

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 2014

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

POSITIVE OUTLOOK FOR 2015

According to Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (54.5) is a slight increase from last month's figure (53.0), and is the third month in a row that it has registered above the 50% benchmark. This three month series signifies growth in the Inland Empire manufacturing sector and the economy as a whole."

"Production increased to 58.6 from last month's 51.7, and New Orders increased from 51.7 last month to 62.1. The Commodity Price Index decreased from 61.7 to 51.7 this month (perhaps reflecting the decrease in gas prices). Supplier deliveries decreased from 56.7 last month to 51.4 this month. The Employment Index increased from 51.7 last month to 53.4 this month. This index has only registered above 50 (thus showing growth) during 5 months of this year, and the December figure is especially encouraging in that it is the second month in a row showing an increase in employment. Of course, it takes three consecutive months above 50 before we can conclusively say that we see a stable pattern, so if the January figure is as strong as November's and December's, a new trend will have been established."

"This month 72% of the Purchasing Managers forecasted that the economy will stay the same for the coming quarter and another 21% indicated that it will improve. Only 7% believe the economy will get worse — this is the first time the figure has been in the single digits since October 2009.

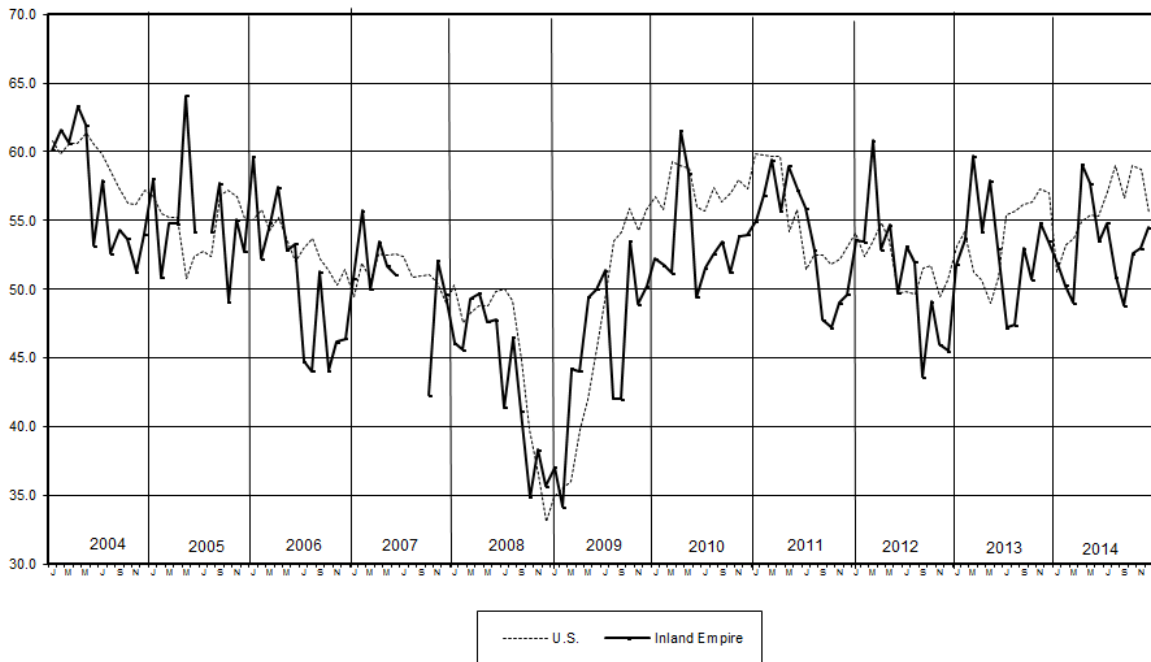
Following are some highlights from this month's report:

December 2014 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	53.0	54.5	Growing	Faster	3
Commodity Prices	61.7	51.7	Increasing	Slower	30
Production	51.7	58.6	Growing	Faster	9
New Orders	51.7	62.1	Growing	Faster	3
Inventory	53.3	46.6	Decreasing	From Increasing	1
Employment	51.7	53.4	Growing	Faster	2
Supplier Deliveries	56.7	51.7	Slowing	Slower	7
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	24%	21%			
% Same	66%	72%			
% Weaker	10%	7%			

