

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 2013

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

PMI SHOWS GROWTH FOR THE FOURTH CONSECUTIVE MONTH

According to Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI registered 53.5, reflective of growth in the manufacturing sector for the fourth month in a row. The figure is only slightly down from last month's 55.3, meaning that although the sector is growing, the pace of growth has marginally slowed. Further, the overall Inland Empire economy has continued its slow growth as evidenced by the fact that the figure has remained above 42.2 (the benchmark for the economy) since October of 2009."

"Production decreased from 67.2 to 56.5 this month (a typical seasonal decrease), and New Orders dropped from 59.4 to 58.1. But it must be noted that both of these key indices continue to be well above the 50% baseline, reflecting the anticipation that consumer purchases will increase in the coming months. The employment Index was unchanged at 50.0. The Commodity Prices Index increased from 53.1 to 61.3 indicating that prices are increasing at a faster pace than last month."

"Purchasing Managers are somewhat more optimistic than last month but still very cautious in their projections about the state of the local economy in the coming quarter. This month, 32% forecasted that the economy would be stronger, up from 23% last month. In contrast 16% predicted that the economy will be weaker (down from 23% last month), and the remaining 52% predicted that the economy will remain unchanged."

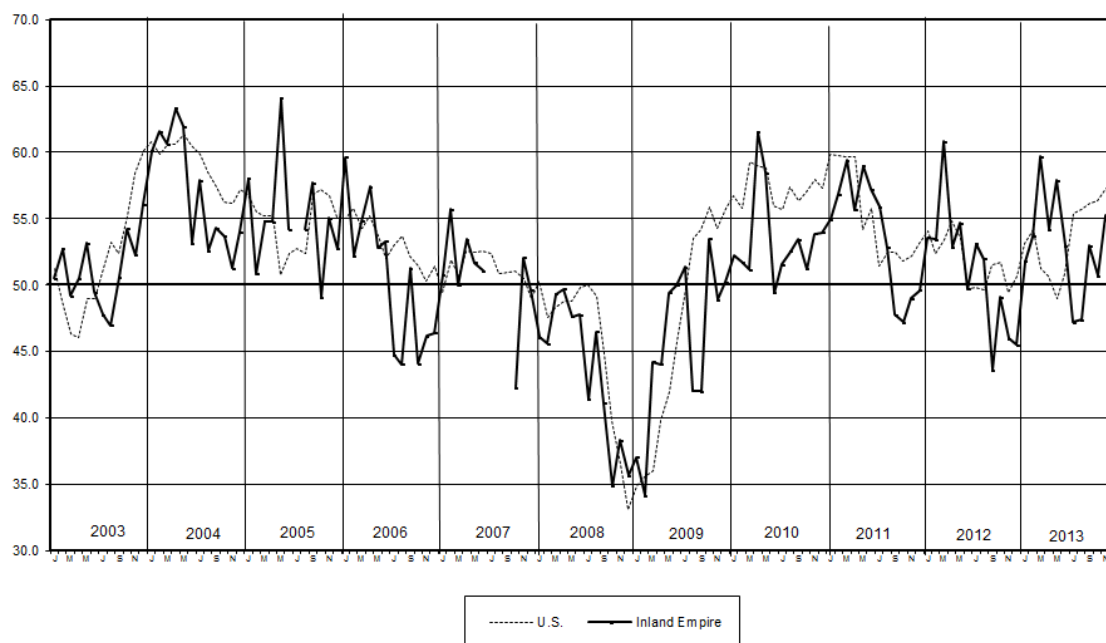
"Exports showed a slight increase from last month's 53.6 to 54.2, and Imports showed growth from 50.0 to 56.7. Comments made to explain these increases included: "Could be year-end purchasing to avoid price increases," and "obtained new import business."

Following are some highlights from this month's report:

