

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 July 2016

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

Inland Empire PMI dips below 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) is 46.5, a significant drop from last month's 54.4. This is the first month that the PMI has dropped below 50% mark since December 2015. Typically if there were three months of figures below 50, that would be enough evidence to conclude there was a slowing in the local manufacturing sector. But since this was the first month to register a figure below the baseline 50, and since this tends to be a seasonal drop in the summer months, we are not ready to conclude that the local manufacturing sector has slowed. Further, it must be remembered that only if the PMI drops below 43.1 would we conclude that the overall local economy is weakening."

"The weakness in the PMI is reflected in all major indices; especially New Orders which dropped from 59.4 last month to 32.3 this month, and Production which decreased from 59.4 to 46.8 this month. Further, Inventories dropped from 51.6 to 50.0, and Commodity Prices registered an increase from 57.8 to 59.7 this month. Supplier Deliveries Index increased from 51.6 to 53.2 indicating that delivery times are getting slower. On a slightly more positive note, the Employment Index remained unchanged at 50.0, so although employment may not be increasing, we must note that it is not decreasing either."

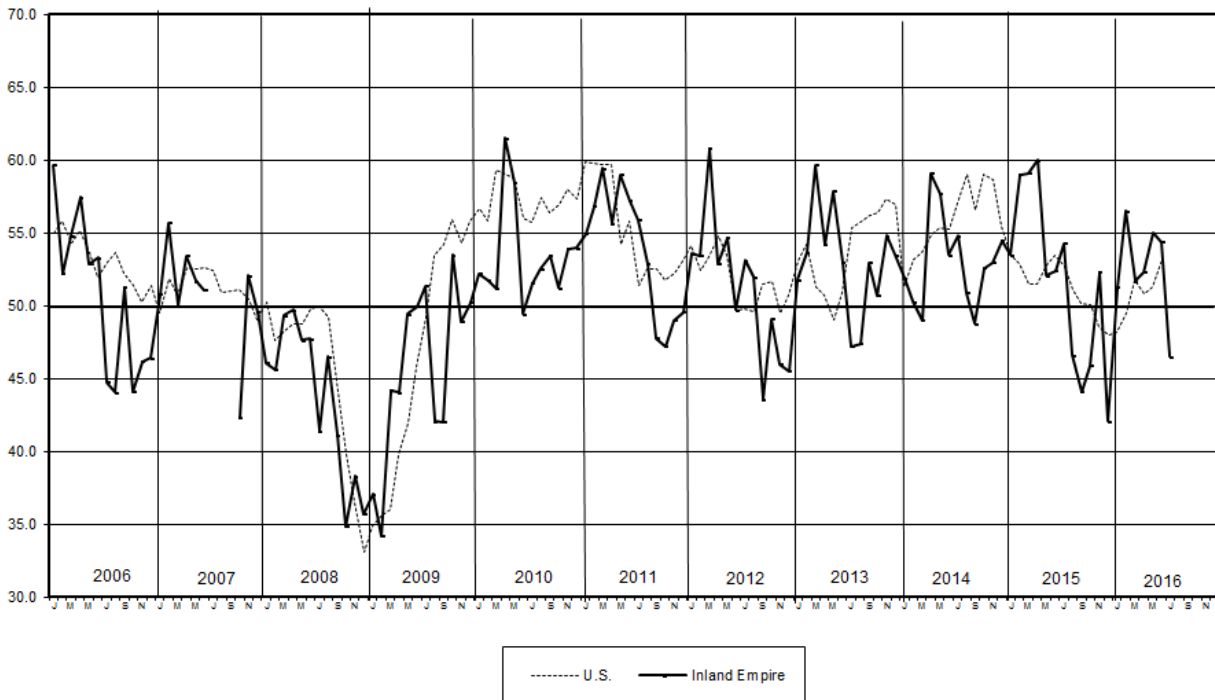
"Consistent with the above figures, Purchasing Managers were pessimistic about the state of the local economy for the coming quarter. Only 7% (unchanged from last month) believe the economy will be stronger; whereas 36% believe the economy will be weaker (up from 23% last month). The other 57% think the economy will remain about the same."

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

July 2016 Business Survey at a Glance					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	54.4	46.5	Contracting	From Growing	1
Commodity Prices	57.8	59.7	Increasing	Faster	6
Production	59.4	46.8	Contracting	From Growing	1
New Orders	59.4	32.3	Contracting	From Growing	1
Inventory	51.6	50.0	Unchanged	From Increasing	7
Employment	50.0	50.0	Unchanged	From Unchanged	6
Supplier Deliveries	51.6	53.2	Slowing	Faster	4
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	7%	7%			
% Same	70%	57%			
% Weaker	23%	36%			

