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 2017

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

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SECOND MONTH PMI ABOVE 50

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's Inland Empire Purchasing Managers' Index (PMI) increased to 58.6 from last month's 56.8. The good news is that this is the 2nd month above the 50% benchmark, showing growth in the manufacturing sector as well as the general Inland Empire economy."

"All of the major components of the PMI registered above 50, with only minor changes from last month's figures. Production decreased ever so slightly from last month's 67.7 to 67.2 this month. New Orders registered an increase from 61.3 to 63.8. The Employment Index was virtually unchanged, growing only slightly from 53.2 to 53.4. The Supplier Deliveries Index also showed only a slight change from last month's 53.2 to 53.4 this month. The fact that the figure remained above 50 reflects the fact that the speed of delivery is slowing a bit (a sign that suppliers are busy and can't keep up with demand as well as the month before). The Inventory Index had a huge increase this month from 48.4 to 55.2. And the Commodity Prices Index decreased slightly from 61.3 last month to 60.3 this month, indicating that inflationary pressures continue in the Inland Empire, but at a slightly reduced pace."

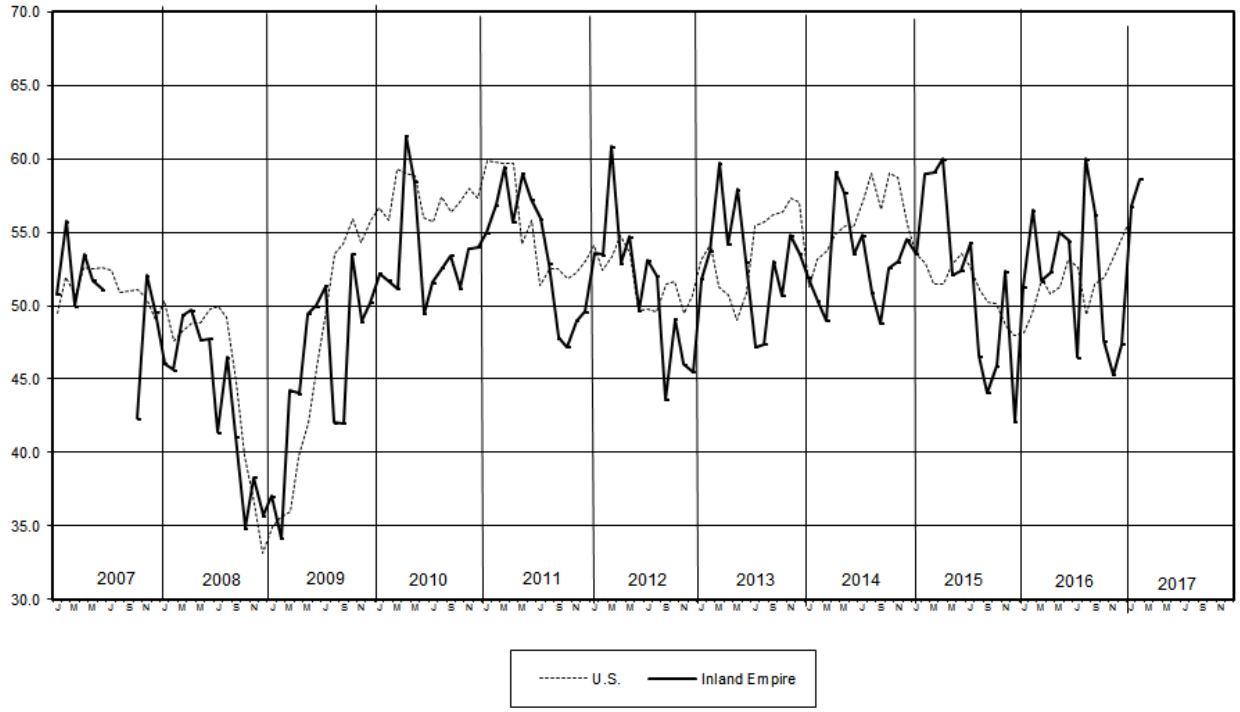
"The improvement in the PMI indices was reflected in Purchasing Manager's confidence in the future local economy. This month 44% of Purchasing Managers forecasted that the local economy will improve in the coming quarter (up slightly from last month's 42%). Only 8% (down from 23% last month), believe that the economy will become weaker, and 48% of Purchasing Managers predicted that the local economy will remain unchanged for the coming quarter, (up from 35% last month)."