December 2013 Business Survey at a Glance

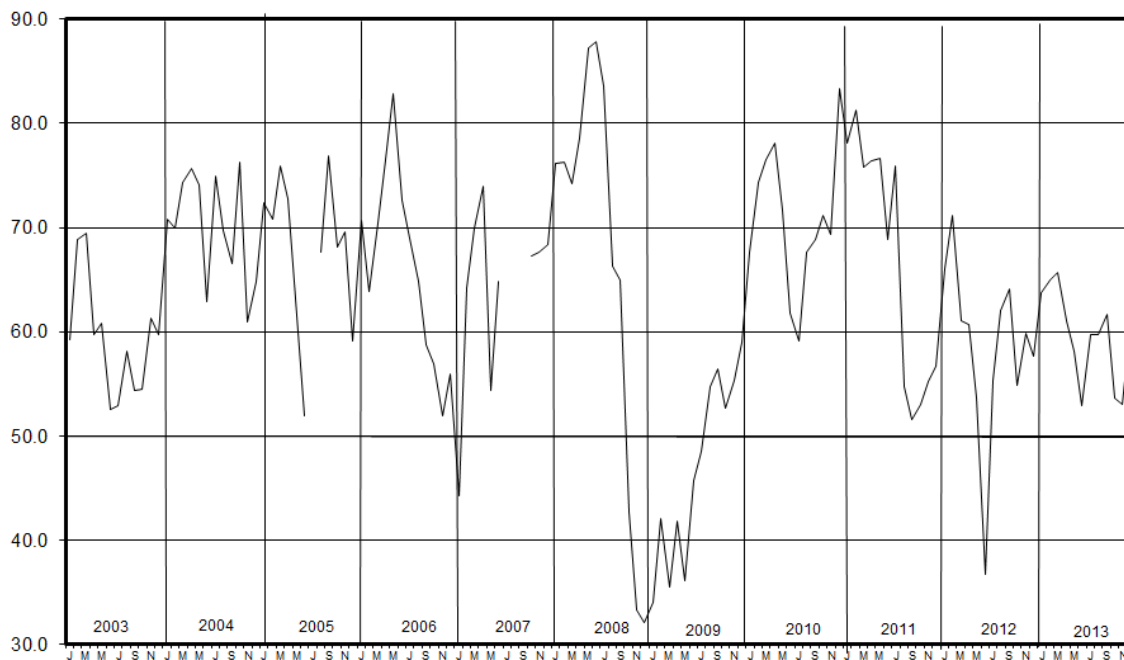
	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	55.3	53.5	Growing	Slower	4
Commodity Prices	53.1	61.3	Increasing	Faster	18
Production	67.2	56.5	Growing	Slower	4
New Orders	59.4	58.1	Growing	Slower	4
Inventory	51.6	56.5	Increasing	Faster	2
Employment	50.0	50.0	Unchanged	From unchanged	2
Supplier Deliveries	48.4	46.8	Getting Faster	Faster	2
Imports	50.0	56.7	Growing	From Unchanged	4
Exports	53.6	54.2	Growing	Faster	4
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	23%	32%			
% Same	55%	52%			
% Weaker	23%	16%			

Purchasing Managers' Index



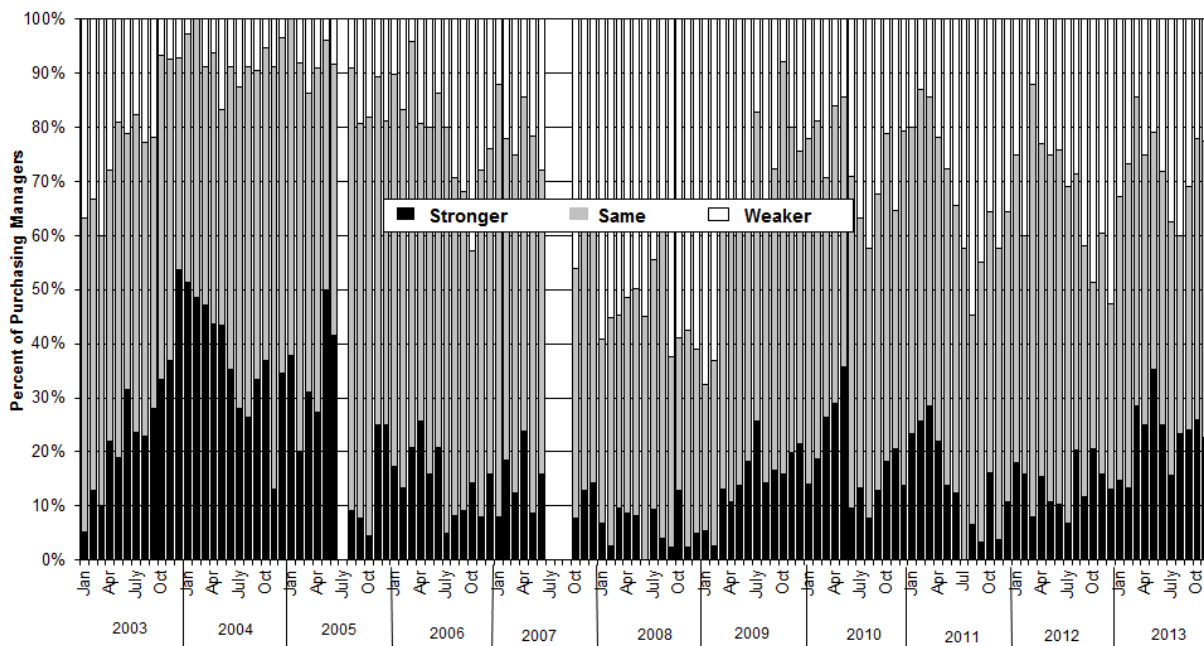
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 12/2012 THROUGH 12/2013

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Weaker	53	32	27	14	25	21	28	37	40	31	22	23	16
Same	34	53	60	57	50	44	47	47	37	45	52	55	52
Stronger	13	15	13	29	25	35	25	16	23	24	26	23	32

Positive remarks from Purchasing Managers included: “Busier than expected this time of year,” “Business climate has been very good for past 30 days,” “Orders are very strong in December,” “Polypropylene is projected to increase,” and “Orders the last two weeks have been good and we’ll be busy when we return from the holiday.”

Some Purchasing Managers had negative/cautionary comments: “Business continues to be somewhat slow,” “Business seems to be going to larger companies,” and “still slow.”

In summary, the PMI figures indicate that the Inland Empire has returned to growth mode, and the Production and New Order figures are encouraging. Further, a third of Purchasing Managers project a stronger economy in the coming quarter. That relatively high level of optimism was only seen twice during this recent recessionary period (once earlier this year in May and once in May 2010). Hopefully this bodes well for the economy in the new year.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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