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 2014

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

PMI ABOVE 50 FOR THE SECOND MONTH

According to Barbara Sirotnik (Director of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (57.7) remained above the baseline 50% mark for the second month in a row, with only a slight drop from last month's PMI (59.1). The methodology underpinning the PMI requires three consecutive months either above or below 50% in order to determine that a change in direction has occurred in the local manufacturing sector. Therefore, if next month's figure continues above 50, a statement that the manufacturing sector is back to growth mode can be made."

"All key indicators of the PMI remained at or above the baseline 50% mark. Production decreased from 65.2 last month to 62.5 this month. New Orders registered a slight drop from 65.2 to 64.1. The Employment Index decreased from 54.5 last month to 51.6 this month, but the fact that the index remained above 50 means that more companies are hiring than downsizing. The Supplier Deliveries Index decreased from 56.1 to 48.4 this month indicating that delivery times are getting faster."

"Exports showed a drop from last month's 77.3 to 50.0, a finding that was not unexpected since there had been such a large increase in the previous figure. Imports remained unchanged from last month (50.0)."

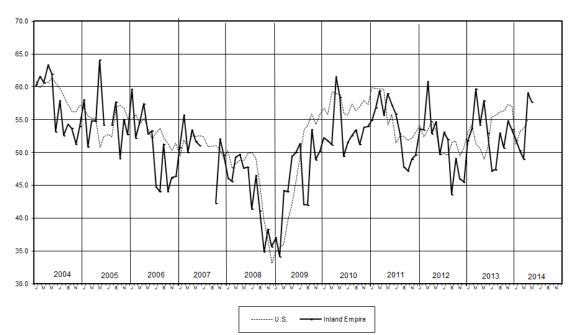
"Purchasing Manager's confidence in the local economy showed very little change from last month. This month 31% of Purchasing Managers forecasted that the local economy will improve in the coming quarter (virtually unchanged from last month's 29%). Only 16% thought it will be weaker (up slightly from 13%) and the rest (53%) projected that the economy will remain unchanged.

Following are some highlights from this month's report:

May 2014 Business Survey at a Glance										
	Series	Index								
	Last Month	This Month	Direction from 50	Rate of Change from Last Index	Trend (Months)					
Local PMI	59.1	57.7	Growing	Slower	2					
Commodity Prices	65.2	65.6	Increasing	Faster	23					
Production	65.2	62.5	Growing	Slower	2					
New Orders	65.2	64.1	Growing	Slower	3					
Inventory	56.3	59.4	Increasing Faster		2					
Employment	54.5	51.6	Growing	Slower	2					
Supplier Deliveries	56.1	48.4	Getting Faster	From Slowing	1					
Imports	50.0	50.0	Unchanged	From Unchanged	2					
Exports	77.3	50.0	Unchanged	From Growing	2					
Purchasing Managers' Confidence in the State of the Local Economy										
% Stronger	29%	31%								
% Same	58%	53%								
% Weaker	13%	16%								

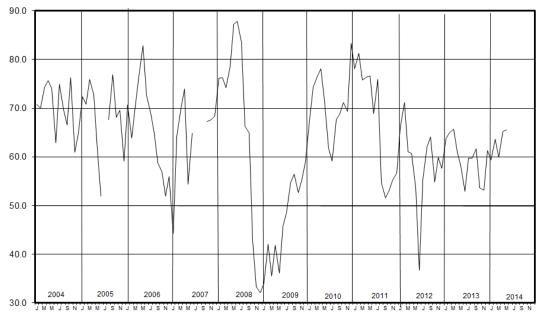
Note: Inland Empire data were not collected for the months of October and November 1996, July 2005, and July through September 2007.

Purchasing Managers' Index



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Commodity Prices



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STATE OF THE ECONOMY: DATA FROM 5/2013 THROUGH 5/2014

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Weaker	21	28	37	40	31	22	23	16	23	29	21	13	16
Same	44	47	47	37	45	52	55	52	58	45	62	58	53
Stronger	35	25	16	23	24	26	23	32	19	26	17	29	31

When Purchasing Managers were asked if they had any overall remarks to offer, none chose to make negative/cautionary comments. Positive comments included: "Having a big spring and looking for a big summer (unusual in the heater business)." "Increased orders," "New orders have slowed may be due to our open order backlog. Our shipments for Q1 were 45% over last year and last year was a good first quarter," "All products available at same cost," "Our purchasing is driven directly by customer demand, which has been increasing."

In summary, the Conference Board national survey showed that U.S. consumers were slightly more confident in May than they were in April, and that confidence appears to have extended to the Inland Empire Purchasing Managers based on the new orders and production they have seen over the last month. The Conference Board survey also showed that Americans are becoming more bullish about the job market which typically translates into increased purchases of goods, some of which are produced in the Inland Empire and add to our economic base.

One cautionary note (mentioned by one of our Purchasing Managers) is that hiring may decrease due to the upcoming July 1 minimum wage increase. Although the increase is relatively small at this point, companies are aware that overtime rates, vacation payments, and missed meal and rest period premium payments will all go up when the minimum wage increases. And of course, prices of goods may go up accordingly.

At this point all signs for the Inland Empire economy are positive. Next month's report will hopefully continue that trend.

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