

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 August 2014

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

MANUFACTURING SECTOR REMAINS IN GROWTH MODE – BARELY

According to Barbara Sirotnik (Director of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (50.9) registered a decrease over last month's figure (54.8), barely remaining above the baseline 50% mark. The index has remained above 50 for five consecutive months, indicating that the manufacturing sector is still growing -- but at a snail's pace."

Production increased slightly from 56.7 last month to 57.6 this month. New Orders also registered a slight increase from 50.0 to 51.5, and in combination with the Production figure, this shows that although the effects of the recession continue to be felt, consumers are returning to "buying mode." The Commodity Prices increased from 61.7 last month to 68.8 this month. The Supplier Deliveries Index decreased from 53.3 to 51.5, and Inventories dropped from 56.7 to 48.5. The Employment Index also took a big drop from last month's 60.0 to 45.5 this month, but this decrease is not surprising considering the seasonal trend which occurs each summer and the possibility that the effects of the minimum wage increase are being felt. Exports showed a decrease from last month's 54.2 to 46.2 and Imports were virtually unchanged, increasing slightly from 53.1 to 53.6.

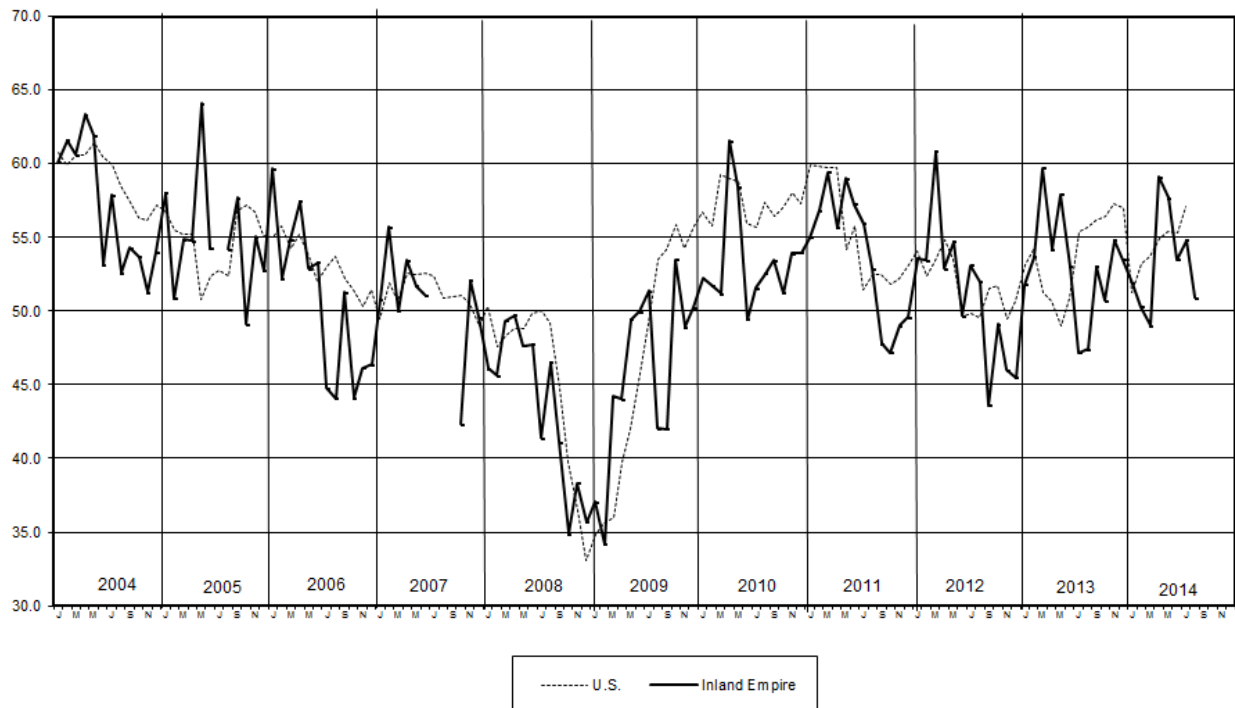
In addition to manufacturing-specific questions (e.g. production, new orders, employment etc.), the monthly survey asks Purchasing Managers to indicate what they believe will be the state of the local economy in the coming quarter. Purchasing Managers are significantly less optimistic about the economy than they were last month, with only 22% expecting that the economy will grow stronger (down from 33% last month), an equal amount expecting it to become weaker, and the remaining 56% saying it will remain unchanged (up from 43%).

