

# **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 2015***

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

\*\*\*\*\*

## **EMPLOYMENT INDEX IS BACK UP, BUT NEW ORDERS ARE DOWN**

According to 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) is 52.1, a sharp decrease from last month's figure (60.0). The decrease is not of overwhelming concern since the PMI has remained above the 50% mark for the eighth month in a row. The figures indicate that the local manufacturing sector and local economy are still in growth mode, although the rate of growth has slowed."

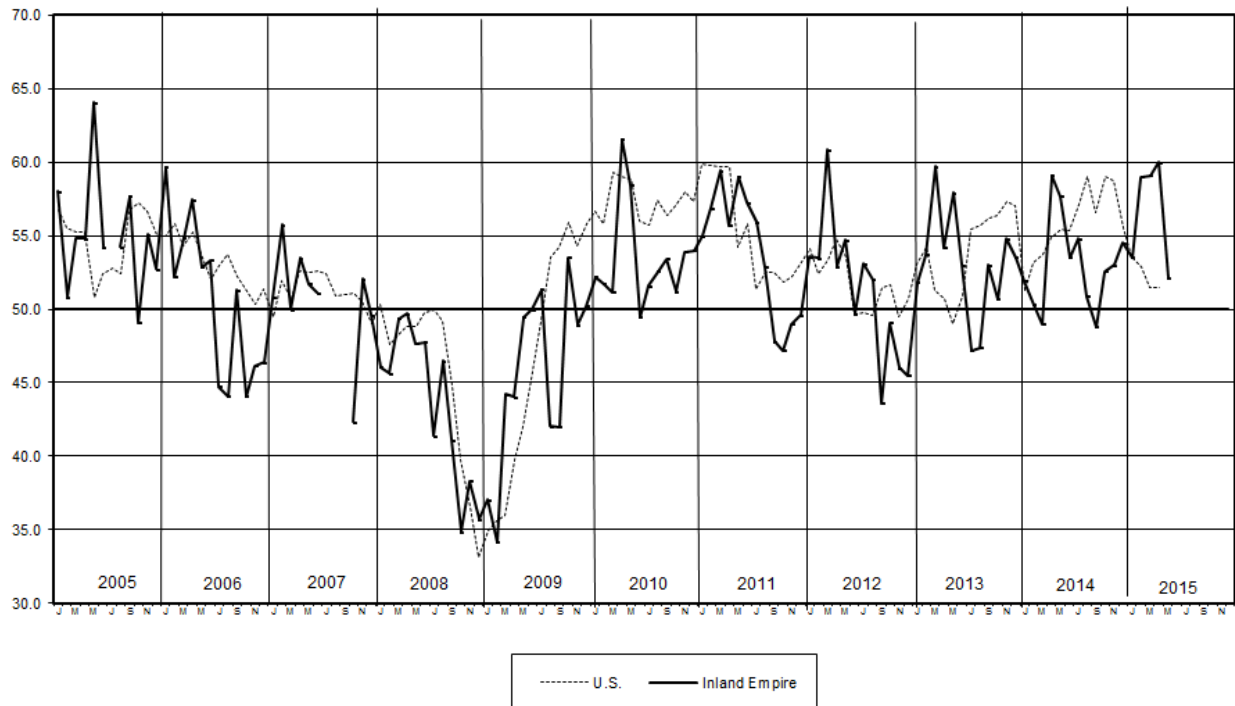
"One of the main reasons for the decrease in the PMI is that the Production Index decreased from 74.2 last month to 53.6 this month. The Production Index has registered above 50 for the fourteenth consecutive month so we are still seeing growth; however the rate of growth has slowed significantly. Further, the New Orders Index dropped sharply from 62.5 last month to 46.6 this month (the first time below 50 since September 2014). On a positive note the Employment Index increased from 48.4 last month to 55.2 this month. Commodity Prices rose from 53.1 to 56.9 this month."

"Overall, Purchasing Managers are less optimistic than last month about the future state of the local economy, with 30% of the Purchasing Managers stating a belief that the local economy will become weaker next quarter (up from 13% last month). An equal amount (30%) predicted that the local economy will become stronger in the coming months (up from 28% last month). The other forty percent of Purchasing Managers believe the local economy will remain unchanged."

