

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

**Housed in CSUSB's:
Jack H. Brown College of Business and Public Administration**

Report for April 2017

**Sponsor: *San Bernardino County Economic Development Agency
Riverside County Economic Development Agency***

PMI IN GROWTH MODE JUST AT A SLOWER PACE THIS MONTH

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's Inland Empire Purchasing Managers' Index (PMI) decreased to 56.8 from last month's 62.4. This decrease is definitely not cause for alarm...it was an anticipated decrease after an especially high figure last month. The fact that the figure remained above 50 indicates that the Inland Empire manufacturing sector is still in growth mode, although at a slower pace than last month. The overall economy is growing as well."

"All of the major components of the PMI registered anticipated drops from last month, but remained in growth mode. Production registered 58.0 – a significant drop from last month's record high 75.0. New Orders decreased from last month's 70.0 to 60.0 this month. The Employment Index dropped from 58.1 to 52.0 this month, and the Inventory Index moved from 56.7 to 50.0 this month. The Supplier Deliveries Index increased from 51.6 to 64.0, indicating that the speed of supplier deliveries is slowing (a sign that suppliers are busy and are having difficulty keeping up with deliveries). Finally, the Commodity Prices Index increased slightly from 61.7 to 64.0, showing that the cost of raw materials is increasing."

"Purchasing Managers continue to be optimistic for the next quarter. This month, 52% forecasted that the coming quarter will continue to be stronger, which is up from last month's 45%. Only 10% predicted that the economy would be weaker (up slightly from 7% last month), and the remaining 38% predicted that the economy will remain unchanged.

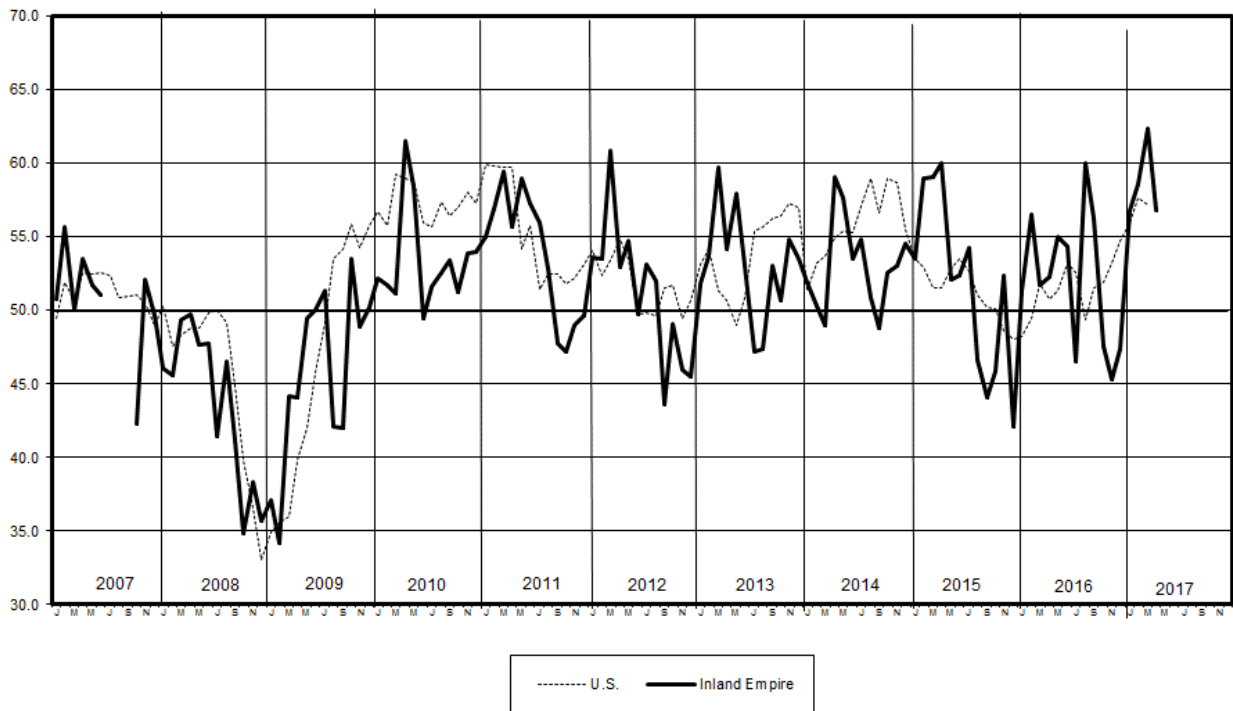
Following is a summary of highlights of the monthly indices:

