

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 2016

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

Fourth Month PMI above 50

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (52.3) registered an increase from last month's PMI (51.7), and marks the fourth month in a row that the index has remained above 50. This four-month pattern of figures above 50 suggests that the local manufacturing sector and the local economy are in growth mode."

Production increased from 51.6 to 53.2 this month, and New Orders decreased slightly from 53.2 to 51.6. The Employment Index (54.7) was virtually unchanged from last month's 55.0, showing employment growth for the third month in a row. It is noteworthy that all of the respondents who indicated that they were adding positions commented that the positions are permanent (not temporary) positions. Further, the speed of supplier deliveries is slowing, with the index changing from 48.4 to 53.2 this month. Typically when supplier deliveries slow, it is a sign that suppliers are getting busier (a reflection of a growing economy). The Commodity Price Index registered 56.7 (an increase from last month's 54.8), indicating that the prices of some goods have increased. The fact that the key indices of the PMI continue to show strength reflects increasing consumer confidence and the expectation that consumer purchases will increase in the near future."

"Purchasing Managers continue to be less than enthusiastic about the state of the economy for the coming quarter. Only 14% believe that the economy will become stronger, and 21% of Purchasing Managers predicted that the local economy will become weaker (up from 8% last month). The remaining 65% of Purchasing Managers believe that the local economy will remain unchanged for the coming quarter. "

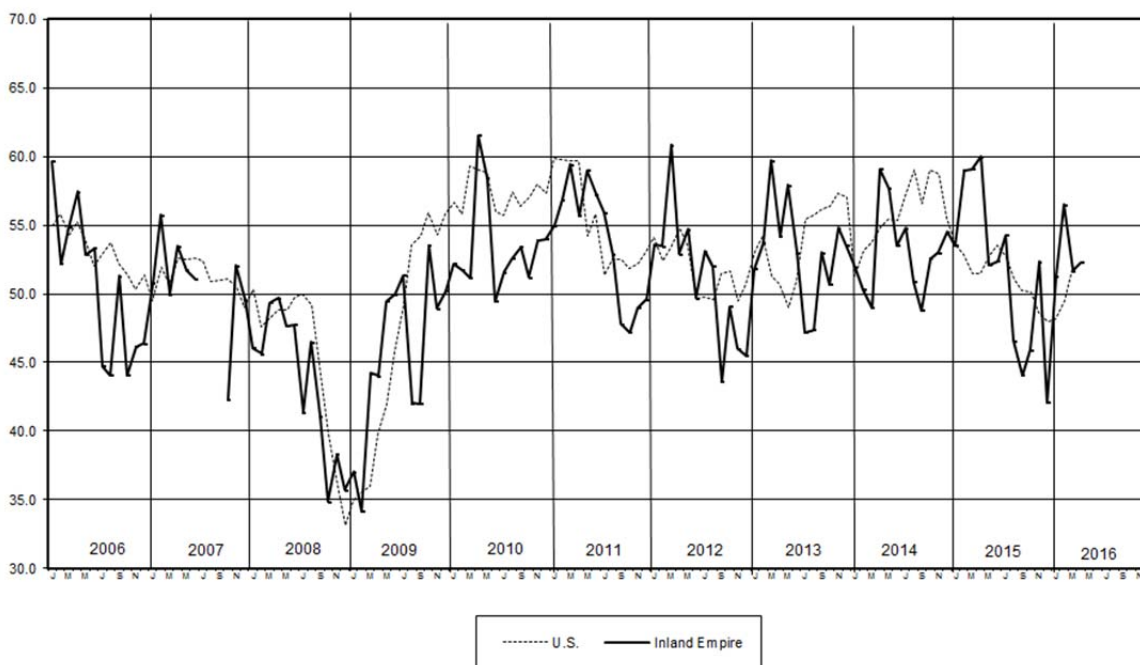
Following is a summary of highlights from this month's report:

