

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 2013

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

PMI VIRTUALLY UNCHANGED FROM LAST MONTH

According to Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (47.4) is virtually unchanged from last month's figure (47.2) and is the second month it has remained below the 50% benchmark. The reader should note that it takes three months to establish a new trend, so if next month's figure remains below 50, that will indicate that the manufacturing sector in the Inland Empire is no longer growing. On the other hand, a figure of 42.2 or higher, over a period of time, is a sign that the overall economy is growing. The last time the PMI registered below 42.2 was October 2009, suggesting that the Inland Empire economy has enjoyed 47 months of continuous (albeit slow) growth.

"The Production Index and New Orders Index (the two key components of the PMI) both improved slightly but still reflected a decrease in activity since they remained below 50 (the Production Index increased from 45.3 to 46.7, and the New Orders Index increased from 43.8 to 46.7). Further, the Employment Index remained below the 50% benchmark for the second month, dropping from 48.4 last month to 41.9 this month. Supplier deliveries dropped from 53.2 last month to 48.4, indicating that deliveries are getting faster (perhaps because vendors have fewer orders to deal with).

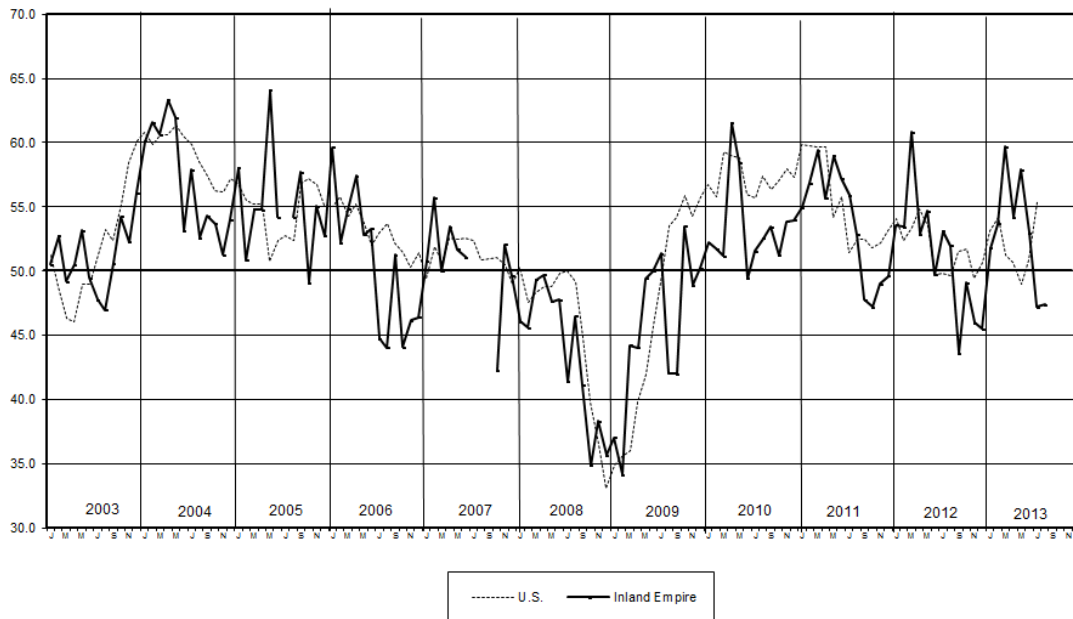
"Purchasing Managers expressed the highest degree of pessimism about the economy since December, with 40% of Purchasing Managers predicting that the local economy will become weaker in the coming months (up from 37% last month). In contrast, 23% believe the local economy will become stronger (up from 16% last month), and the remaining 37% believe the local economy will remain unchanged.

Following are some highlights from this month's report:

