

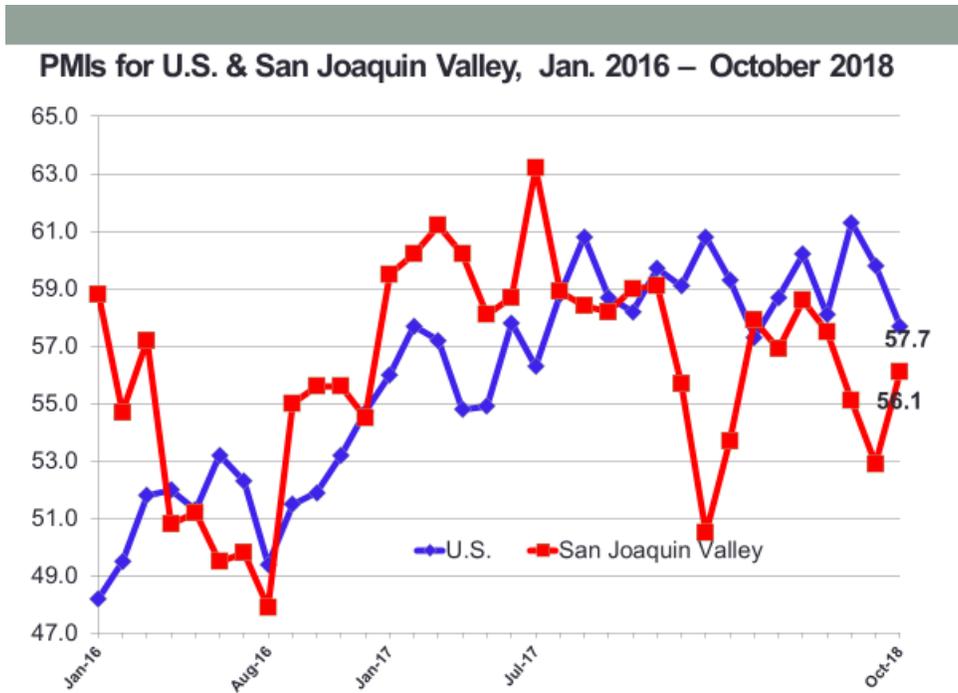
For More Information Contact:  
Ernie Goss Ph.D., 559-278-2352  
University Business Center  
Craig School of Business  
California State University, Fresno

Goss video economic summary: <https://youtu.be/h7qe6CnkM8Q>

### San Joaquin Valley Index Rises for First Time Since June: One Fourth of Businesses Report Tariffs Impacting Buying

#### October survey results at a glance:

- Leading economic indicator falls, but remains above growth neutral for the 26th straight month.
- Job index shows solid hiring for the month.
- Business confidence remained very strong.
- On average, San Joaquin Valley businesses expect to experience a 4.4 percent increase in the prices they pay for inputs and supplies over the next year.
- Almost one-fourth of businesses report that tariffs and trade skirmishes have made it more difficult to purchase from abroad.



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

FRESNO, CA-The San Joaquin Valley Business Conditions Index rose for the first time since June pointing to 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 September's weaker 52.9, the region's Business Conditions Index advanced to a solid 56.1. 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 26th 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 higher to 56.9 from 52.5 in September. "The San Joaquin region has experienced strong job growth at 2.6 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 41,000 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, fell to 60.6 from September's 68.5, indicating modest inflationary pressures at the wholesale level. Both the San Joaquin regional wholesale inflation index and the U.S. inflation gauge are elevated.

On average, San Joaquin Valley businesses expect to experience a 4.4 percent increase in the prices they pay for inputs and supplies over the next year.

"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.

## San Joaquin Business Conditions Index – p. 3 of 3

Almost one-half, or 46.0 percent expect a December rate hike to negatively impact their firm's profitability.

**Business Confidence:** Looking ahead six months, economic optimism, as captured by the business confidence index, slipped to a strong 62.1 from September's 62.8. "Healthy profit growth, still attractive interest rates, and lower taxes continue to support 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 56.5 from 50.6 in September.

**Trade:** The new export orders index climbed to a weak 46.6 from September's 43.1, while the import index increased to 45.3 from 40.6 in September.

Almost one-fourth, or 24.0 percent, of businesses report that tariffs and trade skirmishes have made it more difficult to purchase from abroad.

**Other components:** Other components of the October Business Conditions Index were: new orders at 53.5, up from 52.0 in September; production or sales at 59.1, up from September's 53.2; and delivery lead time at 54.4, down from last month's 56.2.

Table 1 details survey results for October 2017, last month, and October 2018. This is the last of our monthly surveys. Thank to Fresno State for their support over the years. Also thanks to all of the businesses taking the survey and to all of you for tuning in.

	San Joaquin Valley		
	October 2017	September 2018	October 2018
Leading economic indicator	58.2	52.9	56.1
New orders	59.0	52.0	53.5
Production or sales	66.3	53.2	59.1
Employment	53.8	52.5	56.9
Inventories	59.5	50.6	56.5
Delivery lead time	52.3	56.2	54.4
Wholesale prices	73.1	68.5	64.3
Imports	52.2	40.6	45.3
Export orders	51.0	43.1	46.6
Business confidence	66.5	62.8	62.1

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

Follow Goss: Twitter at <http://twitter.com/erniegoss> or [www.gossandassociates.com](http://www.gossandassociates.com)

Blog: <http://economytrends.blogspot.com>