April 2016 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	51.7	52.3	Growing	Faster	4
Commodity Prices	54.8	56.7	Increasing	Faster	3
Production	51.6	53.2	Growing	Faster	4
New Orders	53.2	51.6	Growing	Slower	4
Inventory	50.0	51.6	Increasing	From unchanged	4
Employment	55.0	54.7	Growing	Slower	3
Supplier Deliveries	48.4	53.2	Slowing	From Faster	1
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	15%	14%			
% Same	77%	65%			
% Weaker	8%	21%			

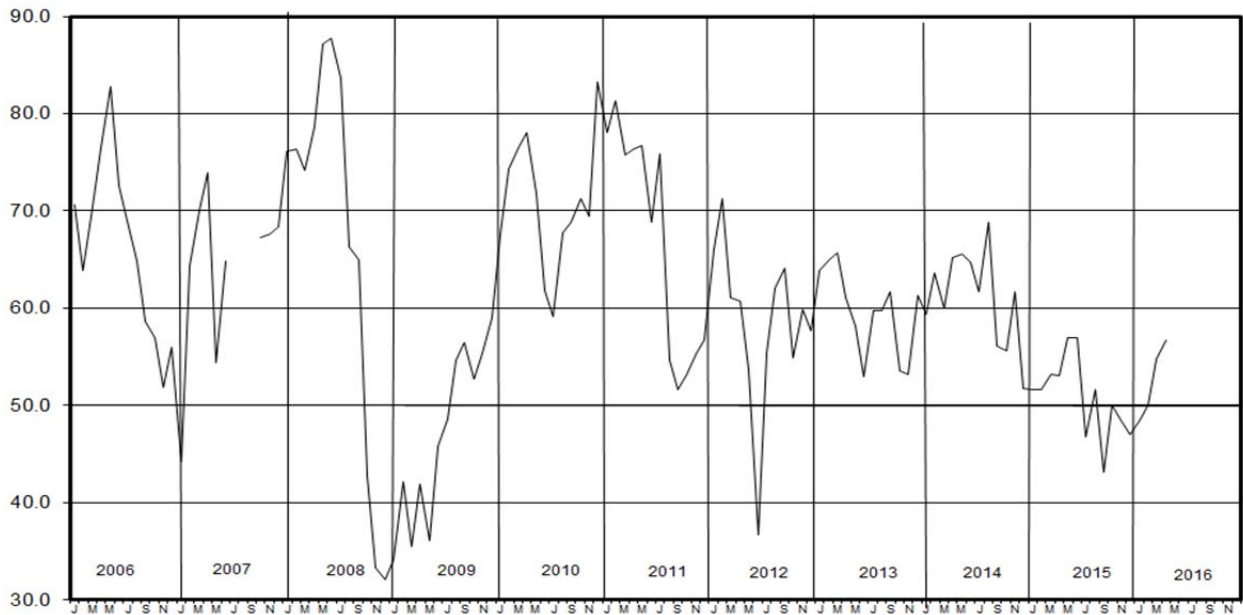
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