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

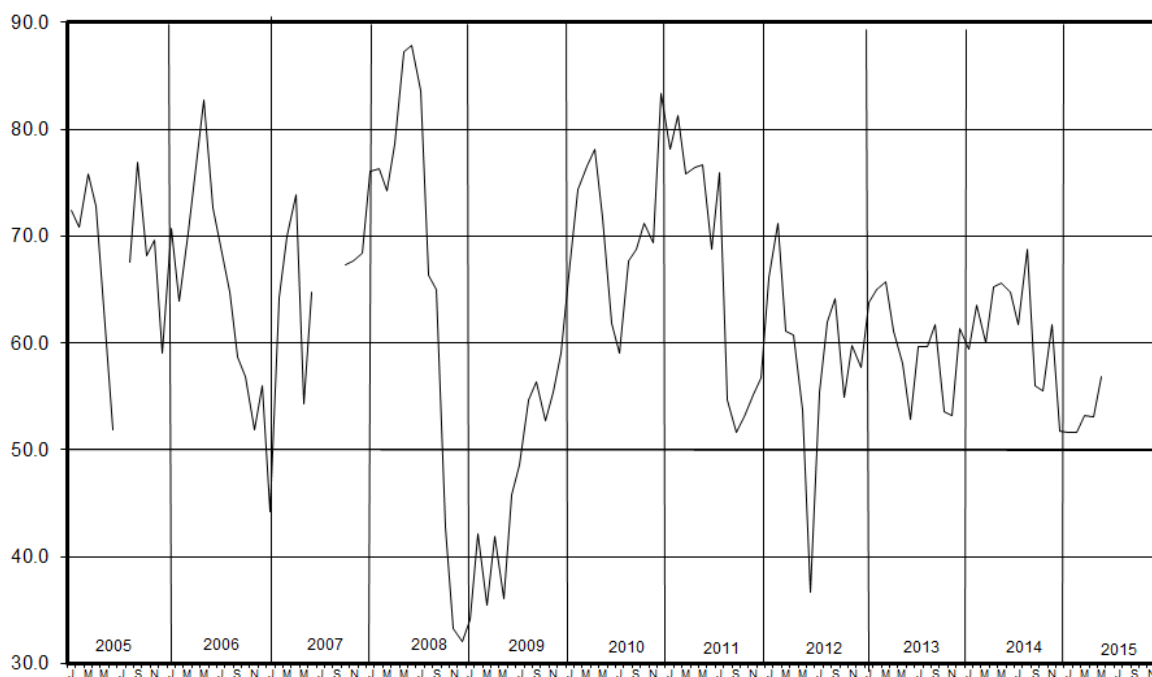
<b>May 2015 Business Survey at a Glance</b>					
	<b>Series Index</b>		<b>Direction from 50</b>	<b>Rate of Change from Last Index</b>	<b>Trend (Months)</b>
	<b>Last Month</b>	<b>This Month</b>			
Local PMI	60.0	52.1	Growing	Slower	8
Commodity Prices	53.1	56.9	Increasing	Faster	35
Production	74.2	53.6	Growing	Slower	14
New Orders	62.5	46.6	Contracting	From Growing	1
Inventory	62.5	62.1	Increasing	Slower	6
Employment	48.4	55.2	Growing	From Contracting	1
Supplier Deliveries	48.4	48.3	Getting Faster	Faster	3
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	28%	30%			
% Same	59%	40%			
% Weaker	13%	30%			

## Purchasing Managers' Index



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

## Commodity Prices



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

### STATE OF THE ECONOMY: DATA FROM 5/2014 THROUGH 5/2015

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>Weaker</b>	16	26	23	22	31	15	10	7	13	17	9	13	30
<b>Same</b>	53	39	43	56	50	55	66	72	64	60	60	59	40
<b>Stronger</b>	31	35	33	22	19	30	24	21	23	23	31	28	30

When Purchasing Managers were asked for their remarks about current business conditions, overall the responses were positive: “Business conditions remain exciting with high export demand and well placed domestic. Our in-house efforts to reduce unnecessary labor steps and improve quality while decreasing costs have proven challenging yet the engagement of lean, data driven programs have been well deployed resulting in improved cultural acceptance and engagement,” “The increase in quotes has now created an increase to orders. We have set a record for new orders booked in the first 2 weeks of the month,” and “Tremendous increase for international orders.”

As usual there were also a few cautionary comments from Purchasing Managers: “Business remains slower than 2014,” “New orders slowing,” “Showing improving trends, but not totally recovered from the downturns in the last period of 2013 and the first period of 2014,” and “Since we make all sorts of electric heaters we are a bit of a seasonal business. It looks like May will include fewer dollars shipped than April. And April was a bit less than March.”

In summary, over the past few months the local manufacturing sector and economy have grown in “fits and starts.” Indeed, the Inland Empire jobless rate is declining and housing prices are rising – all good news as the Inland Empire economy continues its rebound from the past recession. In this context, this month’s decrease in the PMI should not be cause for concern unless future months see a further decrease in new orders.

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

Dr. Barbara Sirotnik  
Director, Institute of Applied Research  
(909) 537-5729

Larry Vaupel  
Administrator, San Bernardino County Economic Development Agency  
(909) 387-9801

Rob Moran  
Economic Development Manager, Riverside County Economic Development Agency  
(951) 955-6673

Dr. Lawrence Rose  
Dean, College of Business and Public Administration, CSUSB  
(909) 537-3703