

# **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 November 2012***

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

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## **Manufacturing remains in "no-growth" mode for the third month in a row, but the local economy continues its slow growth**

According to Shel Bockman and Barbara Sirotnik (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (46.0) registered a decrease from last month's figure (49.1). This is the third month the PMI has remained below 50, indicating that the manufacturing sector is no longer growing. But it is important to note that a PMI over 42.6 percent generally indicates an expansion of the overall economy, thus the Inland Empire economy appears to be continuing its slow growth."

"The decline in the PMI is made manifest when looking at the individual components. Production decreased from 50.0 last month to 47.6 this month. New Orders also dropped from 48.8 last month to 43.8 this month. Commodity Prices are on the rise, registering 59.8 (up from last month's 54.9). The Employment Index increased slightly from 47.6 to 48.7 with a few companies stating they added temporary staff this month. And supplier deliveries are getting faster, with the index rising from 56.1 last month to 48.8 this month."

Imports registered a sharp increase from last month (40.0 to 60.5). On a positive note, Exports increased from 43.8 to 50.0. Comments included: "Exporting cheese to Mexico," and "Obtained new business for 2013."

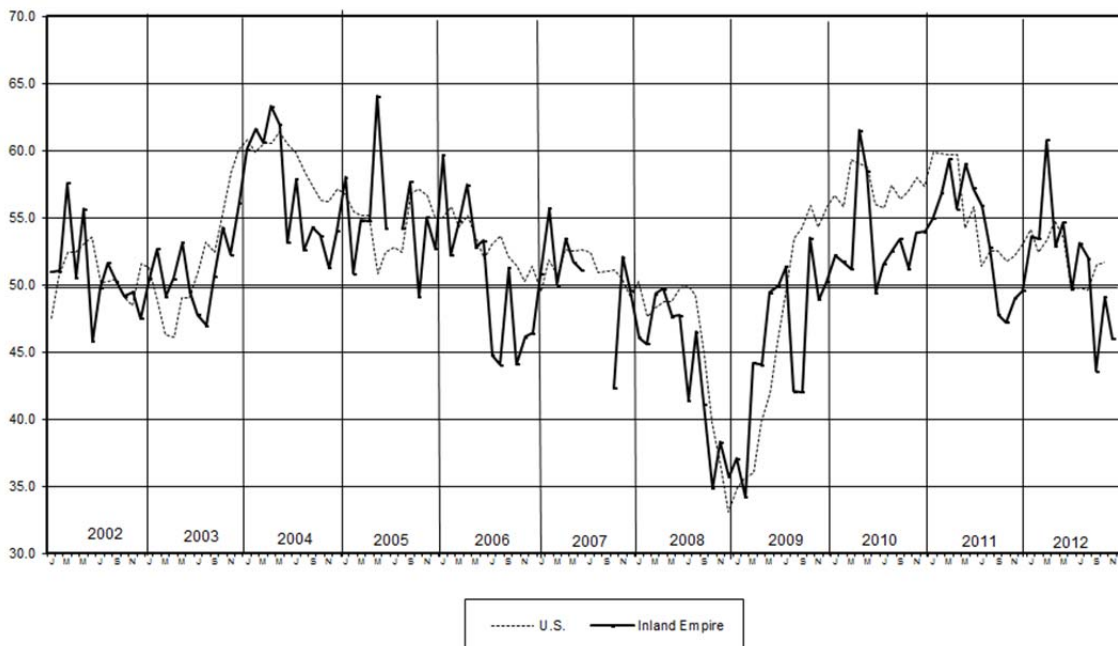
"Purchasing Managers are in "holding mode" relative to their projections about the state of the local economy for the coming quarter. This month, 45 percent predicted that the economy will be the same (up from 30 percent). Only 16 percent of purchasing managers predicted that the local economy will be stronger in the upcoming months (down from 22 percent last month). But on the flip side, fewer people than last month predicted that the local economy will be weaker in the coming months (39%, down from 49% last month).