August 2013 Business Survey at a Glance

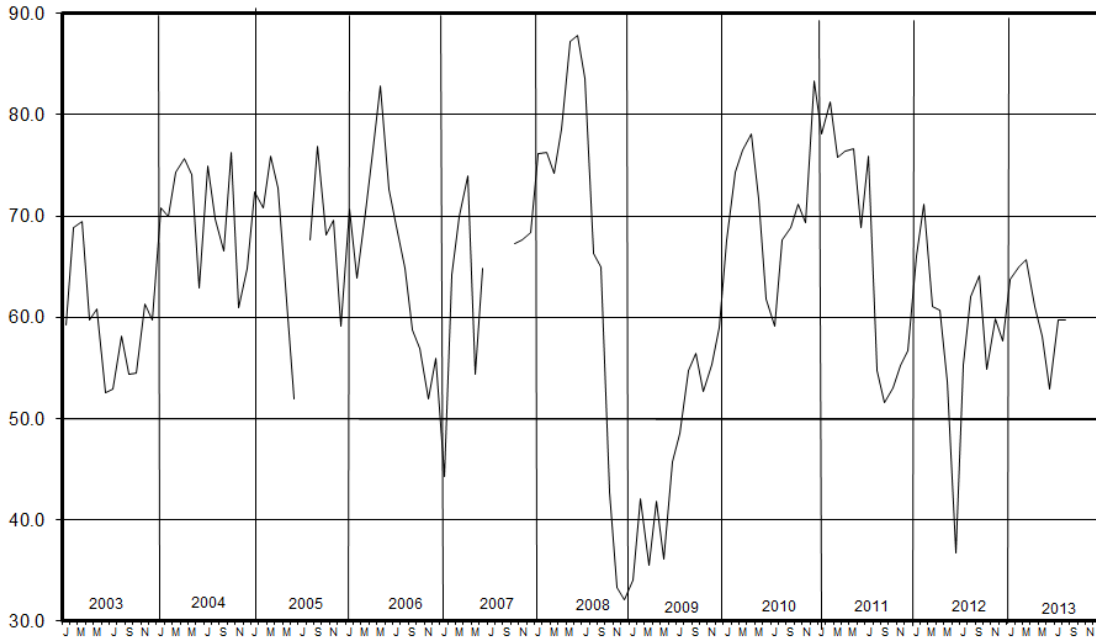
	Series Index		Direction from 50	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	47.2	47.4	Contracting	Slower
Commodity Prices	59.7	59.7	Increasing	Unchanged
Production	45.3	46.7	Contracting	Slower
New Orders	43.8	46.7	Contracting	Slower
Inventory	45.2	53.2	Increasing	From Decreasing
Employment	48.4	41.9	Decreasing	Faster
Supplier Deliveries	53.2	48.4	Getting Faster	From Slowing
Imports	58.3	46.7	Contracting	From Increasing
Exports	31.8	41.7	Contracting	Slower
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	16%	23%		
% Same	47%	37%		
% Weaker	38%	40%		

Purchasing Managers' Index



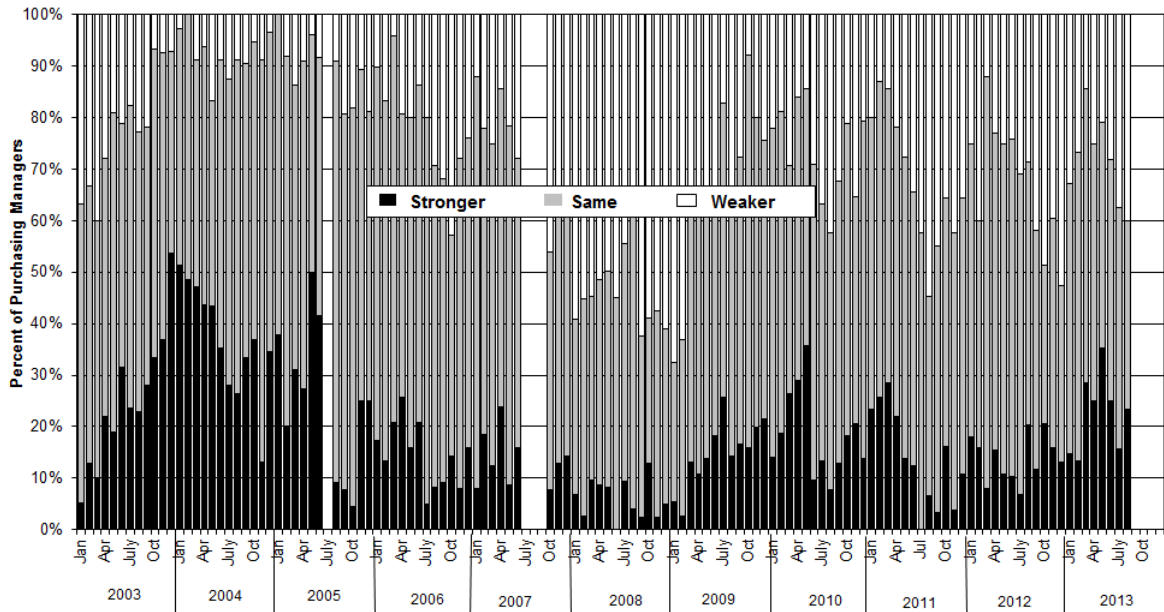
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 8/2012 THROUGH 8/2013

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Weaker	29	42	49	39	53	32	27	14	25	21	28	37	40
Same	51	47	31	45	34	53	60	57	50	44	47	47	37
Stronger	20	12	21	16	13	15	13	29	25	35	25	16	23

Positive remarks made by the Purchasing Managers included: "Our business has been growing significantly as we have taken advantages of new opportunities created by both current and new customers," "Summer is usually slow in the electric heater business but this summer has been better than most. We expect business to recover even more as customers order for colder weather," "We are working on a major new project with an international company," "More export of cheese to Mexico," and "International sales are strong."

Negative remarks from Purchasing Managers included: "Business continues to be slow," "Have seen a slight slowdown," Local economy remains weak with high unemployment and declining retail sales," "Noticeably slower," and "Orders have been very slow coming in."

In summary, the PMI shows that there has been slow and steady improvement in the overall IE economy. This finding is confirmed by other economic data showing an improving housing market which has fueled consumer spending on home-related and other consumer purchases. On the other hand, sequestration has resulted in fewer government orders for IE manufacturing firms. And unemployment overall is still a concern. Next month's report will indicate whether the growth of the manufacturing sector has indeed ceased.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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