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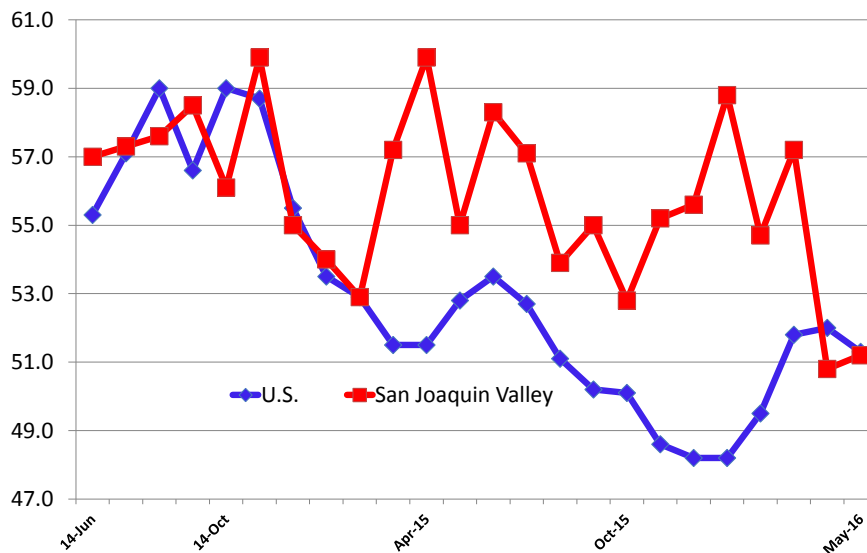
Goss video economic summary: <https://youtu.be/mVOUJ7edRis>

San Joaquin Valley Economic Indicator Improves for May: One-Third Report Labor Shortages

May survey results at a glance:

- Leading economic indicator improves and points to positive, but slow growth in the next 3 to 6 months for the four county region.
- More than one-third report that finding and hiring represents the greatest threat to company's 2016 economic prospects.
- Approximately 30 percent of businesses indicated that a June Federal Reserve rate hike would have a negative impact on their business.

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



For Immediate Release: June 1, 2016

FRESNO, CA-For the thirtieth consecutive month, the San Joaquin Valley Business Conditions Index rose above the 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, rose and continues to point to positive 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 May index improved to 51.2 from 50.4 in April. Readings over the past months are in a range pointing to softer 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.

“According to our survey results over the last several months, economic growth will remain positive, but somewhat weaker in the months ahead. However, it should be noted that growth for the region has been vigorous exceeding the nation’s growth by a hefty margin over the past year. Manufacturing activity, especially food processor and other durable goods manufacturers and construction, was strong 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 regional hiring gauge fell below growth neutral 50.0 threshold. The employment index expanded to 49.7 from April’s 49.4. “Until the last two months, San Joaquin businesses had been boosting employment at a strong pace. I expect job gains to once again be a part of the economy over the next several months and equal that of the nation. Job gains are likely to escalate for manufacturing and construction in the area,” reported Goss.

This month respondents were asked to name the greatest threat to 2016 economic prospects. More than one-third, or 35.7 percent, indicated that finding and hiring qualified workers represented the number one risk to business economic prospects for the rest of the year. Other factors named included approximately 14.3 that named global economic weakness, 21.4 percent reported U.S. economic weakness, 21.5 percent indicated rising government regulation, and the remaining 7.0 percent reported other issues.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, advanced to 54.4 from April’s 51.7. “Just as in other regional surveys and the national survey, Fresno State’s survey over the past many months shows rising, but very modest inflationary pressures at the wholesale level,” said Goss.

Businesses were asked about the impact of a June 2016 rate hike. Approximately 28.5 percent expect a June rate increase to have a negative impact, while 64.3 percent expect little or no fallout from

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an interest rate increase. The remaining 7.1 percent indicated that they were uncertain how a rate increase would affect their business.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, slumped to 45.9 from April's frail 48.9. "Weak agriculture commodity prices, and global economic weakness continue to weigh on expectations of future economic conditions," said Goss.

Inventories: Businesses shrank inventories of raw materials and supplies for May. The May inventory index plummeted to 49.1 from 59.8 in April.

Trade: New export orders remained below growth neutral for May. The index increased to 43.8 from April's even weaker 30.4, and the import index slipped to 48.4 from 53.1 in April. "Even though the U.S. dollar has declined in 2016, it remains relative strong and makes U.S. goods less competitively priced abroad. At the same time, the strong U.S. dollar has made foreign goods more competitively priced in the U.S. thus increasing imports," said Goss.

Other components: Other components of the May Business Conditions Index were: new orders at 51.8, up from April's 46.4; production or sales at 49.0, up from 44.4 in April; and delivery lead time at 56.4, which is well above last month's 52.1

Table 1 details survey results for May 2015, last month, and May 2016. June survey results will be released on the first business day of next month, July 1.

| Table 1: Overall and component indices for last 2 months and one year ago (above 50.0 indicates expansion) | | | |
|--|--------------------|------------|----------|
| | San Joaquin Valley | | |
| | May 2015 | April 2016 | May 2016 |
| Leading economic indicator | 55.0 | 50.4 | 51.2 |
| New orders | 50.8 | 46.4 | 51.8 |
| Production or sales | 51.6 | 44.4 | 49.0 |
| Employment | 59.7 | 49.4 | 49.7 |
| Inventories | 53.5 | 59.8 | 49.1 |
| Delivery lead time | 59.6 | 52.1 | 56.4 |
| Wholesale prices | 55.0 | 51.7 | 54.4 |
| Imports | 44.0 | 53.1 | 48.4 |
| Export orders | 43.2 | 30.4 | 43.8 |
| Business confidence | 54.3 | 48.9 | 45.9 |

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

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