

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 March 2017

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

THIRD MONTH PMI ABOVE 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) increased to 62.4 from last month's 58.6. The methodology underpinning calls for three consecutive months above or below the baseline of 50 before a new trend can be established. The good news is that this is the 3rd month above that 50% benchmark, thus we can conclude that the manufacturing sector is back in growth mode. And the general Inland Empire economy is growing as well."

"All of the major components of the PMI registered significantly above 50. Production registered 75.0 – the highest level recorded since the *Report on Business* was first published in 1993. New Orders also increased sharply from last month's 63.8 to 70.0 this month – a figure exceeded only twice (in April 2004 and May 2005). Another piece of good news is that the Employment Index grew from 53.4 last month to 58.1 this month, and is the third straight month the index has remained above 50. The Supplier Deliveries Index decreased slightly from 53.4 to 51.6, indicating that speed of supplier deliveries is slowing (a sign that suppliers are busy and can't keep up with demand as well as the month before). The Inventory Index was virtually unchanged from last month, increasing only slightly from 55.2 to 56.7. And the Commodity Prices Index held relatively steady, increasing from 60.3 to 61.7."

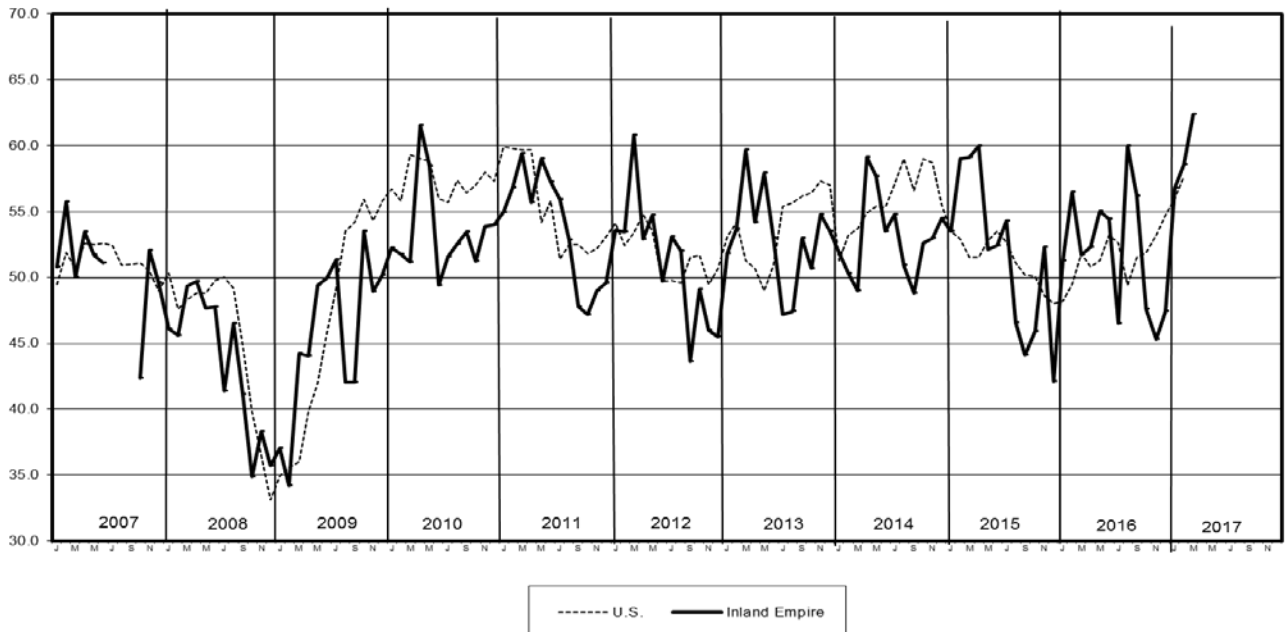
"The improvement in the PMI indices was reflected in Purchasing Manager's confidence in the future local economy. This month 45% of Purchasing Managers forecasted that the local economy will improve in the coming quarter and only 7% believe that the economy will become weaker. The rest (48%) predicted that the local economy will remain unchanged for the coming quarter, (up from 35% last month)."

Following is a summary of highlights of the monthly indices:

March 2017 Business Survey at a Glance					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	58.6	62.4	Growing	Faster	3
Commodity Prices	60.3	61.7	Increasing	Faster	14
Production	67.2	75.0	Growing	Faster	4
New Orders	63.8	70.0	Growing	Faster	3
Inventory	55.2	56.7	Increasing	Faster	2
Employment	53.4	58.1	Growing	Faster	3
Supplier Deliveries	53.4	51.6	Slowing	Slower	3
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	44%	45%			
% Same	48%	48%			
% Weaker	8%	7%			