Following are some highlights from this month's report:

<b>November 2012 Business Survey at a Glance</b>				
	<b>Series Index</b>		<b>Direction from 50</b>	<b>Rate of Change from Last Index</b>
	<b>Last Month</b>	<b>This Month</b>		
Local PMI	49.1	<b>46.0</b>	Contracting	Faster
Commodity Prices	54.9	<b>59.8</b>	Increasing	Faster
Production	50.0	<b>47.6</b>	Contracting	From Unchanged
New Orders	48.8	<b>43.8</b>	Contracting	Faster
Inventory	42.9	<b>41.5</b>	Decreasing	Faster
Employment	47.6	<b>48.7</b>	Decreasing	Slower
Supplier Deliveries	56.1	<b>48.8</b>	Getting Faster	From Slowing
Imports	40.0	<b>60.5</b>	Growing	From Contracting
Exports	43.8	<b>50.0</b>	Unchanged	From Contracting
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	22%	16%		
% Same	30%	45%		
% Weaker	49%	39%		

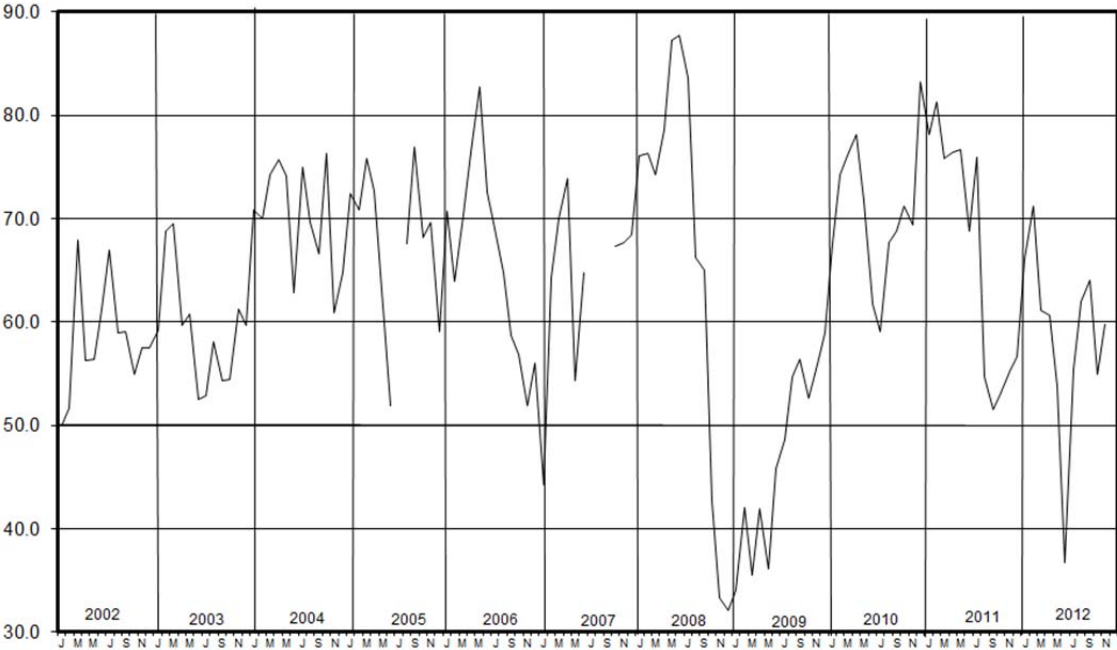
\* Numbers may not sum to 100% due to rounding differences.

