

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 May 2016

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

Inland Empire in growth mode for the fifth month

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (55.0) registered a small increase from last month's PMI (52.3), and marks the fifth month in a row that the index has remained above 50. This five-month pattern of figures above 50 suggests that the local manufacturing sector and the local economy are firmly back in growth mode."

"The fact that all key indices of the PMI continue to show strength reflects increasing consumer confidence and the expectation that consumer purchases will increase in the near future. For example, the Employment Index (an especially critical measure) increased from 54.7 last month to 58.3 this month. Production increased from 53.2 to 58.3 this month, and New Orders increased slightly from 51.6 to 53.3. The index reflecting speed of supplier deliveries was 50.0 (unchanged from the previous month). At times an index of 50.0 ("unchanged") is difficult to interpret, however when placed in context we believe that this figure is a positive one. Indeed, last month's figure reflected slowing deliveries—a sign that suppliers are getting busier which is an indication of a growing economy. The fact that this month was unchanged from that slow pace of deliveries reinforces our forecast that the economy is strengthening. The Commodity Price Index registered 56.7, showing the same level of price increase as last month."

"Purchasing Managers were also asked to predict whether the state of the local economy for the coming quarter would become stronger, weaker, or stay the same. The majority of respondents (57%) think the economy will stay the same (down from 65% last month). Only 20% of the Purchasing Managers commented that they expect the economy to be stronger in the coming quarter (up from 15% last month), and 23% expect it to be weaker (up only slightly from 21% last month)."

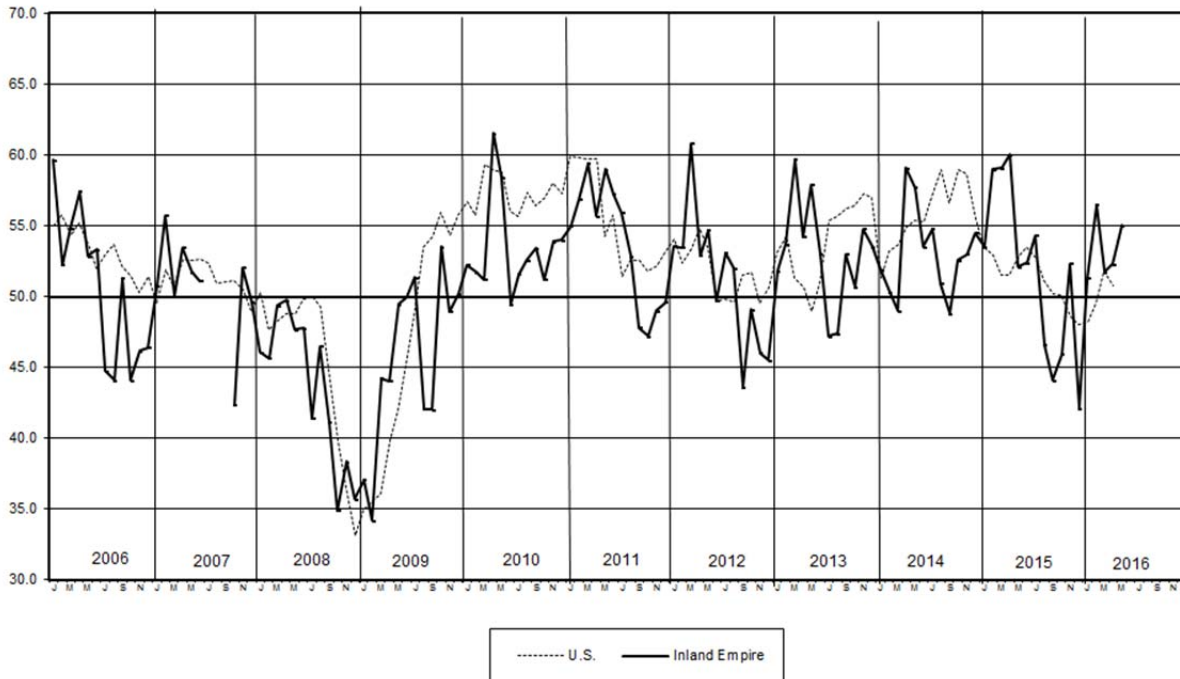
Following is a summary of highlights from this month's report:

May 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	52.3	55.0	Growing	Faster	5
Commodity Prices	56.7	56.7	Increasing	Unchanged	4
Production	53.2	58.3	Growing	Faster	5
New Orders	51.6	53.3	Growing	Faster	5
Inventory	51.6	55.0	Increasing	Faster	5
Employment	54.7	58.3	Growing	Faster	4
Supplier Deliveries	53.2	50.0	Unchanged	From Slowing	2
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	14%	20%			
% Same	65%	57%			
% Weaker	21%	23%			