April 2017 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	62.4	56.8	Growing	Slower	3
Commodity Prices	61.7	64.0	Increasing	Faster	14
Production	75.0	58.0	Growing	Slower	4
New Orders	70.0	60.0	Growing	Slower	3
Inventory	56.7	50.0	Unchanged	From Increasing	2
Employment	58.1	52.0	Growing	Slower	3
Supplier Deliveries	51.6	64.0	Slowing	Faster	3
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	45%	52%			
% Same	48%	38%			
% Weaker	7%	10%			

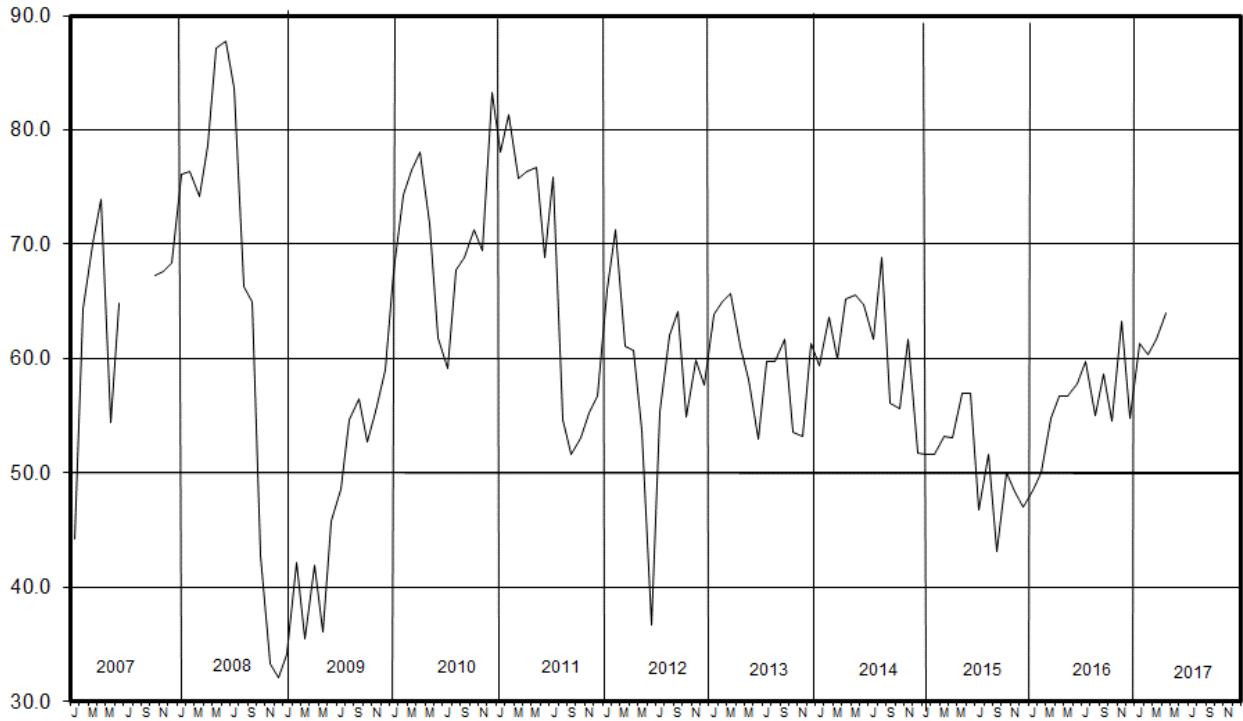
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