## Purchasing Managers' Index



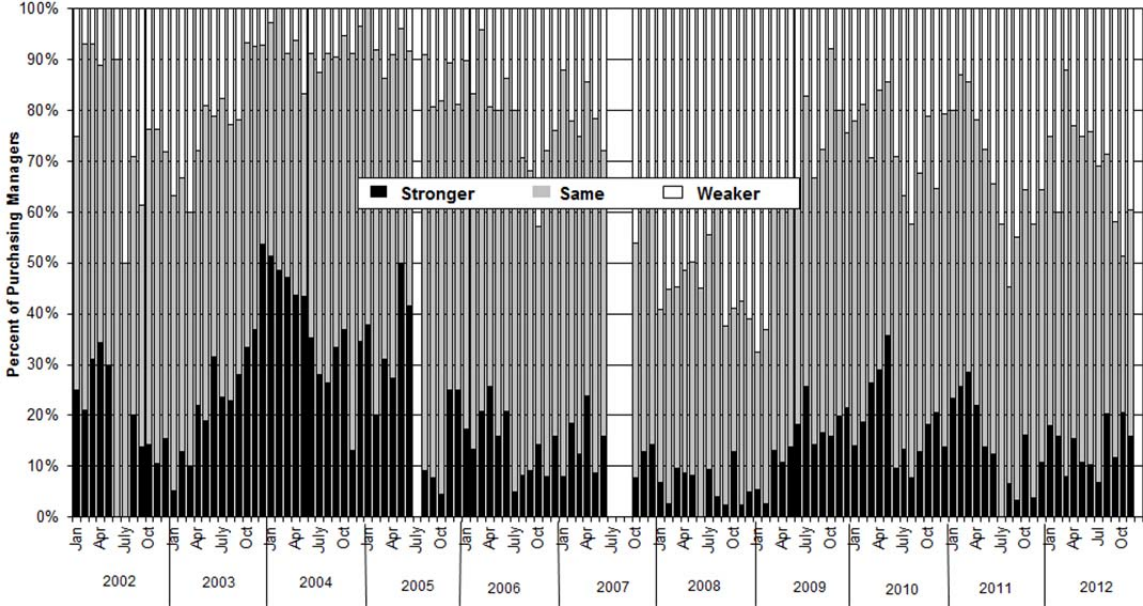
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

# Commodity Prices



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# State of the Local Economy



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## STATE OF THE ECONOMY: DATA FROM 11/2011 THROUGH 11/2012

	Nov	Dec	Jan	Feb	Mar	Apr	Ma	Jun	Jul	Au	Sep	Oct	Nov
<b>Weaker</b>	42	36	25	40	12	23	25	24	31	29	42	49	39
<b>Same</b>	54	53	57	44	80	62	64	66	62	51	47	31	45
<b>Stronger</b>	4	11	18	16	8	15	11	10	7	20	12	21	16

Positive/neutral remarks from Purchasing Managers included: "Even in this slow time of the year, we should meet budget," "Lots of new projects and ideas," "Announced price increases stimulated the order book and increased production activities. The question is whether the increase is an indication of recovery...or just the compression of an already weakened forecast. The first quarter will be very telling and we are preparing for either scenario," "Modest improvement in local business conditions," "November production schedule shows a larger dollar value than October. Much of that work was booked over the summer and has been scheduled to ship as winter nears," and "Business conditions are about the same as last reporting, with slightly shorter lead times and lower inventories."

Negative comments include: "Commodity Pricing expected to increase 1<sup>st</sup> quarter 2013," "Bookings continue to slip," "The Big OEM's in our industry are working very hard to keep the work in house. This affects our business. They raise their prices to companies like ourselves and then go out and bid on the same work. We cannot compete with their pricing on the same work," "We see the slowing of sales," and "We have had a good year so far, but the outlook is bleak with the new year looming and the new business taxes and health insurance laws going into effect. The cost of doing business is increasing, making it harder for employers to add workers."

In summary, some nationwide data has shown the beginnings of an economic recovery, and our report shows that this might also be the case in the Inland Empire. But the manufacturing sector in the Inland Empire is still suffering. Hopefully when the uncertainty generated by the approaching "fiscal cliff" has been resolved (hopefully in a positive manner) there will be increased stimulation to the economy in general and the manufacturing sector in particular.

### FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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