

# **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 December 2012***

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

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## **Inland Empire manufacturing sector ends 2012 on a “down note,” but the economy continues to grow**

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 (45.5) registered another decrease from last month’s figure (46.0). This is the fourth month the PMI has remained below 50, indicating that the manufacturing sector is no longer growing. But it is important to note that a PMI over 42.6 percent generally indicates an expansion of the overall economy, thus the Inland Empire economy appears to be continuing its slow growth.”

“The weakness in the PMI is reflected in the two major indices: Production, which decreased from 47.6 last month to 37.5 this month; and New Orders which dropped from 43.8 last month to 37.2 this month. Commodity Prices registered a decrease to 57.7 (down from last month’s 59.8). And Supplier Deliveries are slowing with the index rising from 48.8 last month to 53.8 this month. On an optimistic note, the closely watched Employment Index increased slightly from 48.7 to 51.3.”

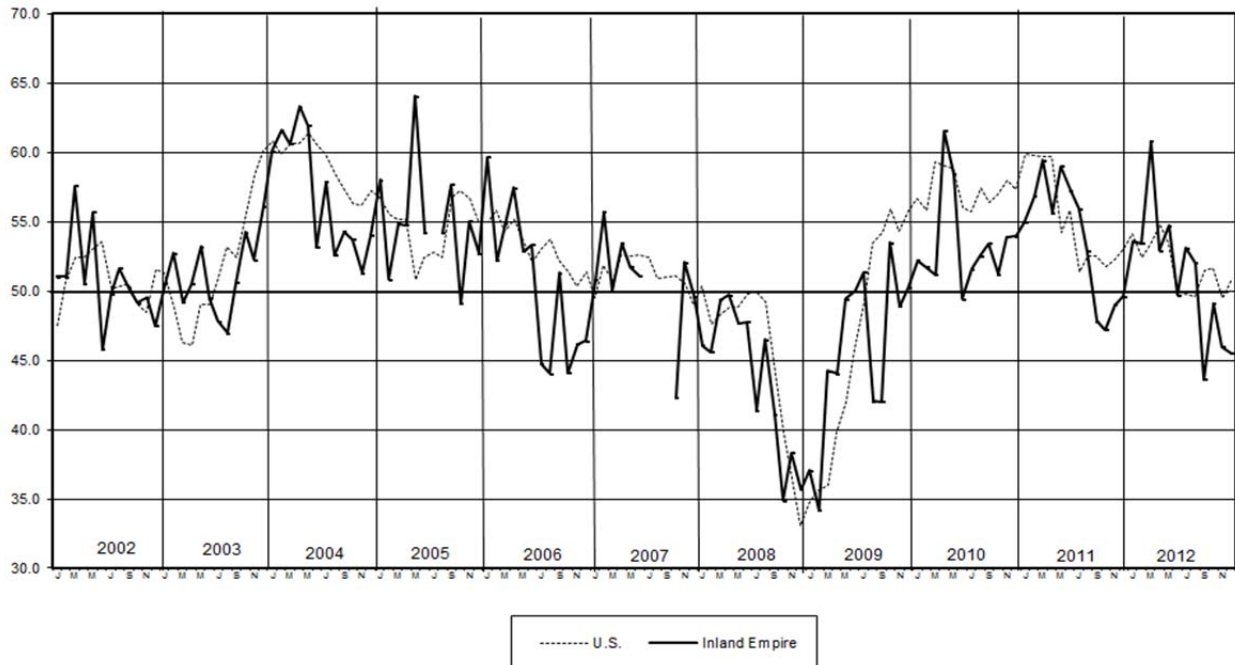
“Purchasing Managers’ optimism about the state of the local economy for the coming quarter continues to deteriorate. Only 13% believe the economy will be stronger (down from last month’s 16%), whereas 53% believe the economy will be weaker (up from 40% last month). The other 34% think it will remain about the same as it is now.

