

# **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 2014***

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

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## **Regional Economy Continues To Be in Growth Mode**

According to Barbara Sirotnik (Director of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (54.8) registered a slight increase over last month's figure (53.5), and continued to stay above the baseline 50% mark for the fourth consecutive month. This indicates that the local manufacturing sector (and well as the economy in general) is still growing."

"Production decreased from 63.2 last month to 56.7 this month, but that figure still remains above the 50% mark, reflecting sustained growth. New Orders registered a slight decrease from 51.5 to 50.0. For the second month in a row, the Supplier Deliveries Index increased from 52.9 to 53.3 indicating that delivery times are getting slower (which typically happens when business is booming and suppliers have a backlog of demand). Inventories increased from 52.9 to 56.7. The volatile Employment Index took a big jump from 47.1 last month to 60.0 this month. This figure is the highest it has been since May of 2013, and is somewhat encouraging in that comments from purchasing managers over the past two months indicate that they have begun to hire permanent employees instead of using temps (partially due to the increase in minimum wage). Exports showed an increase from last month's 42.3 to 54.2 and imports increased from 46.7 to 53.1."

"Purchasing Managers are somewhat bullish about the state of the local economy, with 34% of Purchasing Managers predicting that the local economy will become stronger in the coming quarter (virtually unchanged from last month's 35%) and only 23% predicting it will become weaker (down from last month's 26%). The rest (43%) believe the local economy will remain unchanged."

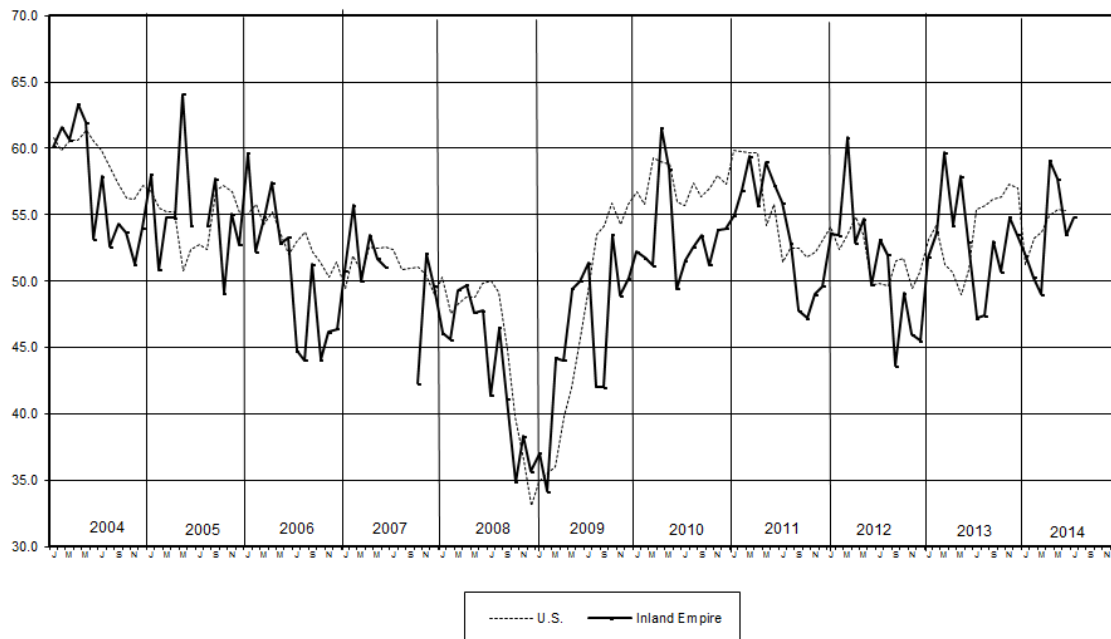
Following are some highlights from this month's report:

## July 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	54.8	Growing	Faster	4
Commodity Prices	64.7	61.7	Increasing	Slower	25
Production	63.2	56.7	Growing	Slower	4
New Orders	51.5	50.0	Unchanged	From Growing	5
Inventory	52.9	56.7	Increasing	Faster	4
Employment	47.1	60.0	Growing	From Contracting	1
Supplier Deliveries	52.9	53.3	Slowing	Faster	2
Imports	46.7	53.1	Growing	From Contracting	1
Exports	42.3	54.2	Growing	From Contracting	1
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	35%	34%			
% Same	39%	43%			
% Weaker	26%	23%			

