

# **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 2015***

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

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## **PMI BACK BELOW 50**

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (42.1) decreased dramatically from last month's PMI (52.3) and is at the lowest point since 2009 (as is the national PMI released on 1/4/16). What does this mean? A PMI below 43.1 percent, over a period of time, generally indicates a contraction of the overall economy, and a figure below 50 indicates weakness in the manufacturing sector. This month's PMI is below both benchmarks. If the index remains this low for the next two months, a trend of contraction in the Inland Empire economy will have been established."

"The New Orders and Production indices (two of the major components of the PMI) are especially weak, weighing in at 37.9 and 39.4, respectively. These figures are at their lowest levels since 2012. The Commodity Prices Index decreased slightly from 48.3 last month to 47.0 this month. The Employment Index decreased from 48.3 last month to 40.9 this month. The Supplier Deliveries Index dropped from 50.0 to 48.5 this month, indicating that deliveries are getting faster (possibly because suppliers are not as busy as they were). Inventories dropped from 46.7 to 43.9."

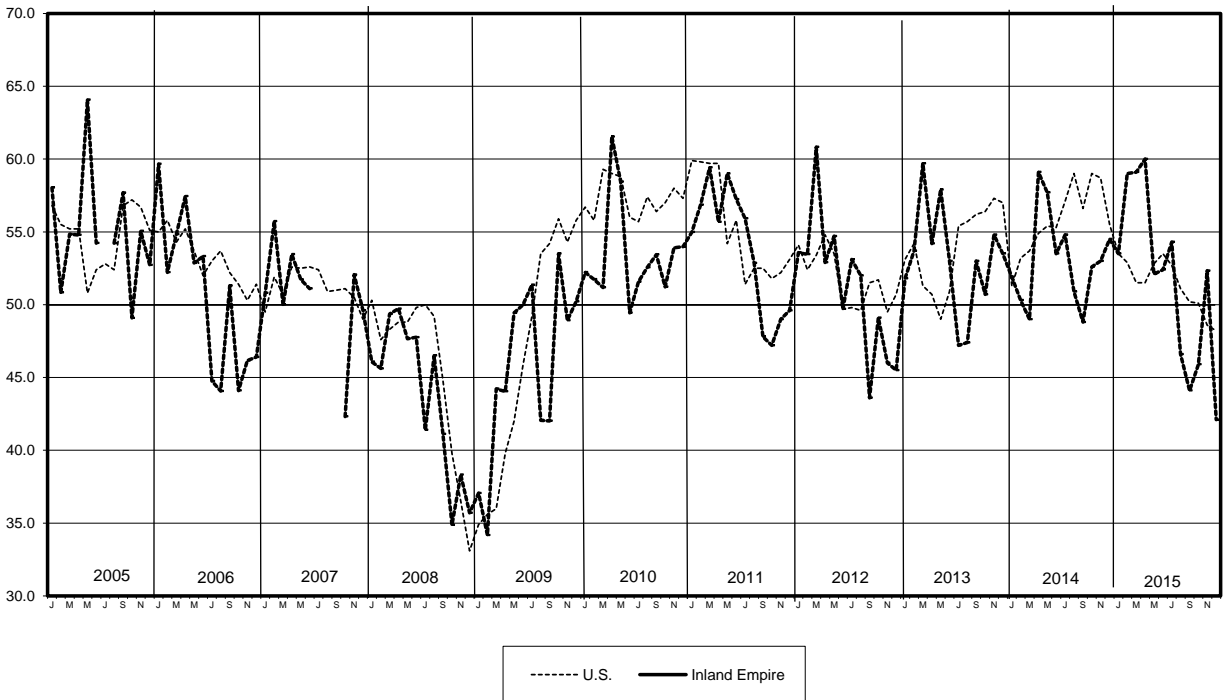
"Over half (59%) of Purchasing Managers project that the economy will stay the same in the coming quarter, while 28% feel it will become weaker and 13% feel it will become stronger (down from 31% last month)."

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

<b>December 2015 Business Survey at a Glance</b>					
	<b>Series Index</b>		<b>Direction from 50</b>	<b>Rate of Change from Last Index</b>	<b>Trend (Months)</b>
	<b>Last Month</b>	<b>This Month</b>			
Local PMI	52.3	42.1	Contracting	From Growing	1
Commodity Prices	48.3	47.0	Decreasing	Faster	1
Production	58.3	37.9	Contracting	From Growing	1
New Orders	58.3	39.4	Contracting	From Growing	1
Inventory	46.7	43.9	Decreasing	Faster	5
Employment	48.3	40.9	Contracting	Faster	3
Supplier Deliveries	50.0	48.5	Getting Faster	From unchanged	1
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	31%	13%			
% Same	38%	59%			
% Weaker	31%	28%			