Following are some highlights from this month’s report:

<b>December 2012 Business Survey at a Glance</b>				
	<b>Series Index</b>		<b>Direction from 50</b>	<b>Rate of Change from Last Index</b>
	<b>Last Month</b>	<b>This Month</b>		
Local PMI	46.0	<b>45.5</b>	Contracting	Faster
Commodity Prices	59.8	<b>57.7</b>	Increasing	Slower
Production	47.6	<b>37.5</b>	Contracting	Faster
New Orders	43.8	<b>37.2</b>	Contracting	Faster
Inventory	41.5	<b>47.5</b>	Decreasing	Slower
Employment	48.7	<b>51.3</b>	Increasing	From Decreasing
Supplier Deliveries	48.8	<b>53.8</b>	Slowing	From Faster
Imports	60.5	<b>54.8</b>	Growing	Slower
Exports	50.0	<b>43.3</b>	Contracting	From Unchanged
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	16%	13%		
% Same	45%	34%		
% Weaker	40%	53%		

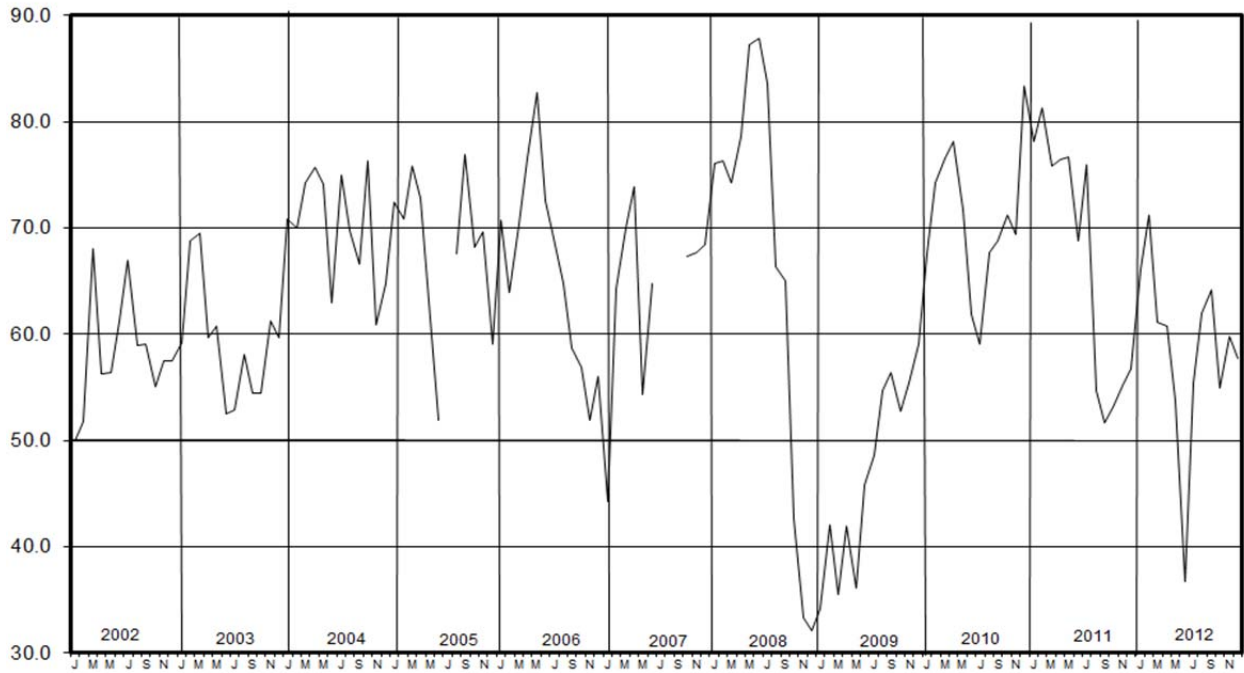
\* Numbers may not sum to 100% due to rounding differences.