Following is a summary of highlights of the monthly indices:

February 2017 Business Survey at a Glance					
	Series Index				
	Last Month	This Month	Direction from 50	Rate of Change from Last Index	Trend (Months)
Local PMI	56.8	58.6	Growing	Faster	2
Commodity Prices	61.3	60.3	Increasing	Slower	13
Production	67.7	67.2	Growing	Slower	3
New Orders	61.3	63.8	Growing	Faster	2
Inventory	48.4	55.2	Increasing	From Decreasing	1
Employment	53.2	53.4	Growing	Faster	2
Supplier Deliveries	53.2	53.4	Slowing	Faster	2
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	42%	44%			
% Same	35%	48%			
% Weaker	23%	8%			

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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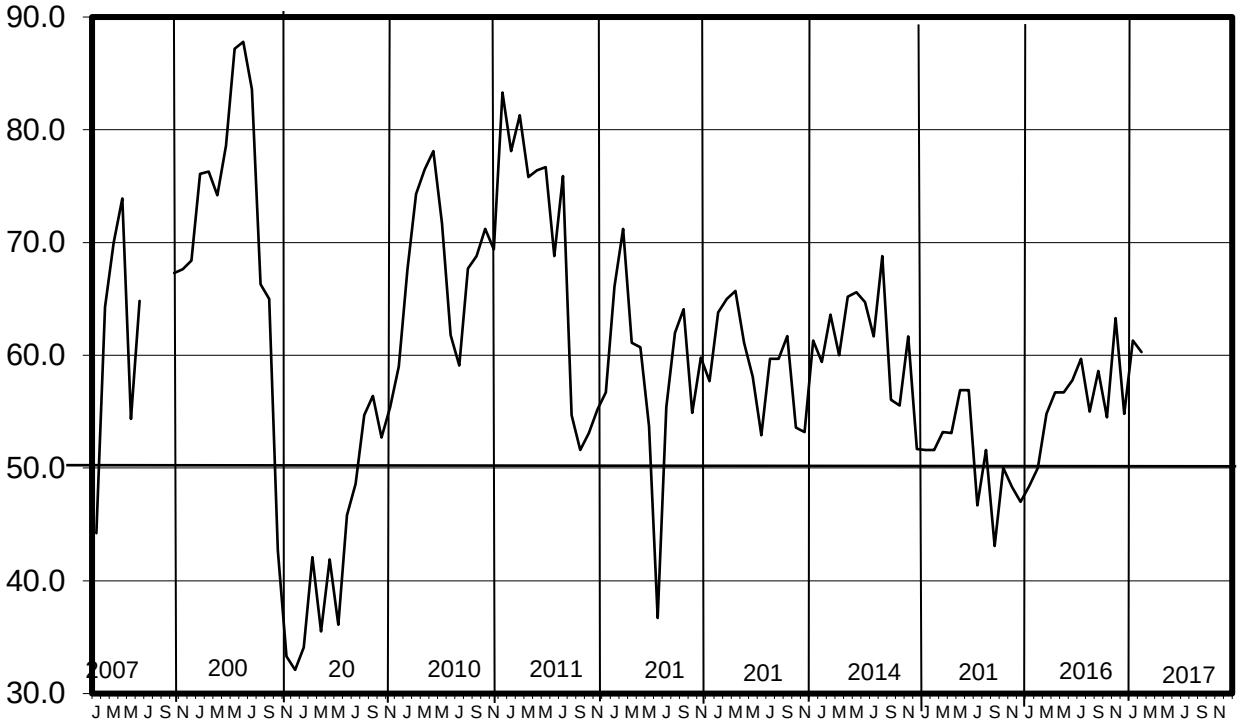
Commodity Prices



