

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

**Housed in CSUSB's:
Jack H. Brown College of Business and Public Administration**

Report for May 2017

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

PMI IN STRONG GROWTH MODE THIS MONTH

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) continued its upward trend, increasing to 62.7 from last month's 56.8. The index has remained above the baseline 50% mark for four consecutive months, and indicates that the Inland Empire remains in growth mode."

"All of the major components of the PMI registered an increase from last month. Production registered 65.9 – a significant increase from last month's 58.0. New Orders increased sharply from last month's 60.0 to 67.1 this month. The Employment Index also increased from 52.0 to 59.8 this month, and it is encouraging that 11 of the 41 companies surveyed added staff this past month. The Supplier Deliveries Index was virtually unchanged, increasing only marginally from 64.0 last month to 64.6. A figure above 50 is a good sign. It indicates that the speed of supplier deliveries is slowing (a sign that suppliers are busy and are having difficulty keeping up with deliveries), and the rate of slowing is basically the same as last month. The Commodity Prices Index also increased slightly this month from 64.0 to 65.9, showing that the cost of raw materials is continuing to rise."

"Purchasing Managers were incredibly optimistic about the state of the economy for the next quarter. Over half (57%) forecasted a strengthening economy. This figure is up from last month's 52% and is the second highest figure since the inception of the report in 1993. Only 8% predicted that the economy would be weaker (down slightly from 10% last month), and the remaining 35% predicted that the economy will remain unchanged.

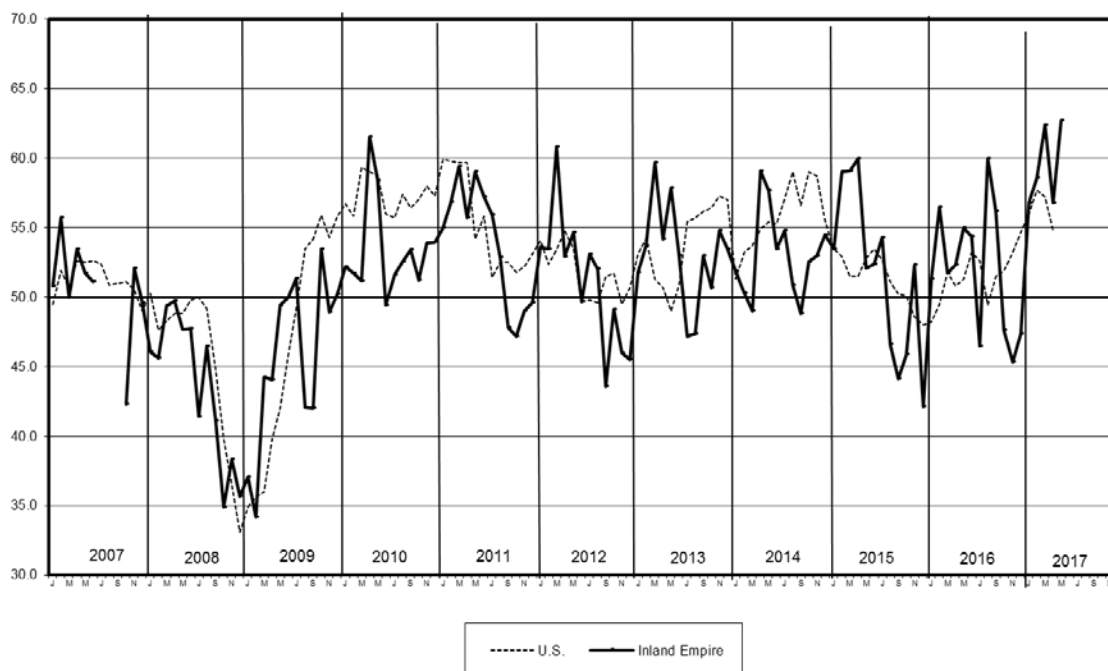
Following is a summary of highlights of the monthly indices:

May 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	56.8	62.7	Growing	Faster	4
Commodity Prices	64.0	65.9	Increasing	Faster	15
Production	58.0	65.9	Growing	Faster	5
New Orders	60.0	67.1	Growing	Faster	4
Inventory	50.0	56.1	Increasing	From unchanged	3
Employment	52.0	59.8	Growing	Faster	4
Supplier Deliveries	64.0	64.6	Slowing	Faster	4
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	52%	57%			
% Same	38%	35%			
% Weaker	10%	8%			

