

# **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 2015***

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

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## **PMI REMAINS IN GROWTH MODE**

According to Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (53.5) is a slight decrease from last month's figure (54.5), and is the fourth month in a row that it has registered above the 50% benchmark. This four month series signifies growth in the Inland Empire manufacturing sector and the economy as a whole."

"All of the major components of the PMI remained above 50, although the rate of growth slowed somewhat. Production decreased from 58.6 last month to 56.5 this month, and New Orders dropped from 62.1 last month to 54.8 this month. The Commodity Price Index was virtually unchanged from last month, decreasing from 51.7 to 51.6. Supplier deliveries were also virtually unchanged, dropping from 51.7 to 51.6 this month. The Employment Index decreased from 53.4 last month to 51.6 this month. These decreases reflect typical seasonal variations that tend to occur in January."

"Purchasing Managers continue to be cautiously optimistic about the state of the local economy. This month 13% predicted that the economy will be weaker in the coming quarter (up from last month's 7% but a significant decrease from January 2014's 23%). Sixty-four percent of purchasing managers believe the local economy will remain unchanged, and the remaining 23% believe the local economy will become stronger by next quarter."

Following are some highlights from this month's report:

## January 2015 Business Survey at a Glance

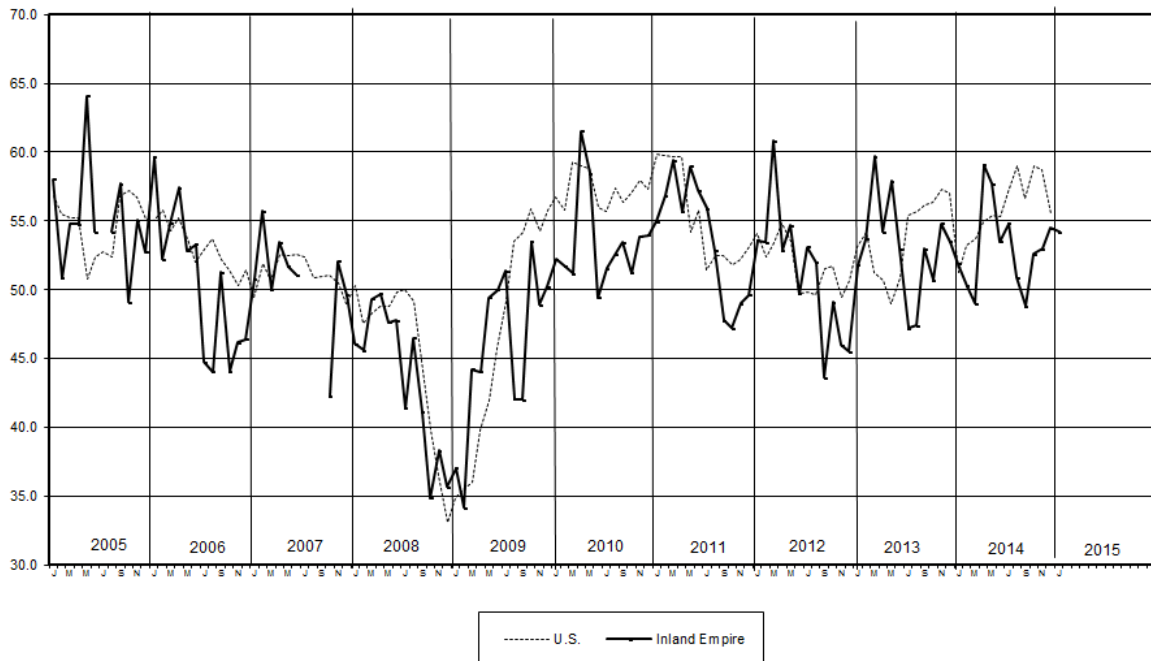
|                     | Series Index |            | Direction from 50 | Rate of Change from Last Index | Trend (Months) |
|---------------------|--------------|------------|-------------------|--------------------------------|----------------|
|                     | Last Month   | This Month |                   |                                |                |
| Local PMI           | 54.5         | 53.5       | Growing           | Slower                         | 4              |
| Commodity Prices    | 51.7         | 51.6       | Increasing        | Slower                         | 31             |
| Production          | 58.6         | 54.8       | Growing           | Slower                         | 10             |
| New Orders          | 62.1         | 57.8       | Growing           | Slower                         | 4              |
| Inventory           | 46.6         | 54.7       | Increasing        | From Decreasing                | 2              |
| Employment          | 53.4         | 51.6       | Growing           | Slower                         | 3              |
| Supplier Deliveries | 51.7         | 51.6       | Slowing           | Slower                         | 8              |

| Purchasing Managers' Confidence in the State of the Local Economy |     |     |  |  |  |
|---|-----|-----|--|--|--|
| % Stronger  | 21% | 23% |  |  |  |
| % Same  | 72% | 64% |  |  |  |
| % Weaker  | 7%  | 13% |  |  |  |