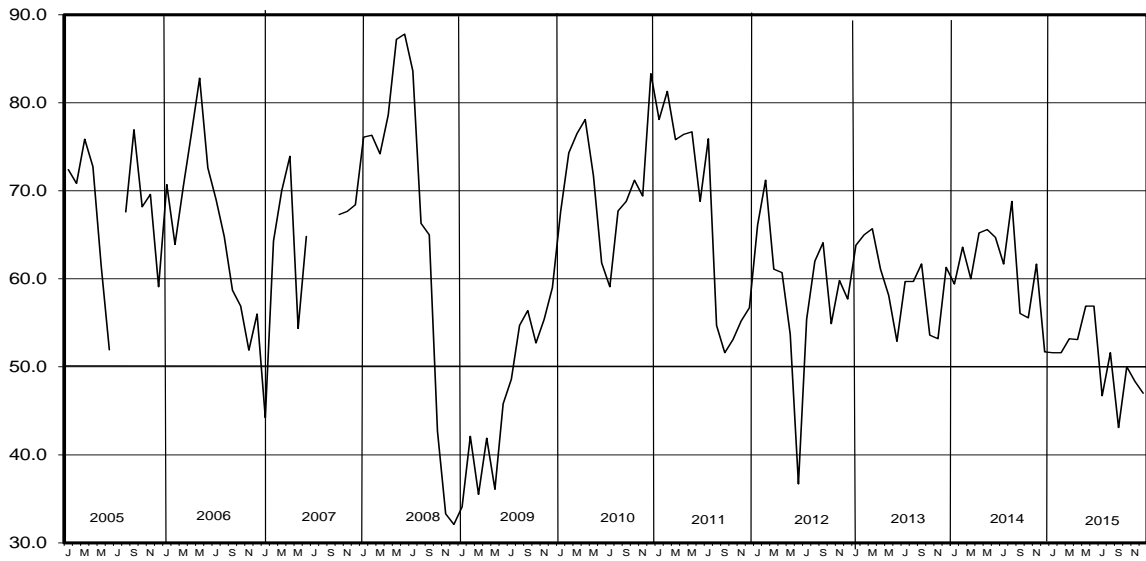
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



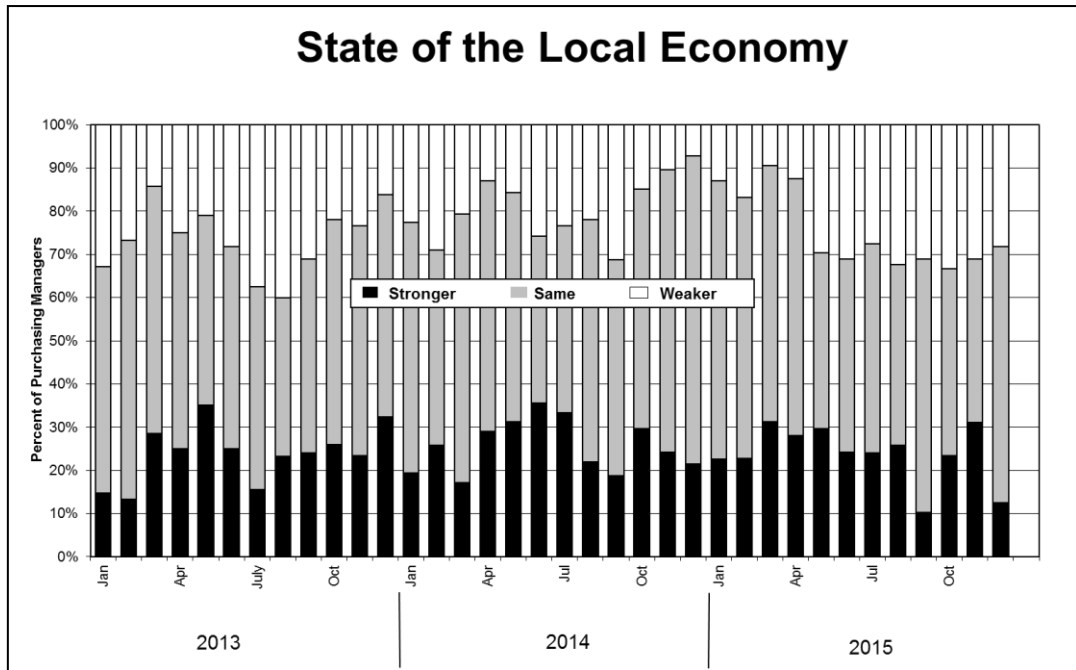
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## Commodity Prices



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## State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 12/2014 THROUGH 12/2015

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Weaker</b>	7	13	17	9	13	30	31	28	32	31	33	31	28
<b>Same</b>	72	64	60	60	59	40	45	48	42	59	43	38	59
<b>Stronger</b>	21	23	23	31	28	30	24	24	26	10	23	31	13

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

- “Our sales this year have grown extensively as have opportunities to grow further in 2016, so we are very optimistic.”
- “December was the best sales/shipment record in 7 years. Business is steadily improving.”
- “Not quite as busy as November or last December.”
- “Slight increase in orders but still very slow.”
- "Still slow."
- "The domestic and International situation indicates a flat year as compared to 2015."
- “The wheels have come off this quarter. Bookings are off 50%. We are going to have a serious lay-off in January if things don’t pick-up.”
- “Typical December slow-down for the holidays.”

In summary, this month’s figures mirror the national stats reflecting weakness in the manufacturing sector. This is especially troubling since 4 out of the 12 PMI figures in 2015 were below 50, and now the PMI is low enough to indicate difficulties for the overall economy as well as the manufacturing sector. It must be noted that there is often some seasonality in the data at this time of year (i.e. a decrease in November and December); however this month’s decrease was especially sharp. It remains to be seen whether this decrease is a one-month dip or the start of a downward trend (which would be indicated by 3 months of low figures).

One other interesting note from this month’s survey: a company representative indicated that his company was doing well, however the December 2, 2015 attack in San Bernardino has caused a great deal of emotional fear on the part of his company’s employees. He commented that his company is dealing with lower productivity due to the need to deal with the emotional fall-out from the shooting, and he is unsure how long this will continue (and how the need to address security concerns will affect the bottom line). Only time will tell.

**FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:**

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