

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 August 2016

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

Inland Empire PMI rebounds

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) is 60.0, a sharp increase from last month's 46.5. It appears that last month's figure was a seasonal dip rather than the beginning of a new trend of decline in manufacturing."

"Production and New Orders (two of the key indicators in the PMI) have registered a significant jump from last month, partially due to the fact that last month's figures were so low. Production increased to 68.3 this month from last month's 46.8, and New Orders increased to 68.3 from 32.3. The Commodity Price Index decreased slightly from 59.7 last month to 55.0 this month, indicating that commodity prices continued to increase, although at a slower pace than last month. Another encouraging figure is that the Employment Index remained above the 50% mark for the seventh month in a row, increasing from 50.0 last month to 58.3 this month. Most of those employment increases were in permanent (as opposed to temporary) positions – a good sign for the economy. The Supplier Deliveries Index was 51.7, indicating slowing deliveries (again, a positive figure which indicates that suppliers are busier and therefore unable to deliver goods as quickly as before)."

"Even with these encouraging figures, Purchasing Managers continued to be less than enthusiastic about the state of the local economy for the coming quarter. Twenty percent of purchasing managers predicted that the local economy will be stronger in the upcoming months, while twenty-seven percent believed that the local economy would become weaker in the coming quarter. The remaining fifty-three percent of purchasing managers expressed the belief that the local economy will remain unchanged.

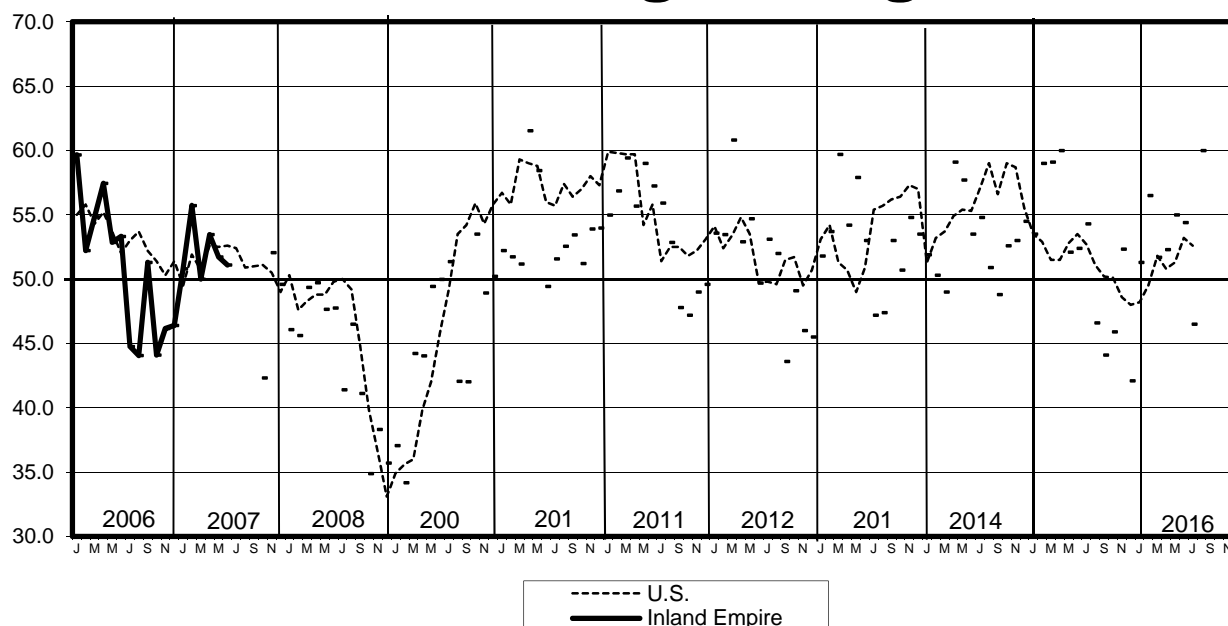
Following is a summary of highlights from this month's report:

August 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	46.5	60.0	Growing	From Contracting	1
Commodity Prices	59.7	55.0	Increasing	Slower	7
Production	46.8	68.3	Growing	From Contracting	1
New Orders	32.3	68.3	Growing	From Contracting	1
Inventory	50.0	53.3	Increasing	From unchanged	8
Employment	50.0	58.3	Growing	From Unchanged	7
Supplier Deliveries	53.2	51.7	Slowing	Slower	5
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	7%	20%			
% Same	57%	53%			
% Weaker	36%	27%			

