57.4. “Just as in other regional surveys and the national survey, Fresno State’s surveys over the past several months show modest, but advancing inflationary pressures at the wholesale level,” said Goss.

This month survey participants reported an expected wage gain of only 1.8 percent over the next 12 months.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, slumped to 44.8 from July’s solid 54.0. “Weak U.S. and global growth are negatively affecting confidence among businesses in the San Joaquin Valley,” said Goss.

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Inventories: Businesses reduced inventories of raw materials and supplies for August. The August inventory index sank to 39.6 from 45.9 in July.

Trade: The new export orders index remained below growth neutral for August. The index slumped to 30.0 from July's frail 31.5, and the import index fell to 36.1 from 38.8 in July. "The U.S. dollar remains relatively strong making U.S. goods less competitively priced abroad. At the same time, weaker regional growth reduced imports into the area for the month," said Goss.

Other components: Other components of the August Business Conditions Index were: new orders at 45.8, down from July's 48.8; production or sales at 43.7, down from 48.1 in July; and delivery lead time at 58.8 which is up from last month's 56.1.

Table 1 details survey results for August 2015, last month, and August 2016. September's survey results will be released on the first business day of next month, October 3.

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Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion)			
	San Joaquin Valley		
	August 2015	July 2016	August 2016
Leading economic indicator	53.9	49.8	47.9
New orders	54.0	48.8	45.8
Production or sales	56.4	48.1	43.7
Employment	54.1	50.0	51.8
Inventories	53.1	45.9	39.6
Delivery lead time	52.2	56.1	58.8
Wholesale prices	49.8	57.4	53.7
Imports	51.1	38.8	36.1
Export orders	42.8	31.5	30.0
Business confidence	53.5	54.0	44.8

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

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