

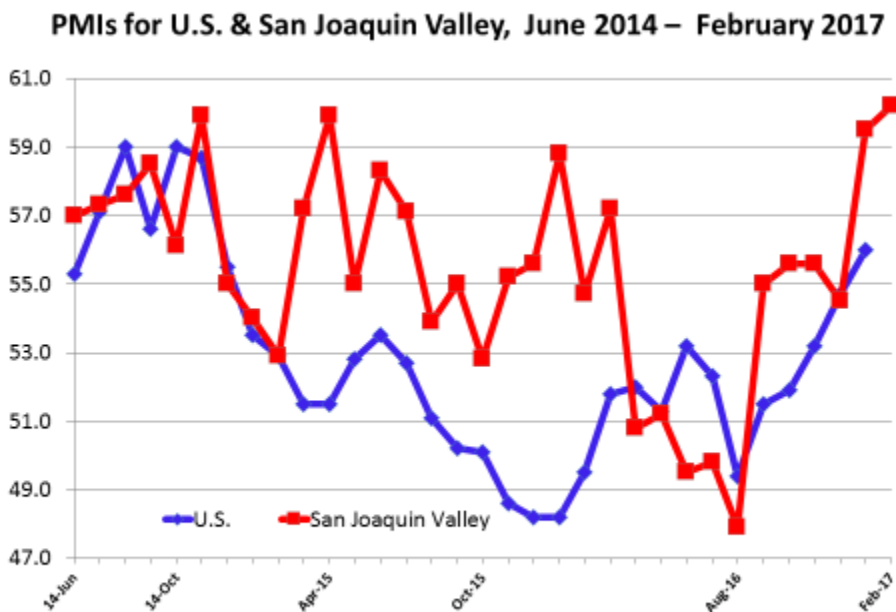
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Goss video economic summary: <https://youtu.be/vWD3IFwqghU>

San Joaquin Valley Indicator Soars to Record High: Inflation Index Advance

February survey results at a glance:

- Leading economic indicator soars to highest level ever.
- Inflationary pressures at wholesale level bounce higher.
- Almost nine of ten businesses reported that a corporate tax rate cut would have a positive impact on their firm's 2017 hiring and investment.
- Approximately 40 percent indicated that a March Federal Reserve rate hike would have a negative impact on their company's economic prospects.
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FRESNO, CA-The San Joaquin Valley Business Conditions Index moved into a range pointing to strong 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: The February index jumped to 60.2, a record high, and up from 59.5 in January. 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.

“After moving into a range indicating solid economic growth for the next 3 to 6 months, the overall index for February jumped to its highest level since initiation of the survey. The region is currently experiencing solid manufacturing growth combined with upturns in regional construction. Furthermore, growth was recorded in wholesale trade and distribution,” 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, the employment gauge climbed above the threshold. The February index advanced to 54.2 from 53.3 in January. “Over the past 12 months, the San Joaquin region has experienced job growth of 1.6 percent, which is a bit above the pace of the nation’s 1.5 percent. Our surveys over the last several months indicate that the San Joaquin job market will continue to expand at a pace above that of the nation through the third quarter of 2017,” reported Goss.

Almost nine of ten businesses in the region reported that a federal corporate tax rate cut would have a positive impact on their firm’s hiring and investment in the next year.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, climbed to 63.5 from 60.4 in January, indicating rising, but not excessive, inflationary pressures at the wholesale level. “I expect inflationary pressures at both the consumer and wholesale level to move higher in the months ahead with a Federal Reserve rate hike as early as March 2017,” said Goss.

“Bureau of Labor Statistics releases reports on employment on March 10 and consumer prices on March 15. These reports will have a significant impact on the Federal Reserve’s interest rate decision on March 15. Annualized wage growth above 3.0 percent and consumer prices higher than 2.8 percent from those reports could produce a March rate hike from the Fed,” said Goss.

San Joaquin Business Conditions Index – p. 3 of 3

Survey participants were asked the likely impacts of a March 2017 rate hike. Approximately 40 percent indicated that such an increase in interest rates would have a negative impact on their company's economic prospects.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, rose to very strong 75.3 from January's 70.6 and December's 64.4. "Much like for the national economy, we are recording very strong boosts to the economic outlook for businesses in the four-county region," said Goss.

Inventories: In another show of economic confidence, businesses increased inventories of raw materials and supplies for February. The February inventory climbed to 68.7 from 65.1 in January.

Trade: The new export orders index moved above growth neutral for February. The index expanded to 56.1 from January's 54.0. The import index advanced to 56.9 from 56.7 in January.

Other components: Other components of the February Business Conditions Index were: new orders at 67.2 up from 62.1 in January; production or sales at 63.5, down from January's 65.9; and delivery lead time at 47.7, down from last month's 50.9.

Table 1 details survey results for February 2016, last month, and February 2017. March's survey results will be released on the first business day of April, or April 3.

| Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion) | | | |
|--|--------------------|--------------|---------------|
| | San Joaquin Valley | | |
| | February 2016 | January 2017 | February 2017 |
| Leading economic indicator | 54.8 | 59.5 | 60.2 |
| New orders | 53.7 | 62.1 | 67.2 |
| Production or sales | 56.1 | 65.9 | 63.5 |
| Employment | 54.1 | 53.3 | 54.2 |
| Inventories | 55.8 | 65.1 | 68.7 |
| Delivery lead time | 54.2 | 50.9 | 47.7 |
| Wholesale prices | 42.9 | 60.4 | 63.5 |
| Imports | 52.3 | 56.7 | 56.9 |
| Export orders | 48.5 | 54.0 | 56.1 |
| Business confidence | 41.9 | 70.6 | 75.3 |

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

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