## Purchasing Managers' Index



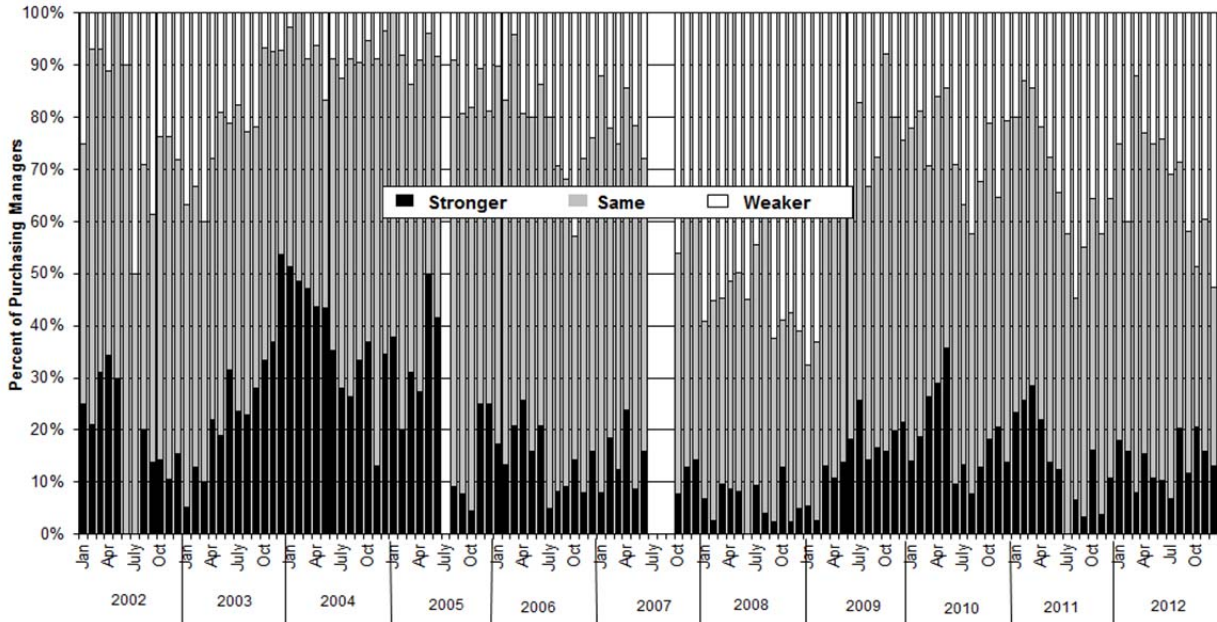
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Commodity Prices



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## State of the Local Economy



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## STATE OF THE ECONOMY: DATA FROM 12/2011 THROUGH 12/2012

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Weaker</b>	36	25	40	12	23	25	24	31	29	42	49	39	53
<b>Same</b>	53	57	44	80	62	64	66	62	51	47	31	45	34
<b>Stronger</b>	11	18	16	8	15	11	10	7	20	12	21	16	13

Positive/neutral remarks from Purchasing Managers included: "This has been a good year overall. The outlook is promising, but nothing is sure yet," "New housing in AZ and NV show signs of recovery, so we are selling more roofing material," "Very big November and short December due to holiday closure," and "Purchasing will pick up for the first quarter of the year."

Negative comments include: "Economy sucks this quarter," "Holidays and bad weather have slowed everything down," "Seasonally slow sales in real estate, automotive and recruitment categories not offset by strength in retail," "Still slow," "Taxes have gone up and business has slowed," "Inquiries are high, but order bookings are low," "Manufacturing is still weak," and "Slow orders in December."

In summary, any way you "cut the cake" this is not an optimistic report. Some of the increased pessimism on the part of Purchasing Managers may reflect the concerns of business leaders which were expressed in December before actions were taken regarding the fiscal cliff. And of course many of the comments clearly reflect seasonality...December is typically a slow month for these manufacturers.

There is some good news, however. Employment is showing signs of improvement after three consecutive months of decline. Further, the report still reflects a growing local economy overall even though manufacturing is slowing.

### FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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