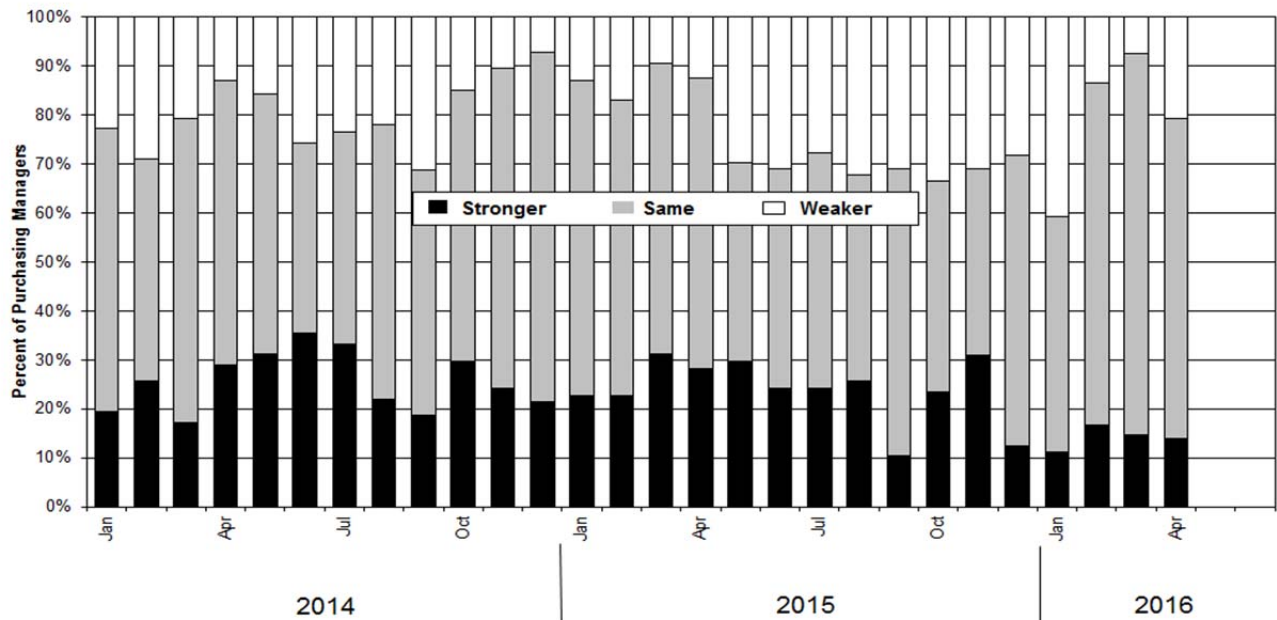
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Commodity Prices



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 Local Economy



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 4/2015 THROUGH 4/2016

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Weaker	13	30	31	28	32	31	33	31	28	41	13	7	21
Same	59	40	45	48	42	59	43	38	58	48	70	78	65
Stronger	28	30	24	24	26	10	23	31	14	11	17	15	14

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

- “Business at end of Q1 was on the rise, softened a little to start Q2.”
- “Decreased imports are having a positive impact on the domestic industry.”
- “This last month and this year to date have been one of the best business periods in our history.”
- “Overall business seems solid, first quarter was very strong.”
- “Slight increase in orders-suppliers holding prices!”

Some cautionary notes included:

- “April schedule had lower dollar total than March which in turn was lower than February. Orders are still slow, lay-offs still possible.”
- “Business continues to be slow.”
- “Business is 30% softer (Volume and Sales) than last year.”
- “Business slower than usual for this time of the year.”
- “New sales are off Domestic and International for this time of year.”
- “We compete with the entire US. Additional costs from California make staying competitive very challenging.”

In summary, all major indices contributing to the PMI showed strength this month, indicating that the local economy and the local manufacturing sector should continue its slow and steady growth. This is good news, especially in the context of negative national indicators such as the Gallup U.S. Economic Confidence Index (which is at its lowest level in 2016), rhetoric from presidential candidates who are talking about the weak economy, retail spending falling, and prices of some commodities (including gas) creeping up. Most economists are painting an optimistic picture of California’s economic future, yet uncertainties about issues such as the upcoming presidential election and the potential negative effects on the economy of the rising minimum wage may dampen that a bit. Our data indicate that for at least the coming quarter, the Inland Empire economy will continue to do just fine.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

Dr. Barbara Sirotnik
 Director, Institute of Applied Research
 (909) 537-5729

Mary Jane Olhasso

Assistant Executive Officer, County of San Bernardino
(909)-387-4599

Rob Moran
Economic Development Manager, Riverside County Economic Development Agency
(951) 955-6673

Dr. Lawrence Rose
Dean, College of Business and Public Administration, CSUSB
(909) 537-3703