

# **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 2016***

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

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## **PMI CONTINUES TO RISE**

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (56.5) registered another impressive gain over last month's PMI (51.3). This is the second month it has remained above the 50% benchmark which indicates a growing manufacturing sector."

"There were other positive factors about this month's report. The Employment Index (an especially critical measure) jumped from 48.4 to 51.6 this month. Production soared to 64.5 from 56.7 last month. New Orders remained above 50 (although it decreased from 58.1 to 56.3) indicating that new orders increased, although at a slightly slower pace than the month before. The fact that these key indices continue to be above the 50% baseline reflects increasing consumer confidence and the expectation that consumer purchases will increase in the near future. The Commodity Price Index registered at 50.0, a slight increase from last month's 48.4. Speed of supplier deliveries has slowed, with the index changing from 43.5 to 53.1. This slowing indicates that suppliers have more business so it is taking longer to get their supplies to manufacturers."

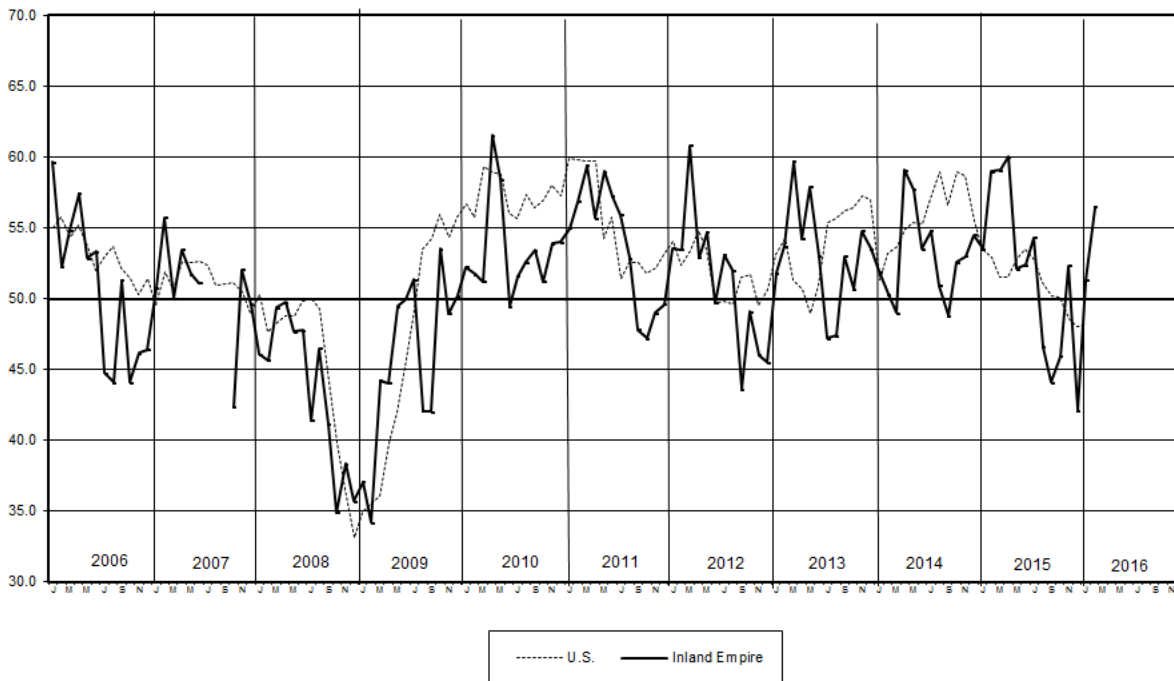
"Balancing those positive signs, however, is the fact that Purchasing Managers were still somewhat pessimistic about the state of the local economy. Only 17% of the Purchasing Managers commented that they expect the economy to be stronger in the coming quarter (up slightly from last month 11%), and 13% expect it to be weaker (down significantly from 41% last month). The majority (70%) think the economy will stay the same, however that is not necessarily good news given that the local economy has shown weakness the last few months."

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

<b>February 2016 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	51.3	56.5	Growing	Faster	2
Commodity Prices	48.4	50.0	Unchanged	From Decreasing	1
Production	56.7	64.5	Growing	Faster	2
New Orders	58.1	56.3	Growing	Slower	2
Inventory	50.0	56.3	Increasing	From unchanged	2
Employment	48.4	51.6	Growing	From Contracting	1
Supplier Deliveries	43.5	53.1	Slowing	From Faster	1
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	11%	17%			
% Same	48%	70%			
% Weaker	41%	13%			