Following are some highlights from this month's report:

August 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	54.8	50.9	Growing	Slower	5
Commodity Prices	61.7	68.8	Increasing	Faster	26
Production	56.7	57.6	Growing	Faster	5
New Orders	50.0	51.5	Growing	From Unchanged	6
Inventory	56.7	48.5	Decreasing	From Increasing	1
Employment	60.0	45.5	Contracting	From Growing	1
Supplier Deliveries	53.3	51.5	Slowing	Slower	3
Imports	53.1	53.6	Growing	Faster	2
Exports	54.2	46.2	Contracting	From Growing	1
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	33%	22%			
% Same	43%	56%			
% Weaker	23%	22%			

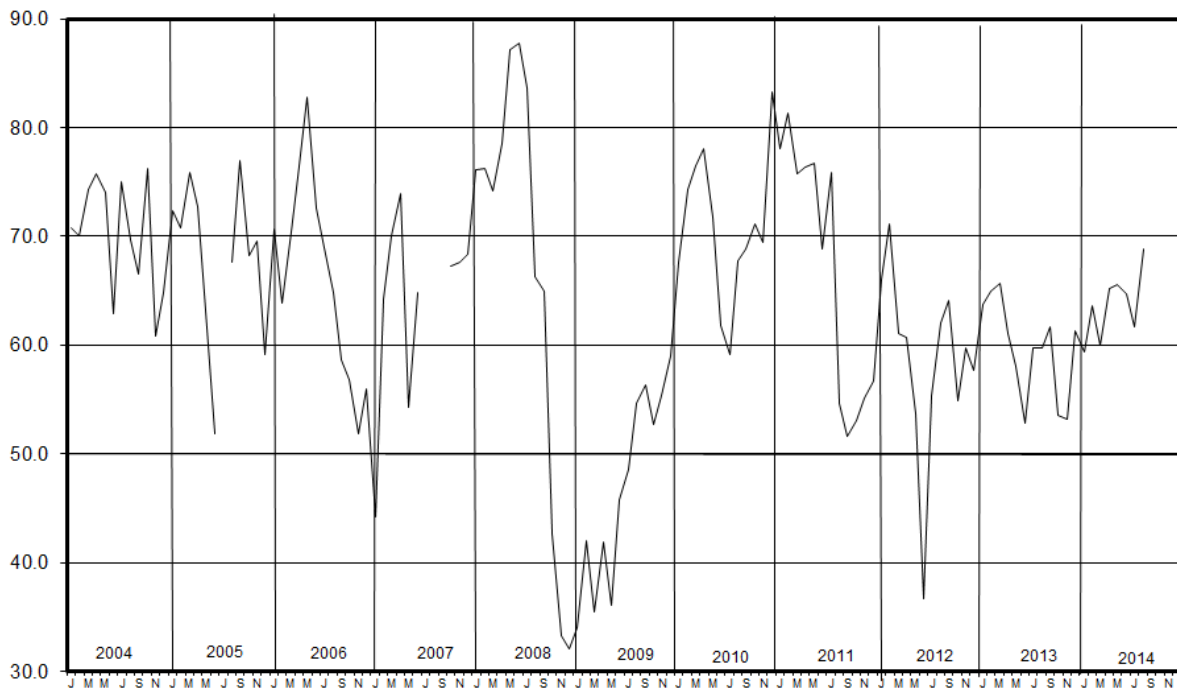
Note: Inland Empire data were not collected for the months of October and November 1996, July 2005, and July through September 2007.

Purchasing Managers' Index



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Commodity Prices



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STATE OF THE ECONOMY: DATA FROM 8/2013 THROUGH 8/2014

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Weaker	40	31	22	23	16	23	29	21	13	16	26	23	22
Same	37	45	52	55	52	58	45	62	58	53	39	43	56
Stronger	23	24	26	23	32	19	26	17	29	31	35	33	22

Positive remarks from Purchasing Managers included: “We had a record shipping level in July, and August is also big (but not as big as July). In our business summer is usually slow, but not this year!” “Business is stronger,” “We are running 7 days a week to try and catch up with orders, and it looks like this is going to last for a while,” and “Business is just a bit better.” In contrast, one person remarked: “New orders have slowed, especially domestic orders.”

In summary, the Inland Empire economy appears to be on the mend, but it will take time before one can call it “strong.” The local manufacturing sector is holding its own, but certainly is not booming. A recent economic study by HIS Global Insight is projecting that economic growth in the region will be the strongest of any large metro area in California through 2020, partially because the metropolitan region was hurt so badly in the recent recession and is

now rebounding. The results of our monthly Purchasing Manager surveys would tend to support that evaluation.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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