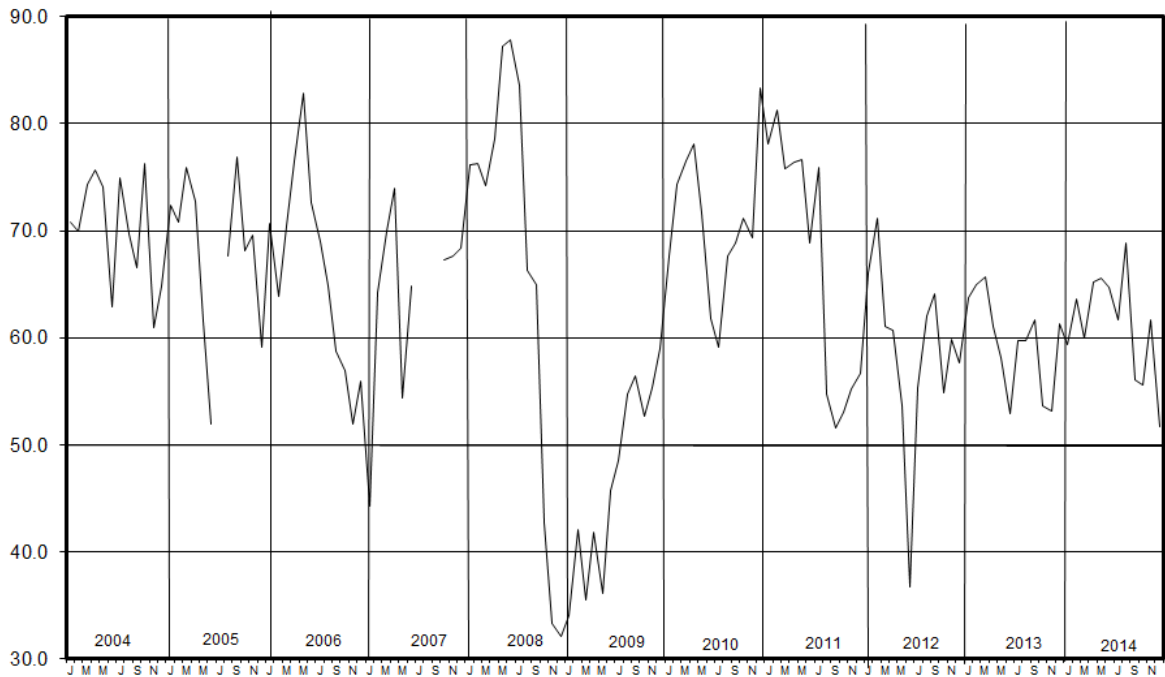
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



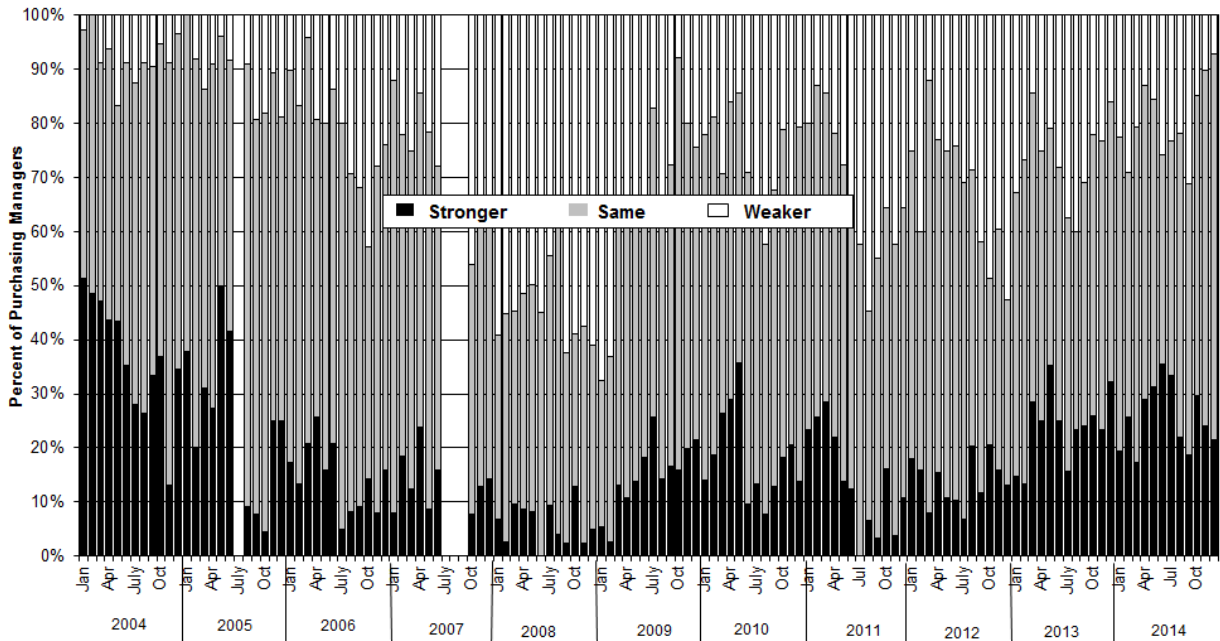
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

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 12/2013 THROUGH 12/2014

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Weaker	16	23	29	21	13	16	26	23	22	31	15	10	7
Same	52	58	45	62	58	53	39	43	56	50	55	66	72
Stronger	32	19	26	17	29	31	35	33	22	19	30	24	21

Typical end of the year comments from Purchasing Managers included: "Business still very strong, closing for several days for Christmas/New Year's holidays," "Same," "December is a short month for us as we will break from 12/23 until 1/12/15. That said we have been as busy as usual with both old and new orders. We have been informed by a few vendors of price increases although they won't take effect for a month or two," "Business remains slow," "Typical year end slowdown," "December is a traditional slow month," "Unexpected increase in orders."

A few companies made special mention about exports: "Excellent end of year, sales 33% above plan largely due to export sales efforts," and "Our company has concentrated efforts in Europe/Asia and we are seeing excellent results."

In summary, the major components of the PMI (New Orders and Production) are up, as is Employment. Further, the average yearly PMI for 2014 is 53.0 (virtually identical to the PMI figures since 2011), and is only significantly exceeded by the figures in 1997, 2004, and 2005. Further, Purchasing Managers appear more optimistic about the coming quarter's economy than they have been in over 5 years. All signs point to an improving manufacturing sector and a healthy Inland Empire economy.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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

Larry Vaupel
Administrator, San Bernardino County Economic Development Agency
(909) 387-9801

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