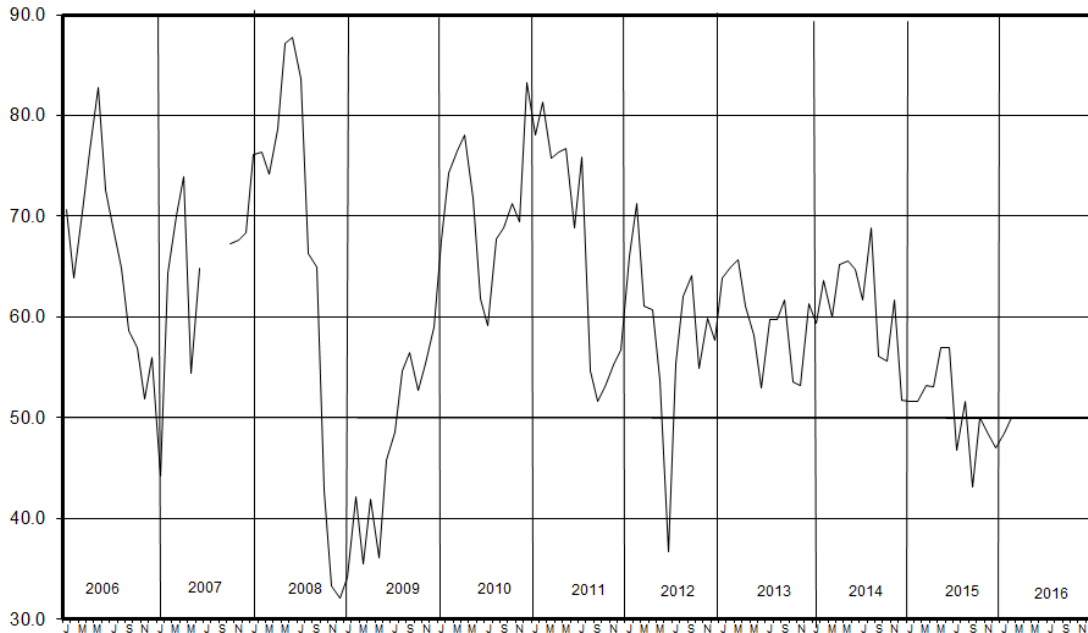
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



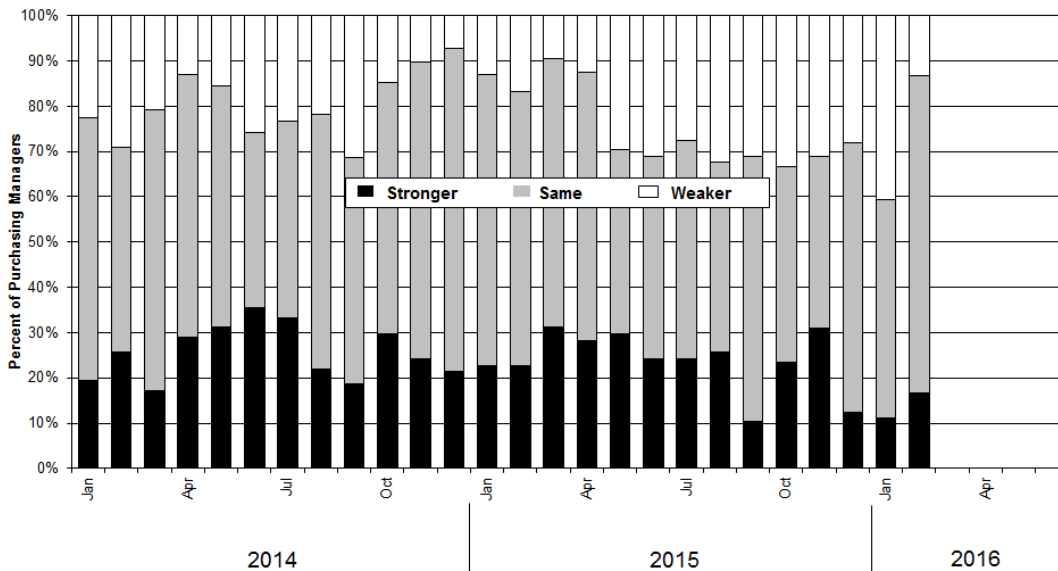
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## Commodity Prices



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## State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 2/2015 THROUGH 2/2016

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<b>Weaker</b>	17	9	13	30	31	28	32	31	33	31	28	41	13
<b>Same</b>	60	60	59	40	45	48	42	59	43	38	58	48	70
<b>Stronger</b>	23	31	28	30	24	24	26	10	23	31	14	11	17

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

- "February business up from Feb 2015, pricing to our customers unchanged."
- "Domestic business is fairly flat while Europe and Asia Pacific marketing and sales remain a very positive growth area."
- "Orders are improving and there are more serious requests for quotes. We have been working hard in sales."
- "We're opening up markets for diversified products."

Some cautionary notes included:

- "Still looking like a slow year. Bookings trail previous years by a lot. Feb. schedule is better than January but new orders for March are not coming in fast enough to avoid lay-off of some employees."
- "Business very slow."
- "We are growing in new orders, but the question of instability in both the economy and the partisan political environment still create uncertainties."
- "Market uncertainty. Chinese New Year holiday break at China/Asia."
- "Still slow."

In summary, our monthly analysis of the economy is based on input from representatives of the manufacturing sector. The last half of 2015 reflected a great deal of volatility in production and new orders, but 2016 has started off strong for the local manufacturing sector. It must be noted that the indices in this report are not only a forecast of the manufacturing sector; rather they are also predictors of the health of the overall local economy. At this point it appears that the Inland Empire economy is continuing to grow (although we need one more month of positive data to definitively make that prediction).

The 5<sup>th</sup> Manufacturers' Summit will be held at the Ontario Convention Center on April 26. It will be interesting to see how the PMI has changed by that point in time, and to talk to leaders in manufacturing to get their take on what the future holds.

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

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