

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 January 2014

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

PMI CONTINUING TO SHOW SLOW GROWTH

According to Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (51.9) is only a slight decrease from last month's 53.5, and is the fifth month above the 50% benchmark which indicates a growing manufacturing sector."

"All components of the PMI registered at or above 50 this month except the Inventory index which showed a decrease from 56.5 to 48.4. Production was virtually unchanged (56.5 last month and 56.3 this month). The New Orders Index decreased from 58.1 last month to 51.6 this month indicating that the rate of growth has slowed, however new orders **are** still coming in. The volatile Employment Index remained at 50.0 – most companies said the overall level of employment remained the same since last month, but a small group of companies saw increases, and an equal amount saw decreases. Commodity Prices showed a decrease from 61.3 to 59.4 but remained above 50 for the 19th month, indicating that prices continue to rise. Supplier Deliveries increased from 46.8 to 53.1 (indicating that deliveries are *slowing* slightly)."

"Purchasing Managers are slightly less optimistic than last month about the state of the local economy. Nearly a quarter (23%) of purchasing managers predicted that the local economy will become stronger in the upcoming months (down from last month's 32%). Fifty-eight percent of purchasing managers believe the local economy will remain unchanged, and the remaining 19% believe the local economy will become weaker by next quarter."

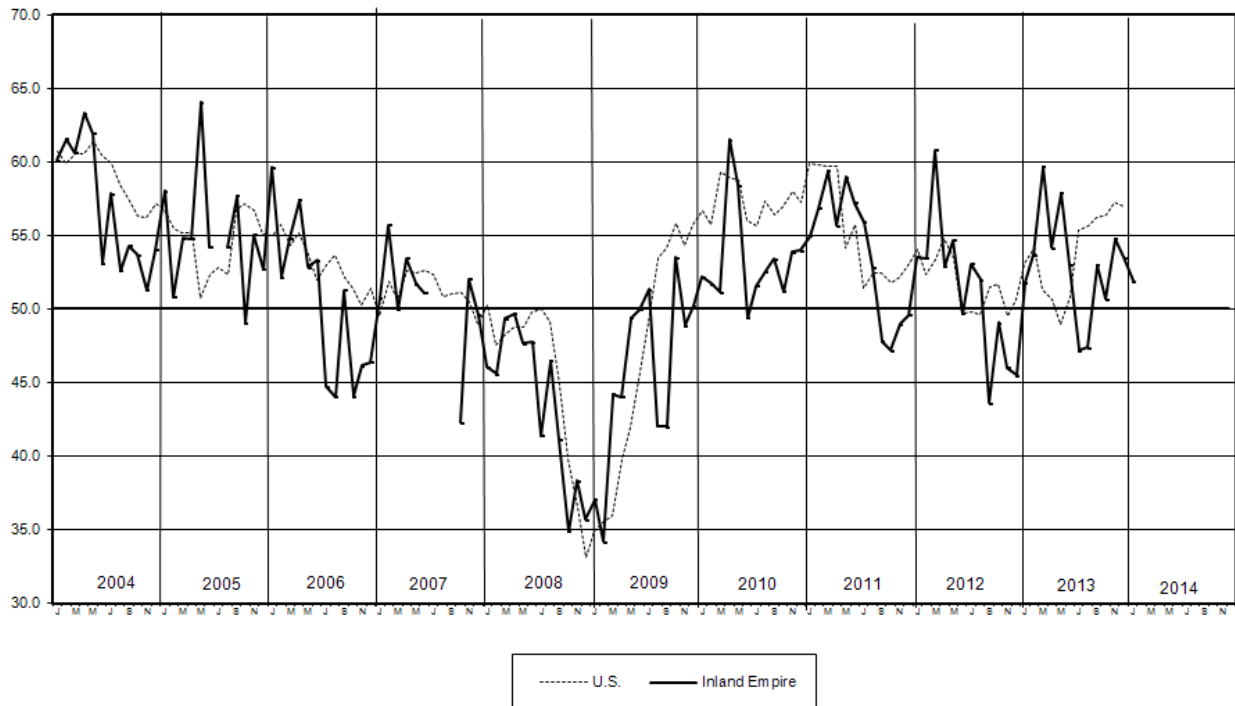
Exports showed a decrease from last month (54.2 to 45.8) and Imports decreased from 56.7 to 50.0.

Following are some highlights from this month's report:

January 2014 Business Survey at a Glance

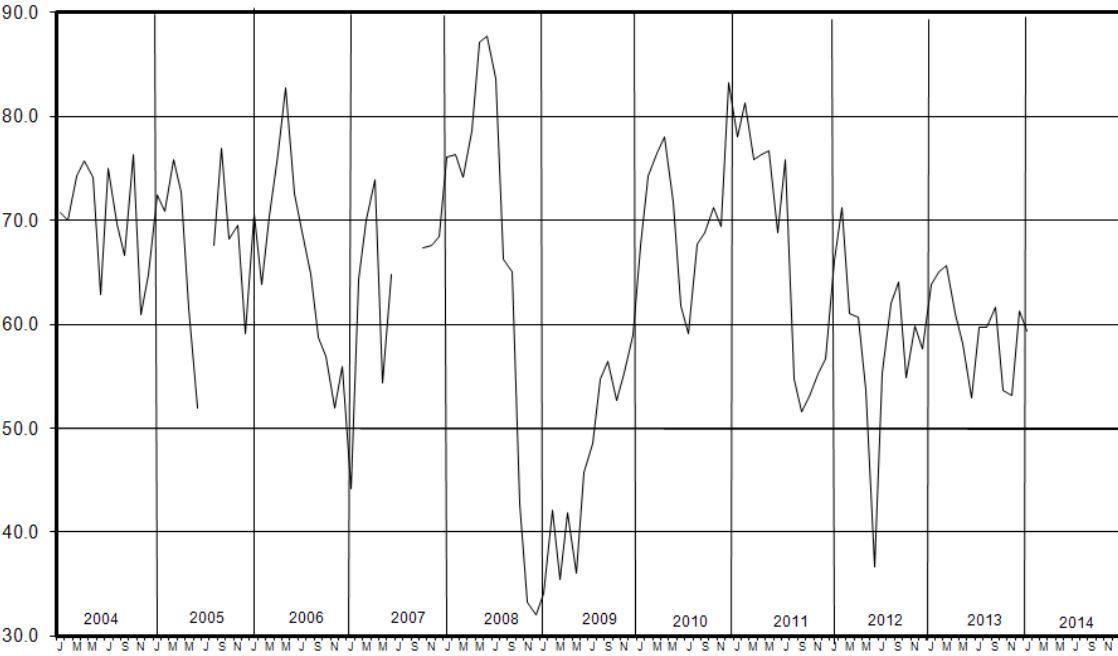
	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	53.5	51.9	Growing	Slower	5
Commodity Prices	61.3	59.4	Increasing	Slower	19
Production	56.5	56.3	Growing	Slower	5
New Orders	58.1	51.6	Growing	Slower	5
Inventory	56.5	48.4	Decreasing	From Increasing	1
Employment	50.0	50.0	Unchanged	From unchanged	3
Supplier Deliveries	46.8	53.1	Slowing	From Faster	1
Imports	56.7	50.0	Unchanged	From Increasing	1
Exports	54.2	45.8	Contracting	From Increasing	1
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	32%	23%			
% Same	52%	58%			
% Weaker	16%	19%			

Purchasing Managers' Index



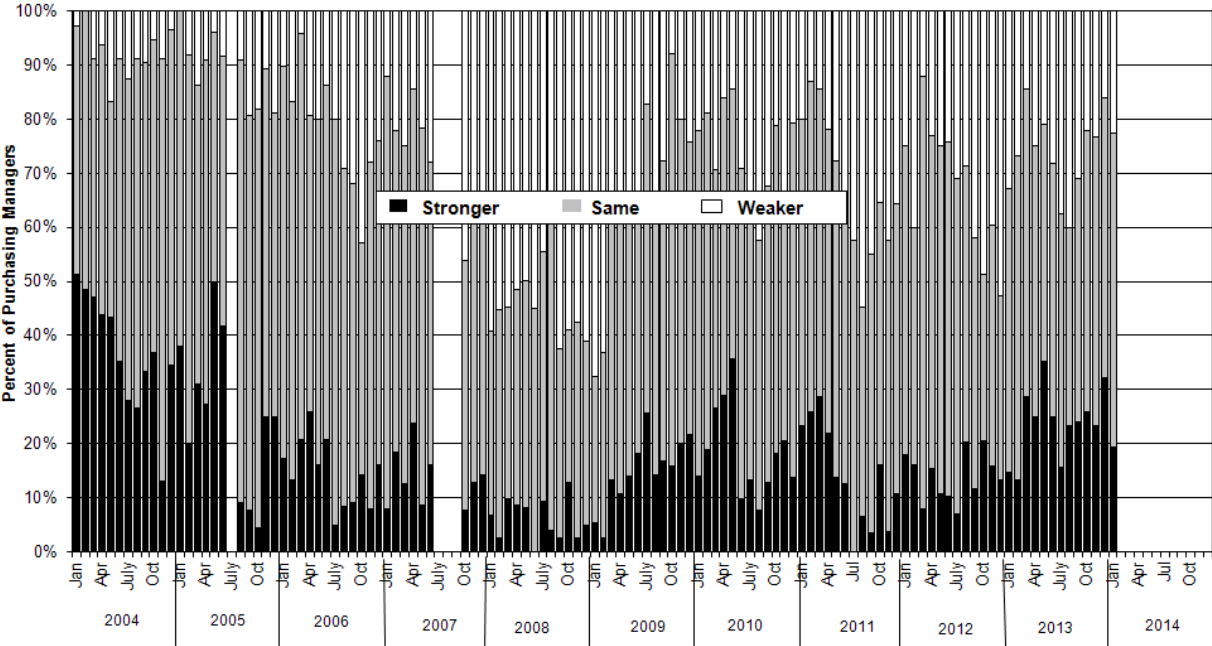
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 1/2013 THROUGH 1/2014

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Weaker	32	27	14	25	21	28	37	40	31	22	23	16	23
Same	53	60	57	50	44	47	47	37	45	52	55	52	58
Stronger	15	13	29	25	35	25	16	23	24	26	23	32	19

Positive remarks from Purchasing Managers included: “January has been a very busy month both in shipping product and quoting new business,” “The cold weather has helped the electric heater business, at least as new orders come in.”

Some Purchasing Managers had cautionary comments: “Business continues to be slow. Competitive-pricing market at this time,” “Economy seems to be at a standstill,” “Natural Gas prices due to this winter are hurting our business. Otherwise we are having a good start,” “New orders are down from previous January,” “At this time we see lackluster demand for roofing products used in residential construction and re-roofing. In short we fight for every order, and have several disadvantages over on competitor in Northern Mexico,” and “Weak recovery aggravated by high taxes and regulations.”

In summary, since the report’s inception in 1993, January’s figures have been relatively similar to those in December. This year is no exception. The bottom line is that the PMI (a three-month leading indicator of the overall economy) is “up,” thus we project continued sluggish growth in the local manufacturing sector. Further, we project that the local economy will continue to grow for at least the next few months, especially if gas prices remain relatively low (as is predicted by a number of economists) and consumer spending continues to increase.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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