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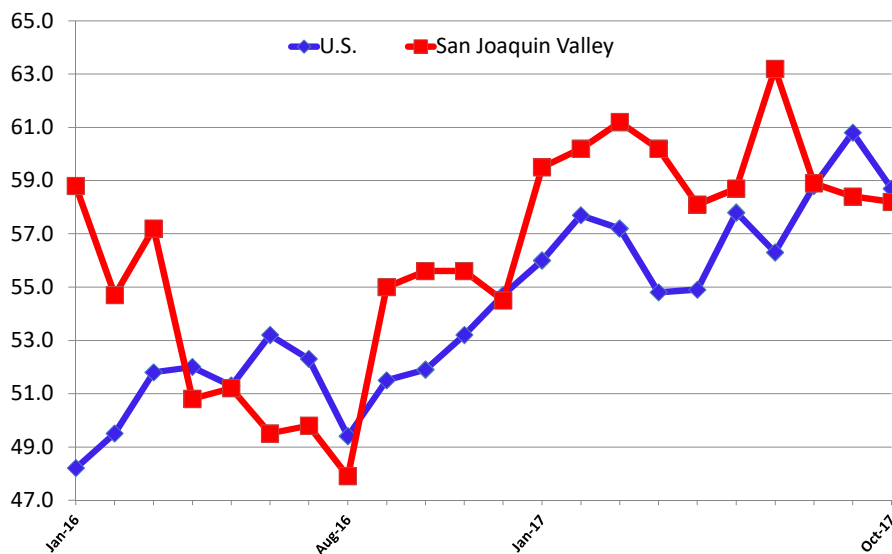
Goss video economic summary: <https://youtu.be/iFqL00d3kOY>

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

October survey results at a glance:

- Leading economic indicator falls to a healthy level from August's strong reading, signaling healthy growth ahead.
- Wholesale price gauge indicates elevated inflationary pressures.
- Nine of ten businesses expect no impacts from the recent northern California fires.
- Only 7.1 percent reported that NAFTA was important to their business success.
- Employment index declines to solid reading indicating positive job growth for the month.

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



For Immediate Release: November 1, 2017

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 September's 58.4, the index dipped to 58.2 for October. 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 14th 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. Construction activity in San Joaquin Valley continues to expand at a healthy pace," said Ernie Goss, Ph.D., research faculty with the Craig School of Business at Fresno State University.

This month survey participants were asked how the recent northern California fires would impact their businesses. More than nine in ten, or 92.9 percent, expect little or no impacts from the fires.

Employment: After moving below growth neutral for December 2016, the employment gauge climbed above the threshold every month since. The October index declined to a solid 53.8 from 54.0 in September. "Over the past 12 months, the San Joaquin region has experienced strong but slowing job growth at 1.3 percent, which is equal to the nation's 1.3 percent gain for the same period of time," reported Goss.

Wholesale Prices: The prices-paid index, which tracks the cost of purchased raw materials and supplies, slipped to 73.1 from September's 73.4, 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 at their meeting next month," said Goss.

Business Confidence: Looking ahead six months, economic optimism, as captured by the business confidence index, declined to a still healthy 66.5 from September's 68.8. "Businesses in the region and nation continue to expect improving business conditions, and profits. I expect the failure to

San Joaquin Business Conditions Index – p. 3 of 3

pass a significant tax reform package to diminish economic confidence in the months ahead,” said Goss.

Inventories: In another show of economic confidence, the inventory index remained above growth neutral for October. The October inventory advanced to 59.5 from 56.5 in September.

Trade: The new export orders index slipped to 51.0 from September’s 52.0 while the import index declined to 52.2 from 54.3 in September.

Survey participants were asked to assess the importance of NAFTA (North American Free Trade Agreement) to their firm’s buying and selling. Only 7.1 percent reported that NAFTA was important to their business success in terms of buying inputs and selling output.

Other components: Other components of the October Business Conditions Index were: new orders at 59.0, down from 59.7 in September; production or sales at 66.3, up from September’s 63.3; and delivery lead time at 52.3, down from last month’s 58.8.

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

	San Joaquin Valley		
	October 2016	September 2017	October 2017
Leading economic indicator	55.6	58.4	58.2
New orders	55.8	59.7	59.0
Production or sales	57.6	63.3	66.3
Employment	55.8	54.0	53.8
Inventories	55.7	56.5	59.5
Delivery lead time	53.0	58.8	52.3
Wholesale prices	58.6	73.4	73.1
Imports	46.5	54.3	52.2
Export orders	45.9	52.0	51.0
Business confidence	42.2	68.8	66.5

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

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