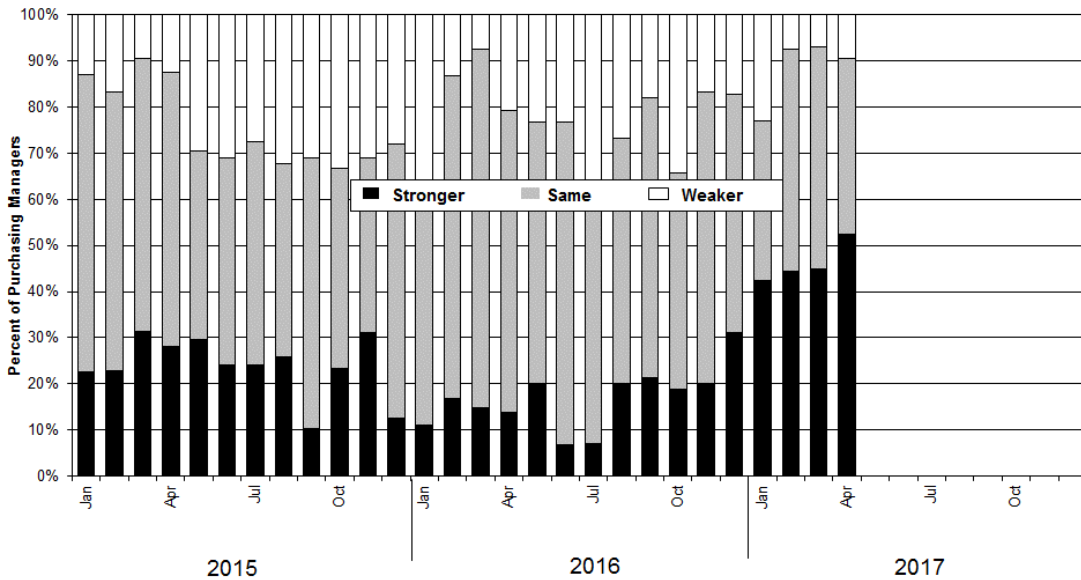
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 4/2016 THROUGH 4/2017

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Weaker	21	23	23	36	27	18	34	17	17	23	8	7	10
Same	65	57	70	57	53	61	47	63	52	35	44	48	38
Stronger	14	20	7	7	20	21	19	20	31	42	48	45	52

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included:

- “Business has been up and is still up.”
- “Business is picking up after a rough first quarter.”
- “Orders have increased.”
- “Business conditions improved in March.”
- “Business has been very steady with positive increases each month.”

There were a few cautionary comments:

- “There is still a great amount of uncertainty in the economy as it relates to businesses of our size, and of that is due to the difficulty of understanding of the direction the economy will take and the time frame in which that will happen. In the meantime there has been a short term stimulation as regulations have been cut back, and this has opened up growth on the part of many of our larger customers, but the uncertainty persists as to whether this will or not be for the long term.”
- “Business is still up, but uncertain if it will continue.”
- “We managed to ship more product in March by bringing in orders with later due dates. We are trying to do something like this in April. Some materials needed for this are not arriving on time. No layoffs yet but we are not making money yet either.”

In summary, last month we reported a sharp increase in the Production Index to the highest level ever recorded since the *Report on Business* was first published in 1993. The equally important New Orders index also spiked to a figure only exceeded twice. Because those figures were so high, we predicted that there would be some “regression towards the mean” and that this month’s figures would drop a bit. That is exactly what occurred.

Bottom line: Our respondents are still very optimistic that the Inland Empire economy will continue its slow and steady growth. In fact, there have only been two months since 1993 that have shown higher percentages of respondents predicting that the economy would be stronger in the coming quarter. Of course, as we’ve been saying for a few months, things could shift quickly depending on decisions at the national level regarding

taxes on imports, possible trade wars, and a possible health care replacement bill. Stay tuned!

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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