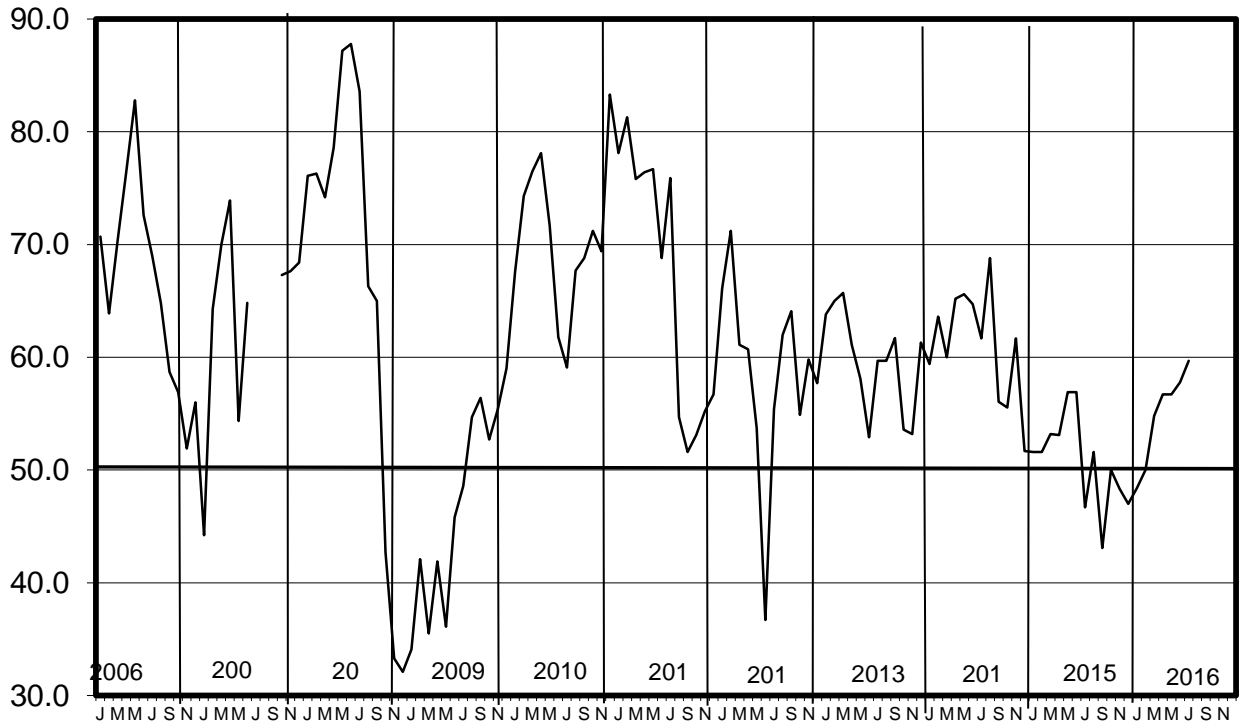
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



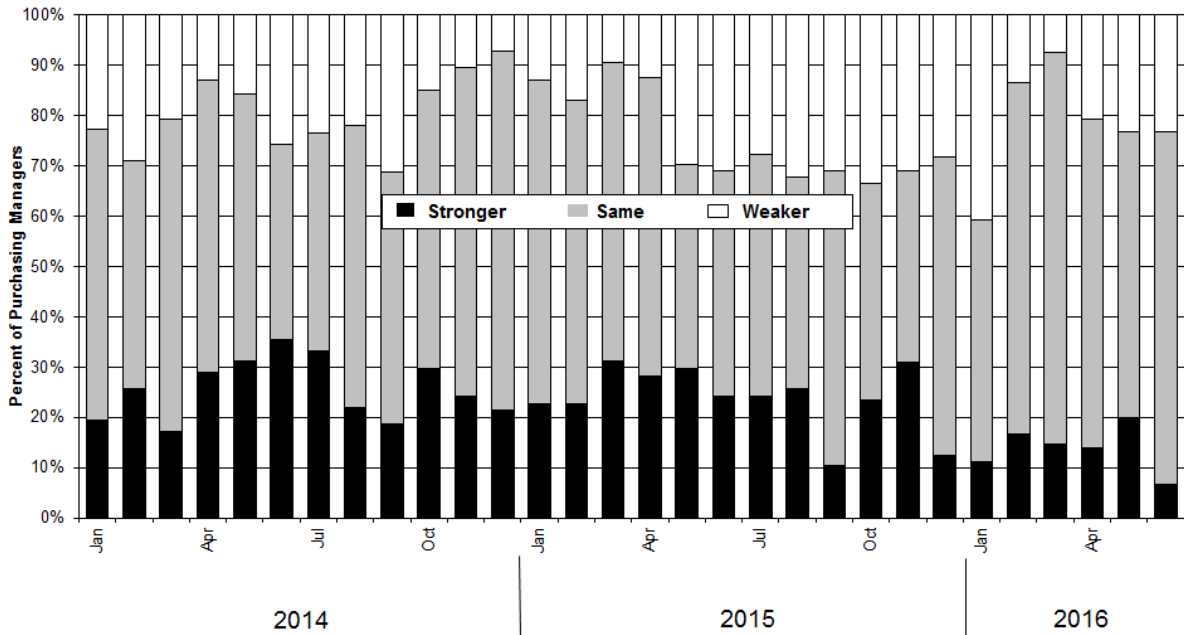
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 7/2015 THROUGH 7/2016

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Weaker	28	32	31	33	31	28	41	13	7	21	23	23	36
Same	48	42	59	43	38	58	48	70	78	65	57	70	57
Stronger	24	26	10	23	31	14	11	17	15	14	20	7	7

When Purchasing Managers were asked to comment on the general business conditions that affected their company, there was only one positive remark:

- "Domestic sales are making a slow improvement."

Some cautionary notes included:

- "Can it get any slower???"
- "It appears that roofing is going through its early summer slowdown period."
- "Business still somewhat sluggish."
- "We see a lot slower current bookings which we think may be due to the political dynamics and the heat and the possibility that there are a number of our customers' staff on vacation."
- "Our high season is not up to our expectations – we are behind on sales."
- "Industry slow."

In summary, the PMI dipped sharply this month, but that's the same seasonal pattern we saw in August of 2015, September of 2014, and July of 2013. Unless we see three months of figures below 50 which would establish a new trend of slowing after the six months of continual growth, we are not overly concerned. On the other hand, factors such as the political instability around the world, uncertainty about the November US election, fallout from Brexit, and unseasonably hot weather could slow the local and US economy. Stay tuned!

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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