

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

Housed in CSUSB's *College of Business and Public Administration*

Report for April 2013

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

Local economy grows, although at a slower pace than before, as PMI registers above 50 for the fourth month in a row

According to Shel Bockman and Barbara Sirotnik (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (54.2) is down from last month's figure (59.7) but it is still the fourth month it has remained above the 50% benchmark. Since it takes three months to establish a new trend, we can now say that the manufacturing sector is in growth mode, but growing at a slower pace."

"The Production Index dropped from 63.9 last month to 57.1 this month. New Orders showed a sharp drop from 63.9 last month and 48.6 this month. On a positive note the Employment Index is still strong at 56.9 (a decline from last month's 59.7 but still high above 50% the baseline). Commodity Prices dropped from 65.7 last month to 61.1 this month."

"Imports decreased from 52.8 to 47.2 and the Export Index dropped from 64.3 to 41.2, with Purchasing Managers not offering any particular rationale for the drop."

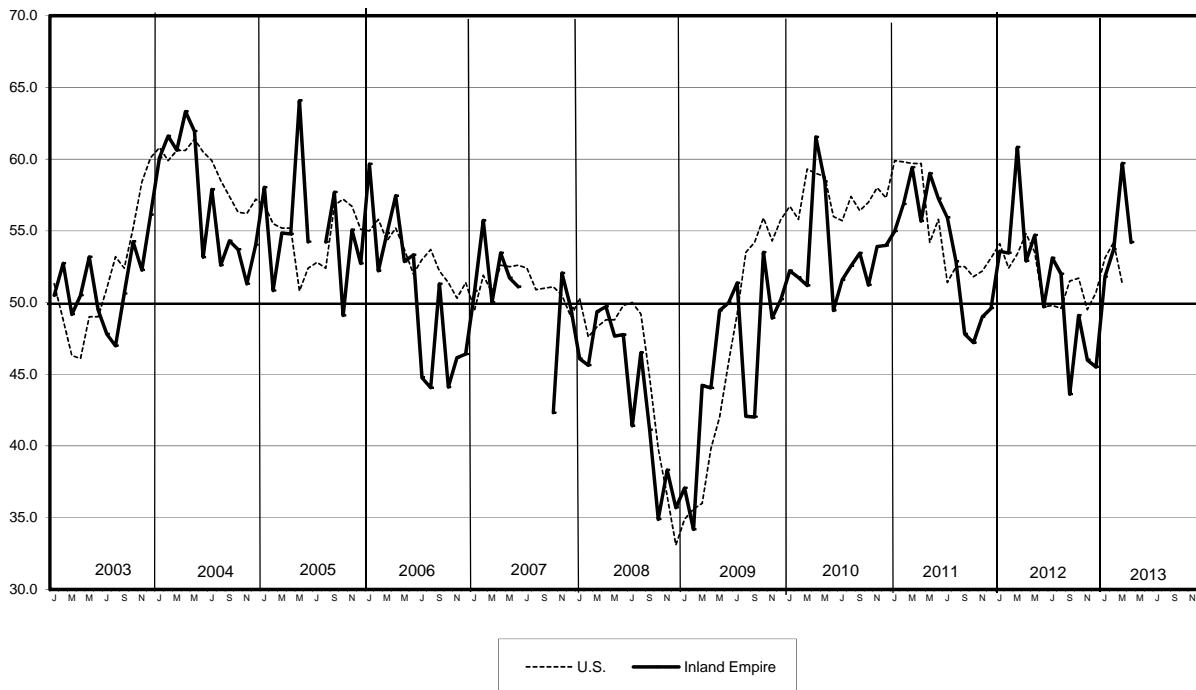
"Overall, Purchasing Managers are slightly less optimistic about the state of the local economy than they were last month, with 25% of the Purchasing Managers stating a belief that the local economy will become weaker by next quarter (up from 14% last month). An equal amount (25%) predicted that the local economy will become stronger in the coming months (down from last month's 29%). The other fifty percent of Purchasing Managers believe the local economy will remain unchanged."

Following are some highlights from this month's report:

April 2013 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	59.7	54.2	Growing	Slower
Commodity Prices	65.7	61.1	Increasing	Slower
Production	63.9	57.1	Growing	Slower
New Orders	63.9	48.6	Contracting	From Increasing
Inventory	55.6	54.2	Increasing	Slower
Employment	59.7	56.9	Increasing	Slower
Supplier Deliveries	55.6	54.2	Slowing	Slower
Imports	52.8	47.2	Contracting	From Increasing
Exports	64.3	41.2	Contracting	From Increasing
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	29%	25%		
% Same	57%	50%		
% Weaker	14%	25%		

Purchasing Managers' Index



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

STATE OF THE ECONOMY: DATA FROM 4/2012 THROUGH 4/2013

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Weaker	23	25	24	31	29	42	49	39	53	32	27	14	25
Same	62	64	66	62	51	47	31	45	34	53	60	57	50
Stronger	15	11	10	7	20	12	21	16	13	15	13	29	25

A few neutral or positive remarks made by the Purchasing Managers included: "Business has been off the charts, up," "Business has been steady for a couple of months and that is good but it's still on the slower side of things," "We purchase on the requirements we have for orders to fill for our customers, so our purchasing depends on orders, which are up this quarter," "Our business is a bit seasonal. We had a big February and March. April schedule is good but sales for May are slowing as expected with warmer weather," "Mild ripples of the sequestration are being experienced by several of our major customers both in military and commercial arenas," "First quarter was perfect, second quarter is only just getting started and while it is good, it is slightly below plan," "Business remains extremely busy," and "We are moving product, orders are coming in, looks promising and we hope it continues,"

The negative remarks included: "Signs of slowing down," "Business activity very slow," "Downstream fence contracting business continues to be slow according to customers informal survey," and "Orders are slow, slow, slow. We may go back on work share."

In summary, although this report suggests that the growth of the local economy remains relatively strong, there is one note of caution: the precipitous drop in new orders. It may reflect an aberration in the data, or could reflect something "deeper" than that, particularly since Purchasing Managers are less optimistic about the coming quarter than they were before.

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