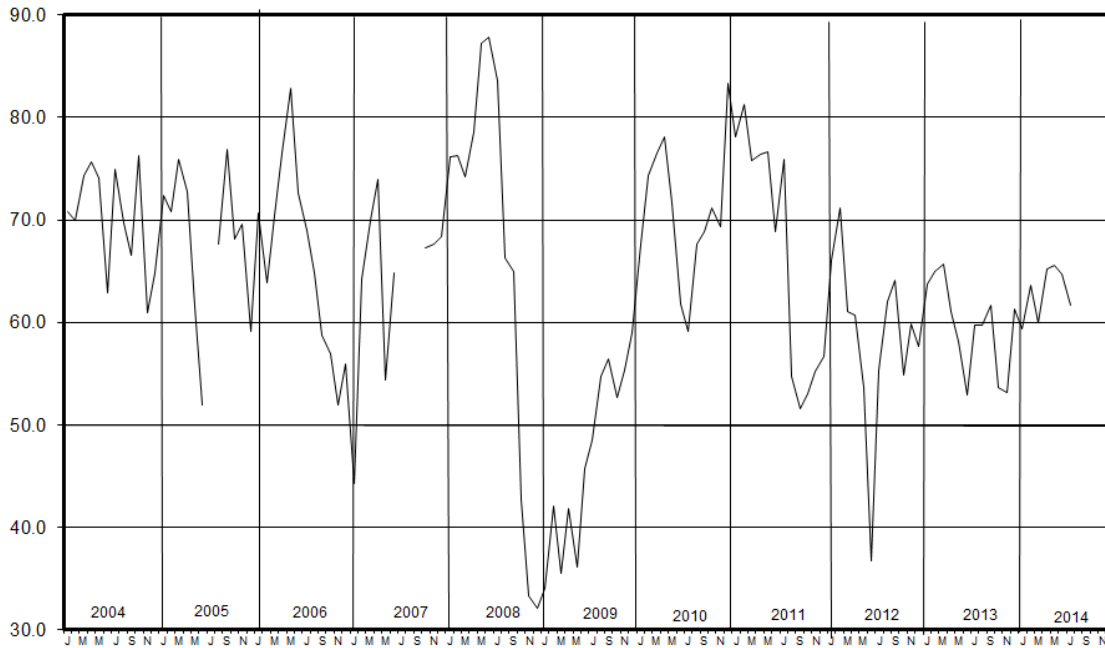
Note: Inland Empire data were not collected for the months of October and November 1996, July 2005, and July through September 2007.

## Purchasing Managers' Index



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## Commodity Prices



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### STATE OF THE ECONOMY: DATA FROM 7/2013 THROUGH 7/2014

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
<b>Weaker</b>	37	40	31	22	23	16	23	29	21	13	16	26	23
<b>Same</b>	47	37	45	52	55	52	58	45	62	58	53	39	43
<b>Stronger</b>	16	23	24	26	23	32	19	26	17	29	31	35	33

**Positive remarks** from Purchasing Managers included “Slight improvement in sales,” “Cheese business is going through the roof. I’m told that there is a shortage of cheese throughout the country,” “We are nearing the end of an unusual July with production schedule at 150% of last July and 125% over last month,” “Domestic sales are stable, but exports are growing,” “Business is improving,” and “Increased orders, backlog has doubled.”

In contrast, some Purchasing Managers made **cautionary or negative comments**: “July is a record and August looks soft,” “While the general economy appears to be in a wonderful growth mode, in our specific case, which is shared by industry colleagues, is that things are very much in a peak and valley syndrome. This is resulting in a need to be very cautious in taking risks, and as a result the ability to expand markets is impacted negatively....we are assuming those risks but very cautiously,” and “Business continues to be slow.”

In summary, ever since mid-2012 we have seen an overall upward trend in the Purchasing Managers Index, indicating growth in the local manufacturing sector as well as the overall economy. Unfortunately this good news is tempered somewhat by issues on the national and global scene: concerns about the Fed raising interest rates, the worst one day drop in the stock market since February, increasing tensions between the European Union and Russia, and turmoil in Gaza – all of which have at least some impact on the Inland Empire economy. Of more direct impact, Purchasing Managers are continuing to comment on the effect of the minimum wage increase relative to their hiring practices.

As we said last month, we are cautiously optimistic about the Inland Empire manufacturing sector and the overall economy. But only time will tell if that optimism is well-founded.

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

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