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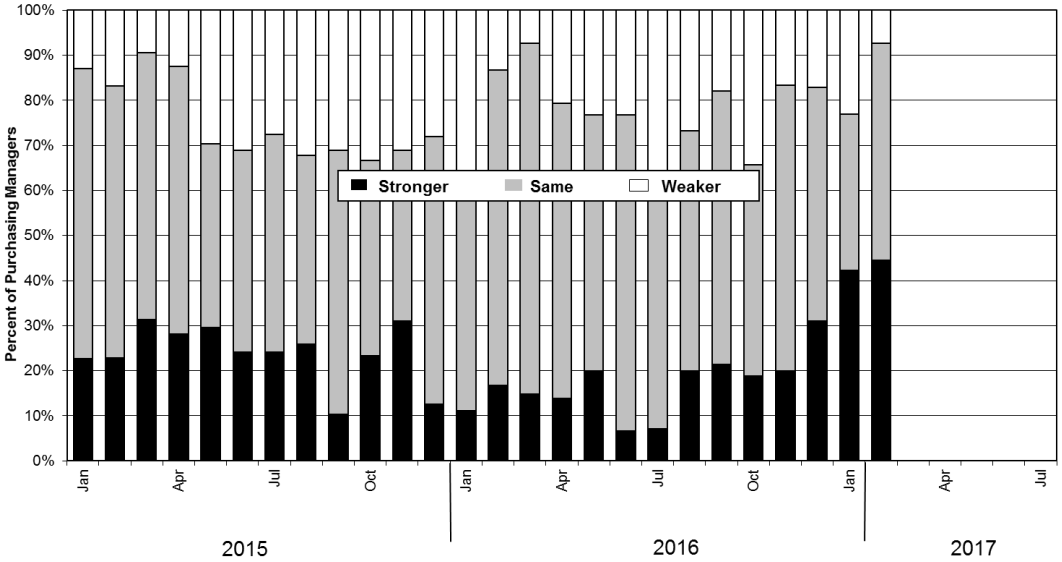
State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 02/2016 THROUGH 02/2017

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Weaker	13	7	21	23	23	36	27	18	34	17	17	23	8
Same	70	78	65	57	70	57	53	61	47	63	52	35	44
Stronger	17	15	14	20	7	7	20	21	19	20	31	42	48

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

- “Local business improved slightly this month.”
- “Seems to be improving.”
- “Most customers express optimism regarding growth.”
- “Third month in a row of increased activity."
- “Expanding growth, the European demand has outpaced the production capabilities of Silicon products.”
- “Production capabilities have been shifted to meet the global demand.”
- “More orders for a particular product that utilizes import paper.”

Some cautionary notes included:

- “Not much improvement...no new layoffs yet.”
- “Still a great deal of uncertainty in the marketplace due to the conflicting positions in the political arena.”
- "Lumber prices rising due to Trumps tariff talk, speculation drives commodities up. Pallet prices therefore are going up.”
- "Business has remained slow for the past two months."
- "Sales same as last month - no improvement."
- "Less demand and I have a stockpile."
- “Internal (US made material) has been over booked.”
- "We are having a typical slow start to the year. We expect 25% growth for this year."

In summary, in last month’s report we noted that the low PMI figures in the last quarter of 2016 may have been a cyclical decrease, and we projected that this month’s PMI would continue to show growth. That is exactly what the figures showed. Further, recent press articles note that Inland Empire construction is up in the Inland Empire, small businesses are bullish on their prospects for the coming quarter, and the real estate market is heating up. Thus we project that the Inland Empire economy will hold its own for at least the coming quarter. But it is difficult to project past that point. A lot depends on what happens on the national scene relative to changes in policies regarding health care, global logistics, and trade policies. As they say, “film at 11!”

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