

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 February 2014

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

PMI SHOWS GROWTH (ALBEIT ANEMIC) FOR 6th MONTH IN A ROW

According to Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (50.3) is a decrease from last month's 51.9. The good news is that this is the 6th month above the 50% benchmark showing growth in the manufacturing sector as well as the general Inland Empire economy; however the growth rate is anemic."

"This month saw declines in the all-important Production Index (down from 56.3 to 51.6) and the New Orders Index (which declined from 51.6 to 48.5). Inflationary pressures continue to be a concern in the Inland Empire, with the Commodity Prices Index increasing from 59.4 last month to 63.6 this month mainly due to increase in the price of natural gas. As one Purchasing Manager commented, "Natural gas has a big impact on our business. Prices are very high." The Supplier Deliveries Index is virtually unchanged from last month (53.0 this month vs. 53.1 last month), as is the Employment Index which remained at 50.0 for the third month in a row."

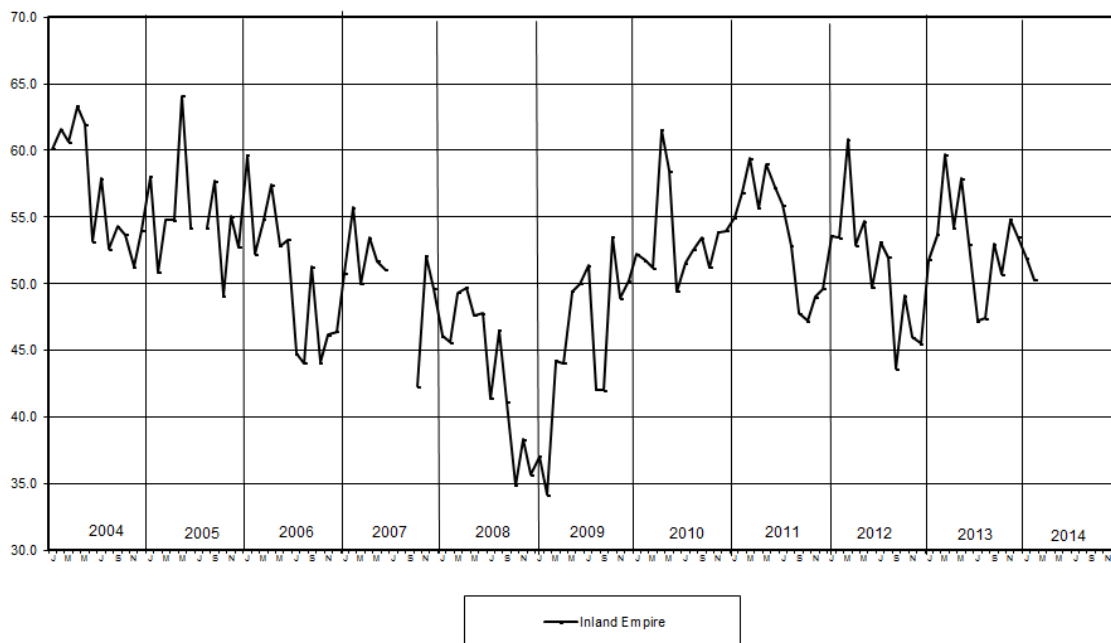
"Twenty-six percent (26%) of purchasing managers predicted that the local economy will become stronger in the upcoming months (up from last month's 19%). Forty-five percent of purchasing managers believe the local economy will remain unchanged, down from last months 58%, and the remaining 29% believe the local economy will become weaker over the next quarter (up from 23% last month)."

Exports showed an increase from last month (45.8 to 50.0) as did Imports (50.0 to 56.7).

Following are some highlights from this month's report:

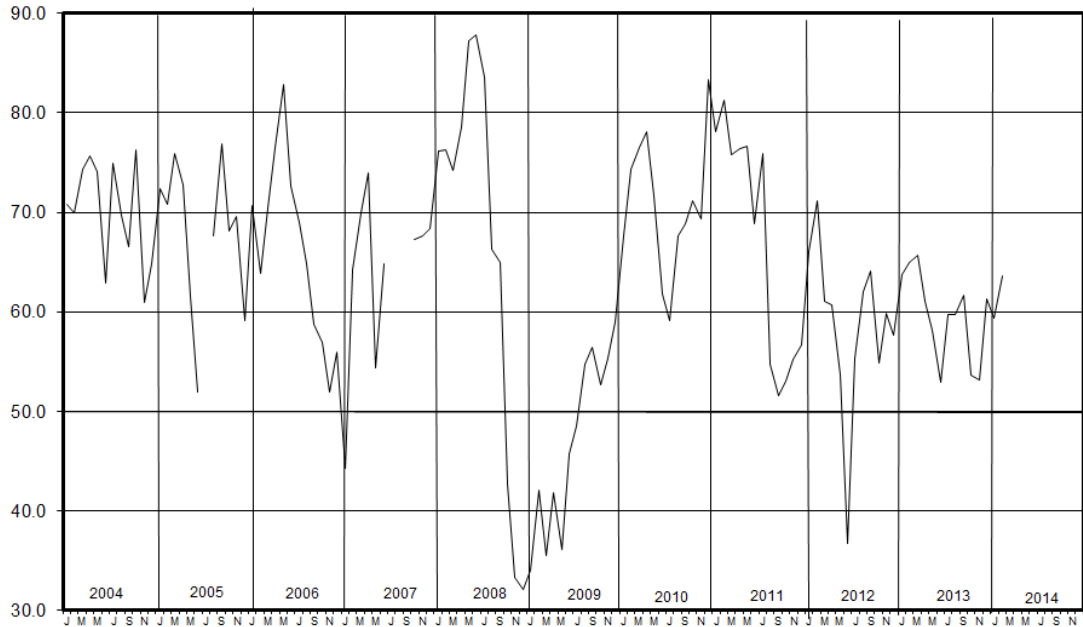
February 2014 Business Survey at a Glance					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	51.9	50.3	Growing	Slower	6
Commodity Prices	59.4	63.6	Increasing	Faster	20
Production	56.3	51.6	Growing	Slower	6
New Orders	51.6	48.5	Contracting	From Increasing	1
Inventory	48.4	48.5	Decreasing	Slower	2
Employment	50.0	50.0	Unchanged	From unchanged	3
Supplier Deliveries	53.1	53.0	Slowing	Slower	2
Imports	50.0	56.7	Growing	From Unchanged	6
Exports	45.8	50.0	Unchanged	From Contracting	1
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	19%	26%			
% Same	58%	45%			
% Weaker	23%	29%			

Purchasing Managers' Index



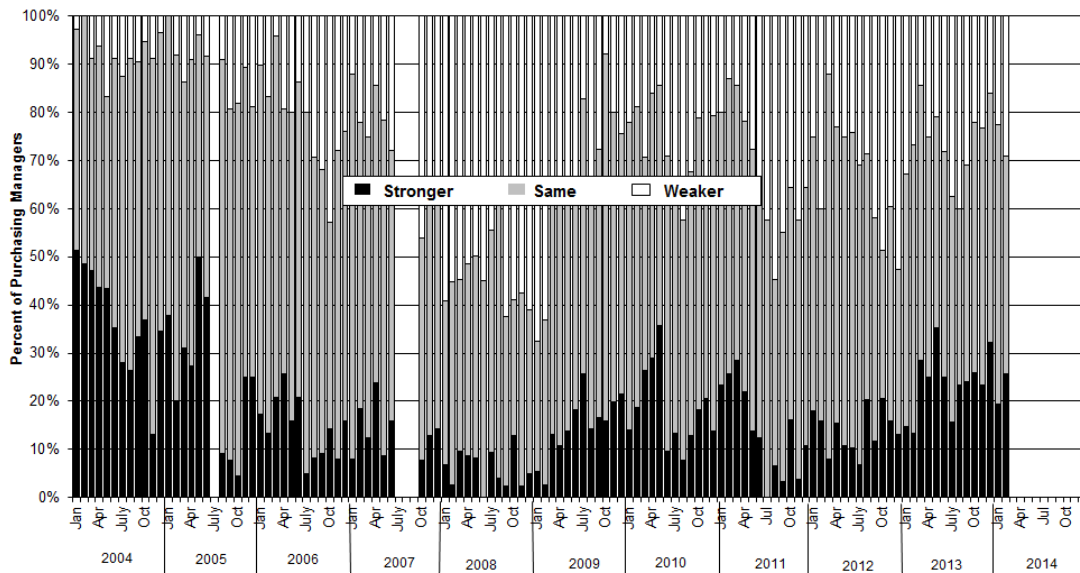
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

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 2/2013 THROUGH 2/2014

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Weaker	27	14	25	21	28	37	40	31	22	23	16	23	29
Same	60	57	50	44	47	47	37	45	52	55	52	58	45
Stronger	13	29	25	35	25	16	23	24	26	23	32	19	26

Positive remarks from Purchasing Managers included: "Better than January 2014," "Business conditions are very good," "February schedule is about 145% of average month dollar value. We have received lots of orders and are getting pressure to ship due to the cold weather everywhere but here," "Orders started slow but ended with BIG backlog," and "Seems we always have slow sales the first of the year, prior to tax return (April 15th), but we have already had a few more sales than expected. Sales will probably go up and down until the middle of the year."

Some Purchasing Managers made cautionary comments: "Business remains slow; competitive pricing from overseas companies," "Airline mergers have hurt our company over the years and it has continued to give us less of a market share," "Economic weakness continues," "Economy remains sluggish," "For us, it seemed as though the economy went into hibernation from November to January," and "There has been a marked decline in our business activity during the first two months of 2014."

In summary, the forecast for the Inland Empire economy over the next three months is not gloomy, but it can't be described as rosy either. There is some seasonality to the decline in the New Orders Index, so perhaps there is no cause for concern. However we must note that we saw a similar drop at the start of the recession in 2008. This bears watching, particularly in the context of the current weak growth in the manufacturing sector overall and the fact that the Employment Index hasn't registered above 50 since June of 2013. Next month's figures should provide some clarity on the issue.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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

Kelly Reenders
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