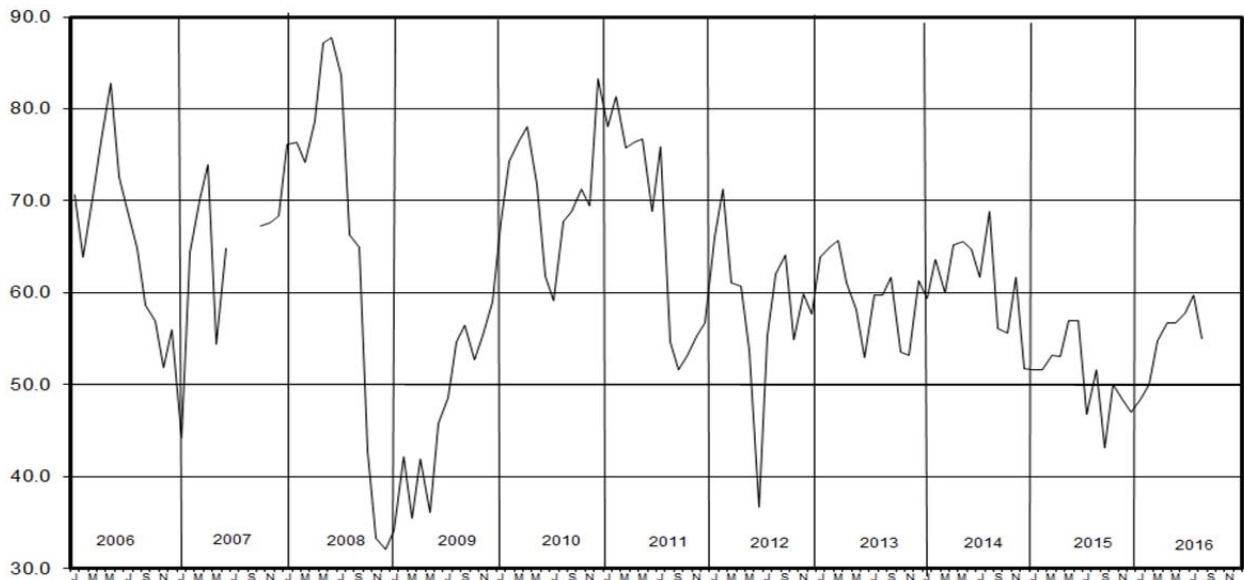
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



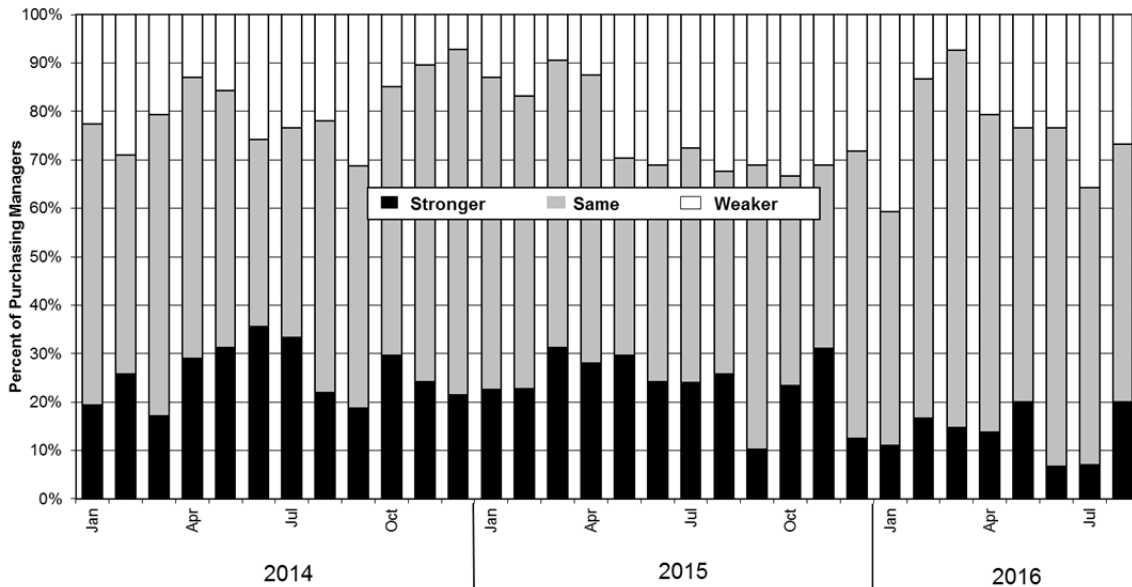
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 8/2015 THROUGH 8/2016

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Weaker	32	31	33	31	28	41	13	7	21	23	23	36	27
Same	42	59	43	38	58	48	70	78	65	57	70	57	53
Stronger	26	10	23	31	14	11	17	15	14	20	7	7	20

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

- "Business slightly better this month."
- "Everyone I speak with is busier (including suppliers)."
- "Our service and parts operation on the other hand has improved substantially.....30% over last year."

Some cautionary notes included:

- "I hope the business environment in California improves. Sacramento uses businesses as a "cash cow." We have looked at relocating to Nevada and Arizona, but we don't want to have to move all of our equipment."
- "Business continues to be slow."
- "Not what we expected in our busy season. Behind last year sales."
- "Business is still terrible. We are near the end of our fiscal year and have lost money each month! More layoffs likely unless I can dig up some new orders!!"
- "Manufacturing Sector is still sluggish."
- "Our business activity thru July and August has been moderate to slow on new equipment sales... No activity internationally at all."

In summary, the PMI strongly rebounded in August, partially as a "correction" from last month's dismal figures. But we believe that the strong PMI (and the increase in the percent of respondents indicating that the local economy would improve in the coming quarter) stems from a strengthening in the job market locally and nationally. The Inland Empire was hit hard by the recession in 2008, but the jobs have been returning, slowly but surely, especially in the logistics and health care industries. In addition, the Inland Empire remains an affordable alternative in terms of housing prices. All this bodes well for the Inland Empire manufacturing sector and the economy as a whole.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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