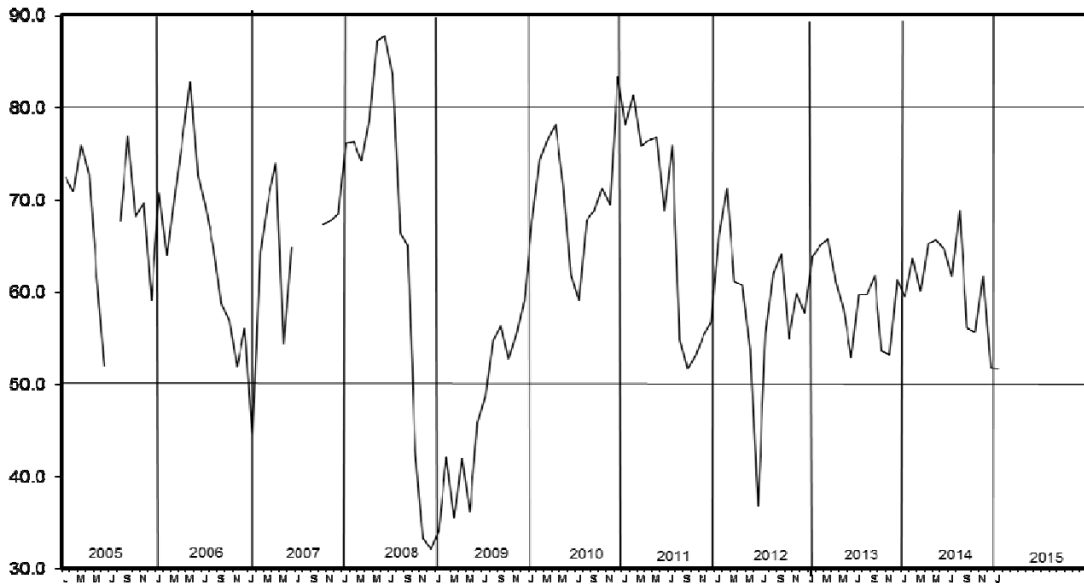
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



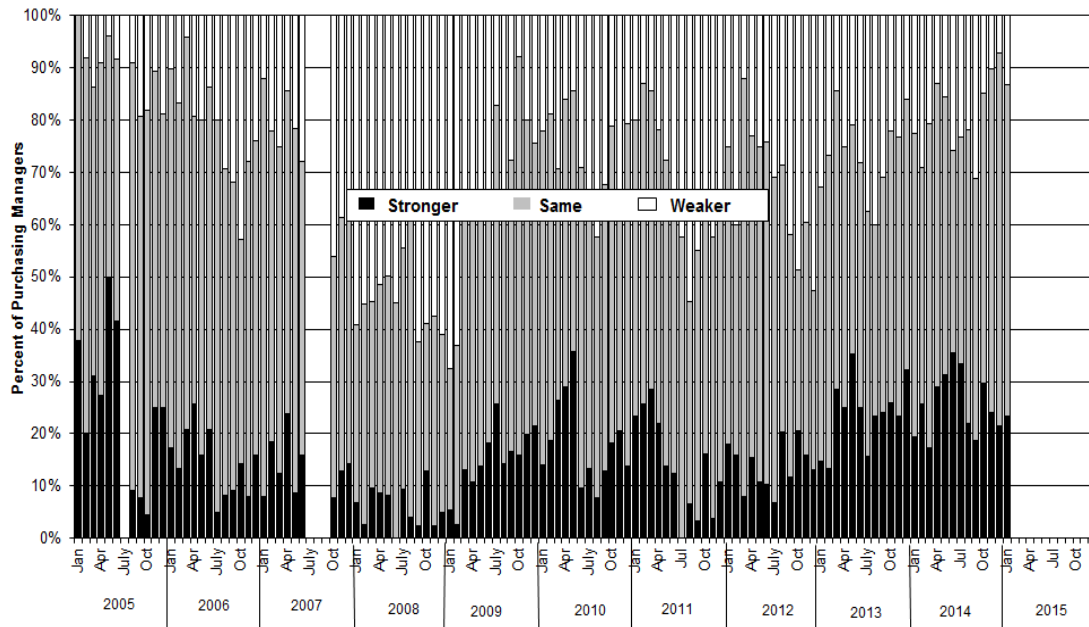
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## Commodity Prices



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 1/2014 THROUGH 1/2015

|                 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan |
|-----------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| <b>Weaker</b>   | 23  | 29  | 21  | 13  | 16  | 26  | 23  | 22  | 31  | 15  | 10  | 7   | 13  |
| <b>Same</b>     | 58  | 45  | 62  | 58  | 53  | 39  | 43  | 56  | 50  | 55  | 66  | 72  | 64  |
| <b>Stronger</b> | 19  | 26  | 17  | 29  | 31  | 35  | 33  | 22  | 19  | 30  | 24  | 21  | 23  |

Positive remarks from Purchasing Managers included: “January business very strong early in month, tapering off toward end of month,” “2015 start is great. Looking to be a record month in sales/shipments in more than 8 years,” “Sales brisk in January, very unusual. Normally our slow time,” “Hospitality industry demand is improving,” and “We have seen a significant uptick in all areas of our business, mostly due to internal changes and contractual work with our major aerospace customers.”

Negative Purchasing Managers comments included: “Business continues to be slow,” “This year is starting slowly and the rise of the dollar is a factor for exports,” “The strike at the ports set us back,” and “Typical first quarter with slow sales and manufacturing building inventory. Hope this will be a good year.”

In summary, all indices point to slow and continued growth in the Inland Empire manufacturing sector and the economy as a whole. In context of national statistics indicating strong job growth and consumer confidence levels at their highest level since 2008, it appears that it is “clear sailing” for the Inland Empire economy over the coming quarter.

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

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