

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 2016

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

LOCAL ECONOMY IS GROWING – BUT AT A SNAIL'S PACE

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (51.7) registered a decrease from last month's PMI (56.4) but remained above the 50 mark, suggesting that the local manufacturing sector and the local economy remained in growth mode (although at a slower pace than last month). This marks the third month in a row with the index has remained above 50, thus indicating a change in direction from a manufacturing sector that had been contracting to one that is growing."

Production decreased from 64.5 to 51.6 this month, and New Orders decreased from 56.3 to 53.2. The declines should not be of concern, however, since both have remained above 50 reflecting the fact that both production and new orders are still growing, although at a slower pace than last month. The Employment Index increased from 51.6 to 55.0 this month, indicating that employment is higher than last month. The fact that these key indices continue to be above the 50% baseline reflects increasing consumer confidence and the expectation that consumer purchases will increase in the near future. The Commodity Price Index registered at 54.8, an increase from last month's 50.0, indicating that the prices of some goods have increased. Speed of supplier deliveries is getting faster, with the index changing from 53.1 to 48.4. This is not necessarily a good sign – faster supplier deliveries means that suppliers may not be as busy as they were last month."

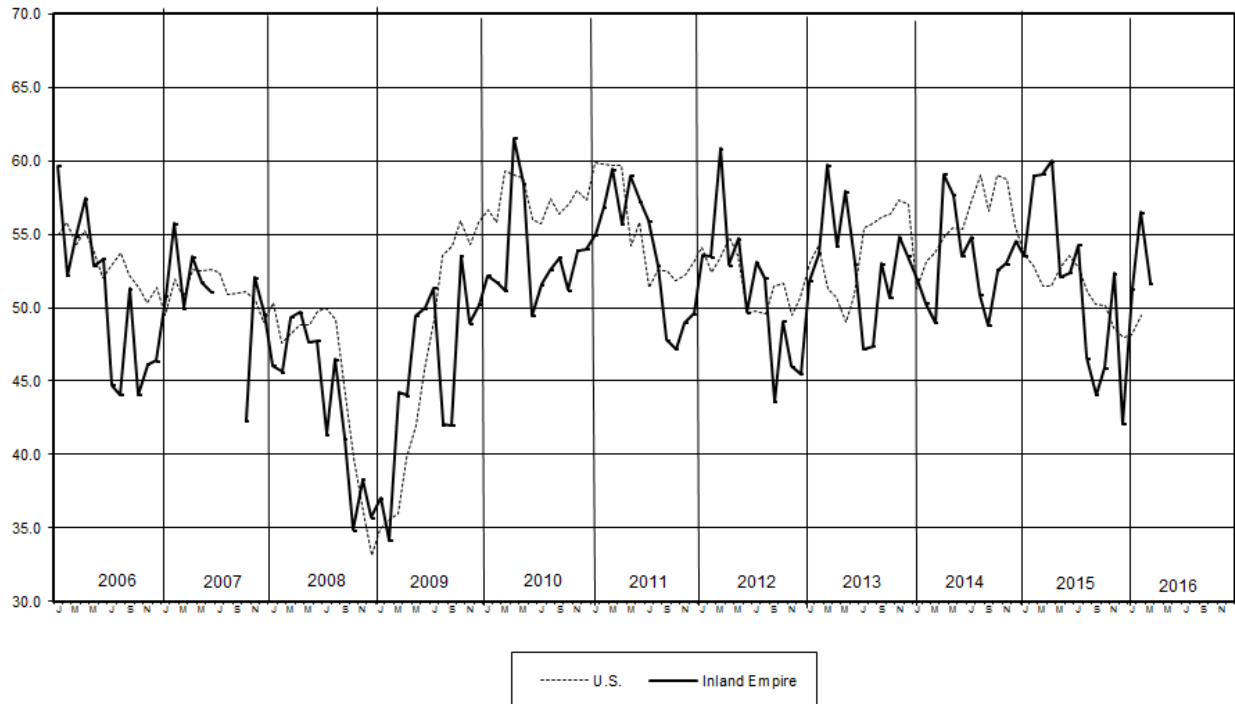
"Purchasing Managers continue to be less than enthusiastic about the state of the economy for the coming quarter. Over three-fourths (78%) of Purchasing Managers believe that the local economy will remain unchanged for the coming quarter. Only 15% believe that the economy will become stronger, and 7% of Purchasing Managers predicted that the local economy will become weaker (down from 13% last month)."

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

March 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	56.5	51.7	Growing	Slower	3
Commodity Prices	50.0	54.8	Increasing	From unchanged	2
Production	64.5	51.6	Growing	Slower	3
New Orders	56.3	53.2	Growing	Slower	3
Inventory	56.3	50.0	Unchanged	From Increasing	3
Employment	51.6	55.0	Growing	Faster	2
Supplier Deliveries	53.1	48.4	Getting Faster	From Decreasing	1
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	17%	15%			
% Same	70%	78%			
% Weaker	13%	7%			