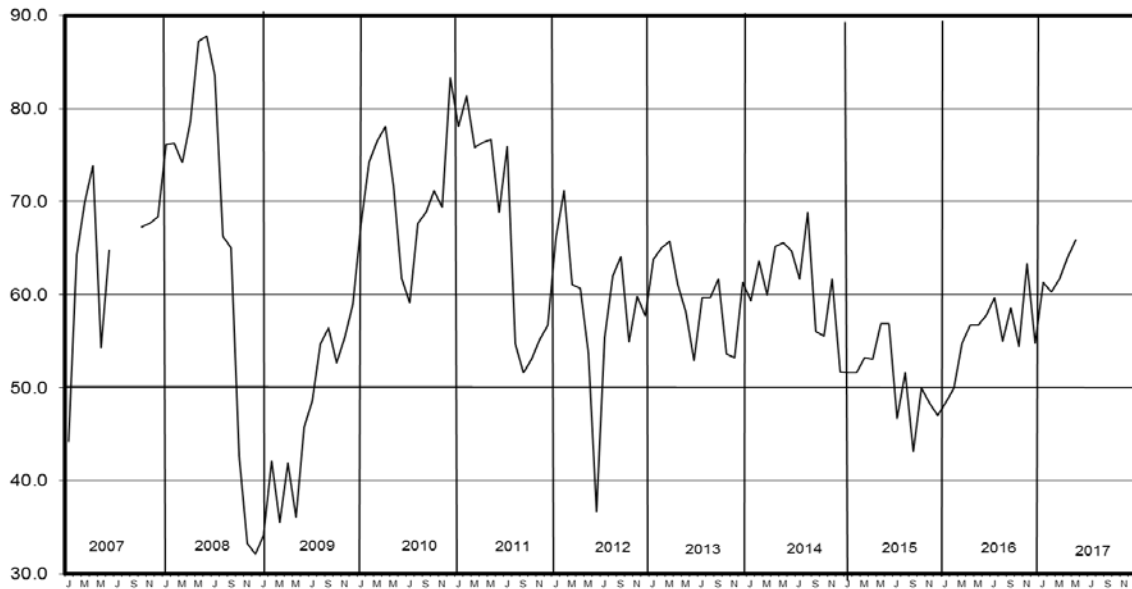
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



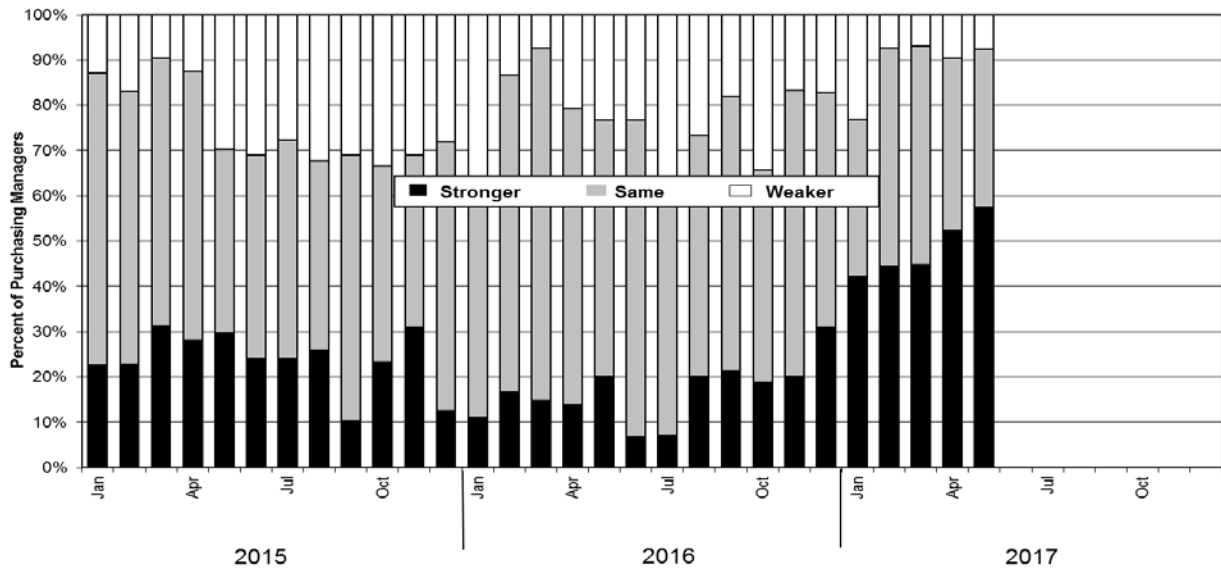
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

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 Local Economy



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 5/2016 THROUGH 5/2017

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Weaker	23	23	36	27	18	34	17	17	23	8	7	10	8
Same	57	70	57	53	61	47	63	52	35	44	48	38	35
Stronger	20	7	7	20	21	19	20	31	42	48	45	52	57

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

- “The global demand for Silicone products is outpacing production capacities.”
- “Business has been very robust since the start of the year and our backlog has held steady. New orders for us have also held fairly steady, but there has been concern in the industrial area with a reluctance to commit to larger orders...more price sensitive than in the past.”
- “Orders are steady.”
- "Increased sales."
- "All markets, business is up."
- “Business has been very steady with positive increases each month.”
- “China demand is growing.”
- “Business much stronger, raw material pricing up as of mid-month.”

There were a few cautionary comments:

- “Business is still good, but new orders are slowing.”
- “Still slower than we would like.”
- "Business has been VERY slow in the past couple of months."
- “We have lower orders from Mexico because of the presidential election.”
- “Lack of available local inventories, mill deliveries up to one month late.”

In summary, between 2010 and 2015 the Inland Empire economy showed a great deal of volatility from month to month, but the overall trend was relative stability with only very slow growth. In the latter part of 2015 the PMI began an upward trend, although there were especially wide swings in the index (especially in the months leading up to the recent Presidential election). At this point, our respondents are predicting continued expansion of the local manufacturing sector and overall economy.

Of course, at the risk of quoting ourselves from reports over the past few months, things could shift quickly depending on decisions at the national level regarding taxes on imports, possible trade wars, immigration policies, health care policy, national and state budgets, and a panoply of other issues. Stay tuned!

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

Dr. Barbara Sirotnik
Director, Institute of Applied Research
(909) 5375729

Mary Jane Olhasso
Assistant Executive Officer, County of San Bernardino
(909) 387-4599

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

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