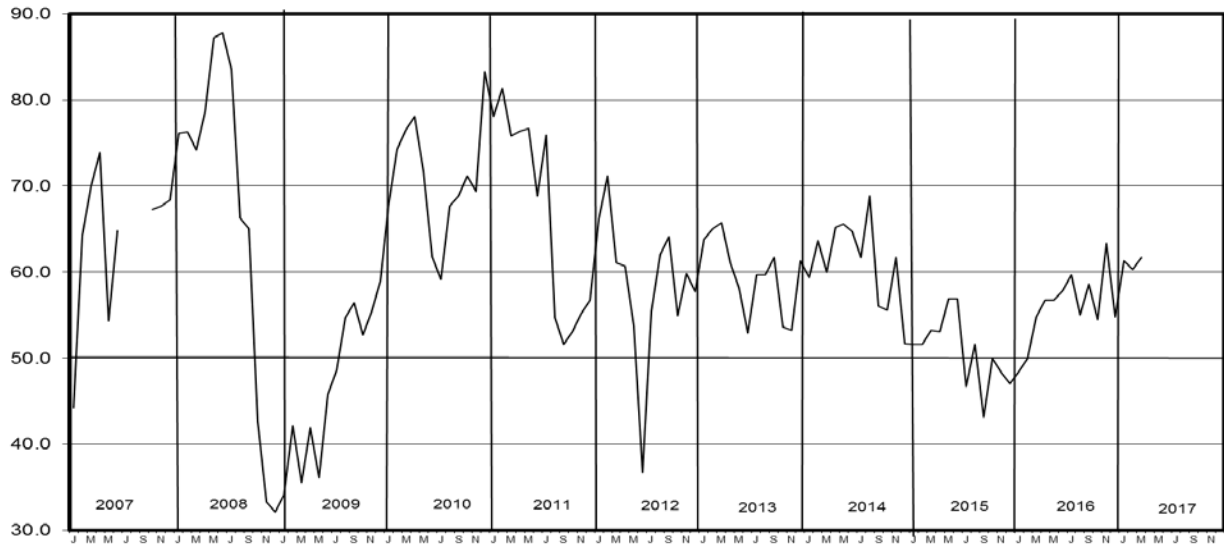
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



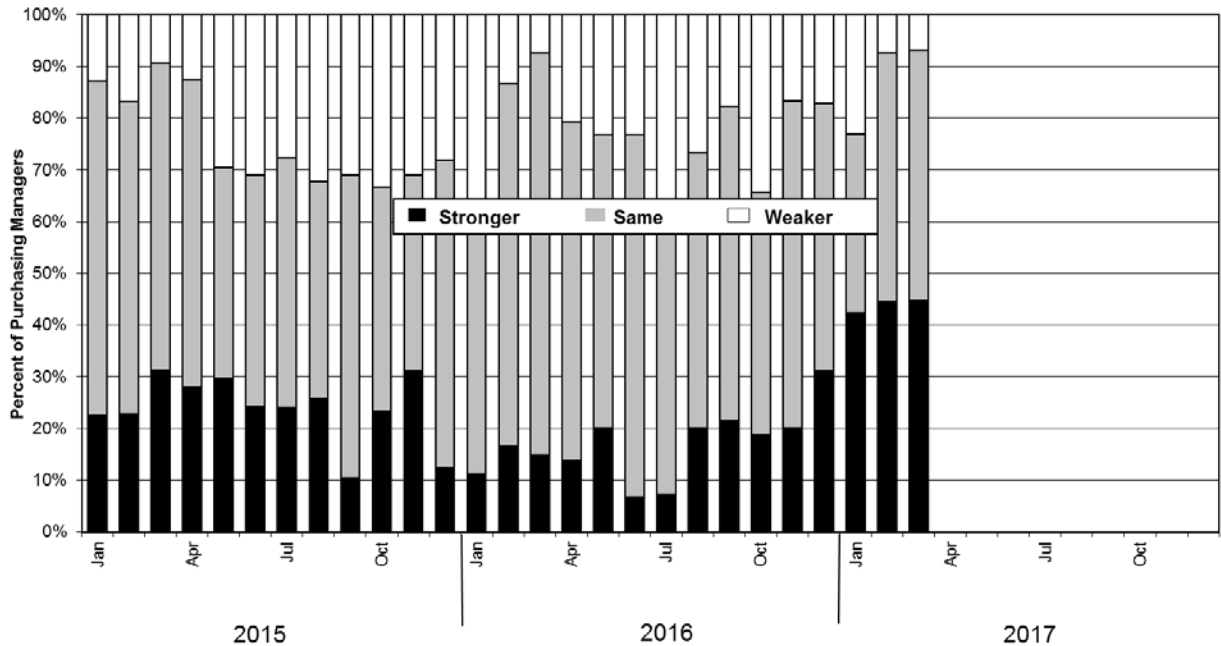
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 3/2016 THROUGH 3/2017

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Weaker	7	21	23	23	36	27	18	34	17	17	23	8	7
Same	78	65	57	70	57	53	61	47	63	52	35	44	48
Stronger	15	14	20	7	7	20	21	19	20	31	42	48	45

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

- “Business has improved slightly.”
- “The outlook is good after a rough first quarter...starting our busy season.”
- “We are finally seeing the improvement to the economy under Trump.”
- “Business conditions slightly better in March.”
- “Continue to feel optimistic.”
- “Seems like a little better...only time will tell.”
- “I think that the international customers are encouraged by improvements in the world economy and the stability of the USA.”

Some cautionary notes included:

- “Still slow...no new layoffs yet.”
- “The business climate is growing in the short term, but there is profound uncertainty for the long run.”
- “Things have slowed down a little.”
- “This month has been very slow. Our customers seem hesitant to commit to purchases. There is a lot of wait and see going around. On the other end the customer is very slow to pay (yet another indication of uncertainty). Let’s hope this is temporary.”

In summary, California has been outperforming the country relative to employment and adding jobs, and the Inland Empire has been outperforming the state. Manufacturing firms appear to be showing an uptick in production and new orders, indicating that customers are buying (a good sign for the overall economy). In last month’s report we projected that the Inland Empire economy would hold its own for at least the coming quarter, and we stand by that projection. On the other hand, there are a lot of uncertainties on the national scene relative to potential changes in policies regarding health care and trade policies. For now, our respondents are optimistic. But as one of them said: “only time will tell.”

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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