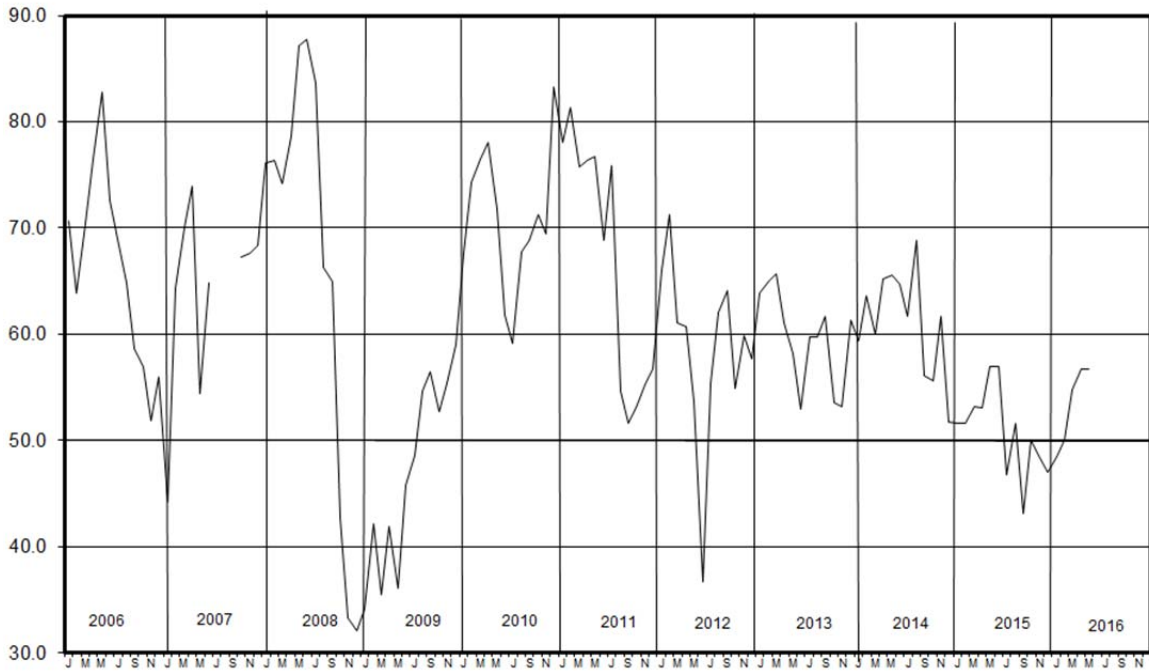
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



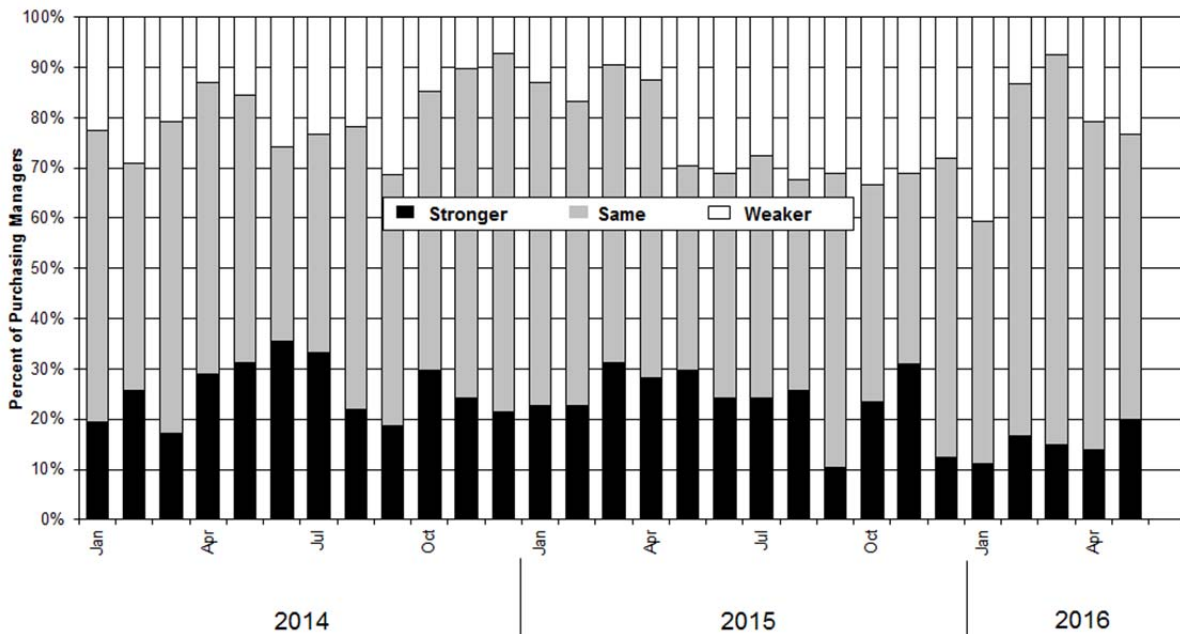
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 5/2015 THROUGH 5/2016

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Weaker	30	31	28	32	31	33	31	28	41	13	7	21	23
Same	40	45	48	42	59	43	38	58	48	70	78	65	57
Stronger	30	24	24	26	10	23	31	14	11	17	15	14	20

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included:

- "Slight business improvement from last month."
- "Recently business has jumped and is a big improvement."
- "This month was an example of the need to take a broader view than monthly: last month was one of the most robust in the last five years, but this month was more in line with a normal monthly pattern of orders. Still, we feel that with the economy stabilizing and growing, we are seeing the benefits of the long term recovery from the disastrous period that preceded it during the recession."
- "Slight increase in orders."
- "Business is picking up; this is the season for us."

Some cautionary notes included:

- "Incoming orders from Department of Defense have slowed down."
- "Business continues to be slow."
- "The strong dollar against the Euro is affecting our costs."
- "Business continues to be slow with the May production schedule less than April. We have thus far avoided lay-offs but some may be inevitable as we get further into summer."

In summary, although some Inland Empire residents may not personally feel that the economy has rebounded from the recession, the data in this report seems to indicate that the local economy and the local manufacturing sector *are* improving (albeit at a slow pace). Inland Empire employment is up (although growth is mainly in low income jobs). Home sales (and home prices) are up. Fuel prices remain relatively low. All of this is good news for the Inland Empire.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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