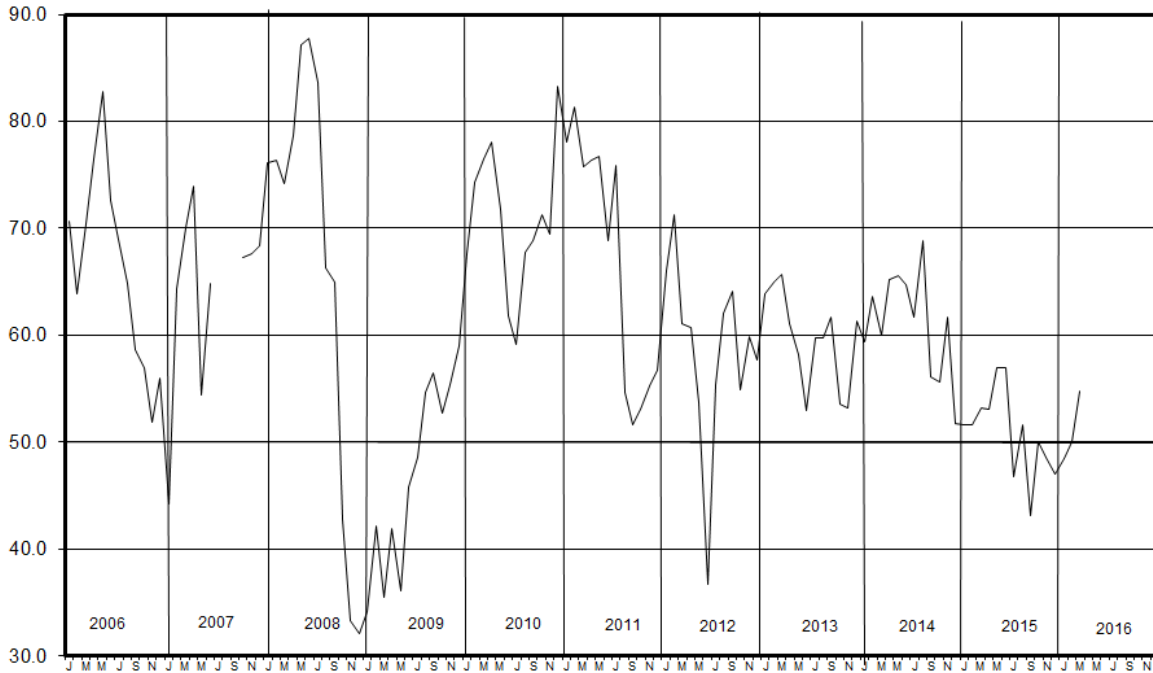
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



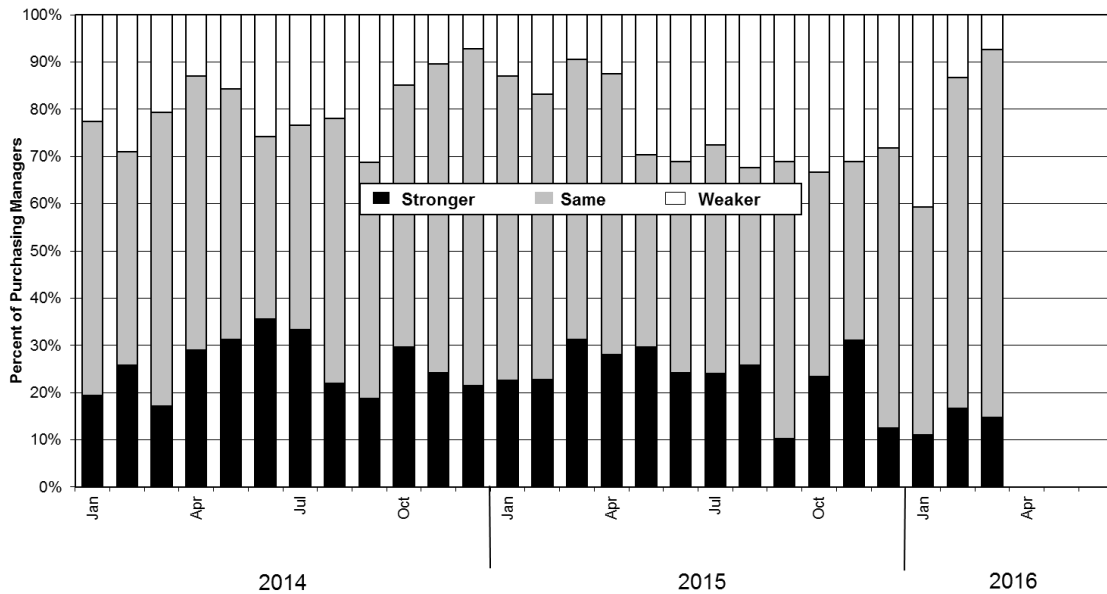
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 3/2015 THROUGH 3/2016

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Weaker	9	13	30	31	28	32	31	33	31	28	41	13	7
Same	60	59	40	45	48	42	59	43	38	58	48	70	78
Stronger	31	28	30	24	24	26	10	23	31	14	11	17	15

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

- "Raw material prices down, finished product prices unchanged leading to higher profits. Business still strong."
- "Business has been stable, but flat. The political uncertainty continues to be an issue that impacts the moods of our buyers."
- "Business is holding steady, perhaps a slight uptick from a year ago."
- "Starting to get busy for the season, the low cost of natural gas helps our business."
- "Backlog has increased significantly since the beginning of the year."
- "We had a surprising reduction in new orders in March, after a very good February. We consider it temporary and we changed our annual projection from flat to growth in 2016."

Some cautionary notes included:

- "Still looking like a slow year. Bookings trail previous years by a lot. The February schedule is better than January but new orders for March are not coming in fast enough to avoid lay-off of some employees."
- "Seems very slow sales and activity the last 30 days. Much slower than usual at this time of year."
- "Business continues to be slow."
- "Still same, slow."
- "The production schedule for March shows a dollar value just 75% of what we had on the February schedule. New orders are still slow in coming. Lay-offs may be happening soon."

In summary, several area economists have forecasted employment gains in the Inland Empire job market, and this report seems to mirror that forecast. Further, since the indices in this report are a reflection of the health of the overall local economy, we are predicting a continuation of slow and steady growth for the next few months. It remains to be seen how the Inland Empire economy will respond to the unpredictable political landscape, potential increases in minimum wage, and a volatile stock market domestically and internationally.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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