

# **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 2015***

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

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## **PMI BACK ABOVE 50**

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (52.3) increased dramatically from last month's PMI (45.9). This figure indicates that the local manufacturing sector may be back in growth mode. Moreover, the New Orders and Production indices (two of the major components of the PMI) are especially strong (both at 58.3). Although Purchasing Managers' opinions regarding the state of the local economy for the coming quarter are still 'mixed,' the indicator was significantly more positive than last month."

"The speed of Supplier Deliveries dropped from 56.5 last month (reflecting slower deliveries) to 50.0 (indicating that Supplier Deliveries have neither gotten faster nor slower). The Employment Index is still below 50 (indicating a lower level of employment); however it did increase slightly to 48.3 from last month's 41.9. The Commodity Prices Index dropped slightly from 50 last month to 48.3, possibly reflecting an improvement in gas prices."

"While this month's figures are encouraging, they still need to be interpreted in light of other economic indices/factors. First, there is some seasonality present. A glance at historical PMI figures shows that typically there is a slight downturn in September and October, followed by a spike (sometimes temporary) in the PMI towards the end of the year. It remains to be seen whether this month's increase in the PMI is an aberration or the beginning of a return to growth mode (which will be the case if December's and January's figures remain above 50). Further, the recent global terror attacks, the instability in oil prices, and the political races create some uncertainty in the nation's (and Inland Empire's) economy."

"Nearly a third (31%) of Purchasing Managers project that the economy will be weaker in the coming quarter, while an equal amount project strength for the economy. The rest of the survey respondents (38%) believe the local economy will stay the same."

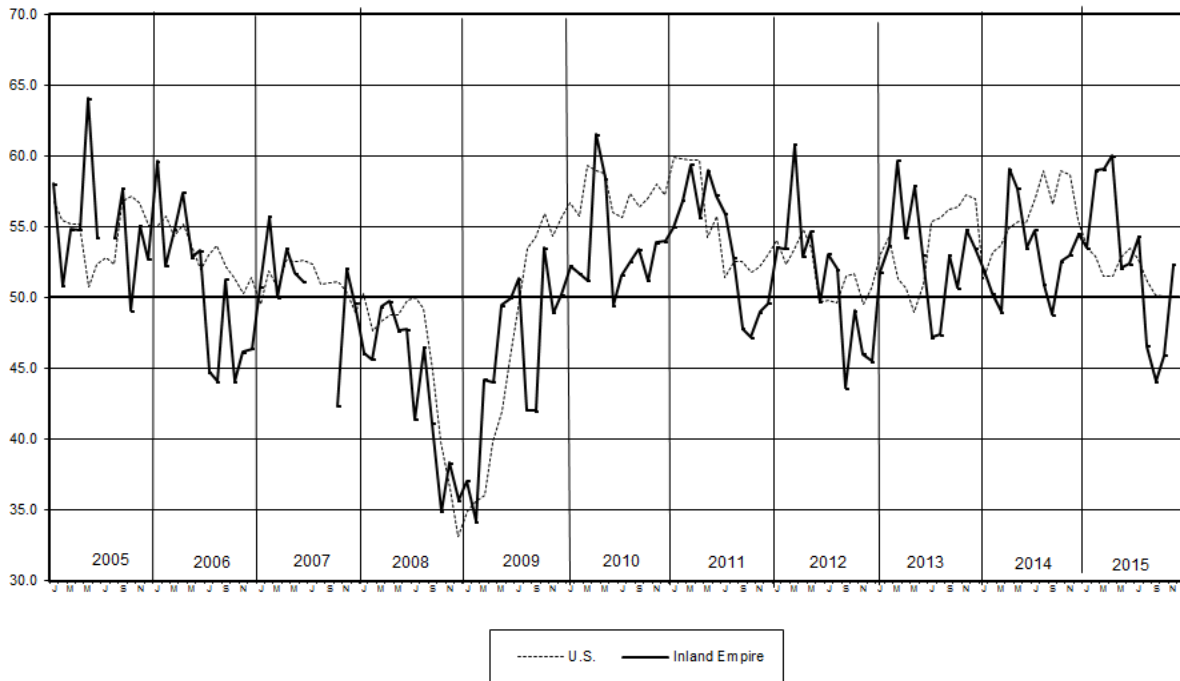
Following is a summary of highlights from this month's report:

## November 2015 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	45.9	52.3	Growing	From Contracting	1
Commodity Prices	50.0	48.3	Decreasing	From unchanged	1
Production	40.0	58.3	Growing	From Contracting	1
New Orders	41.9	58.3	Growing	From Contracting	1
Inventory	41.7	46.7	Decreasing	Slower	4
Employment	41.9	48.3	Contracting	Slower	2
Supplier Deliveries	56.5	50.0	Unchanged	From Decreasing	2
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	23%	31%			
% Same	43%	38%			
% Weaker	33%	31%			

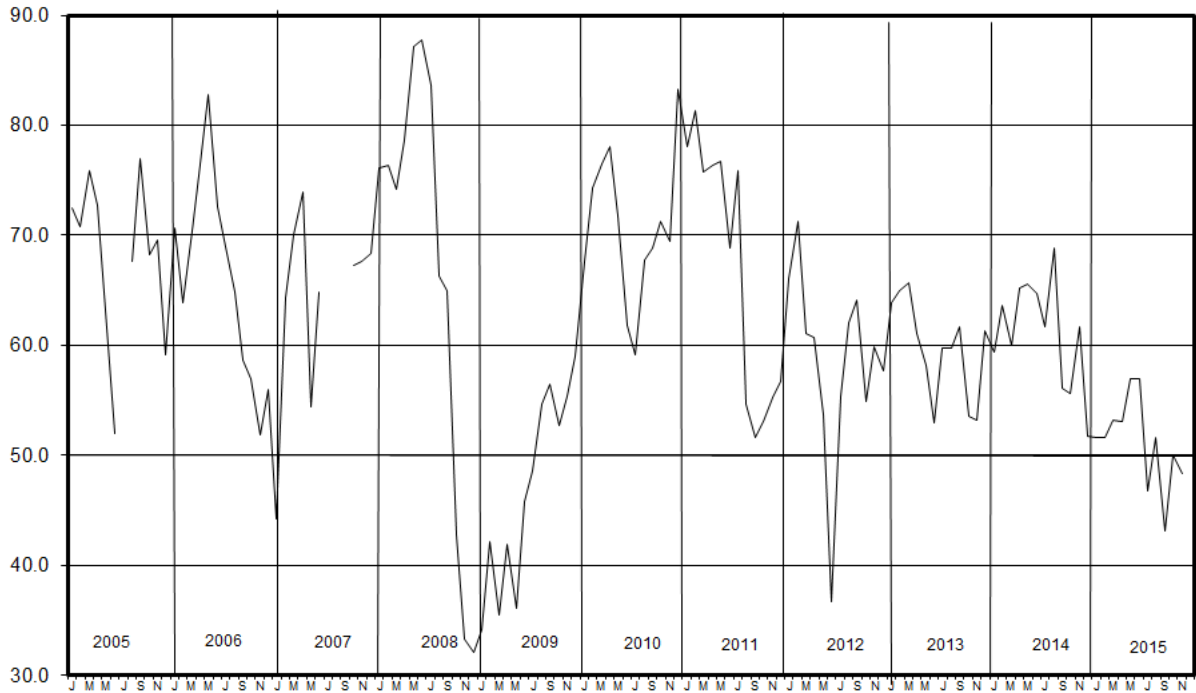
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



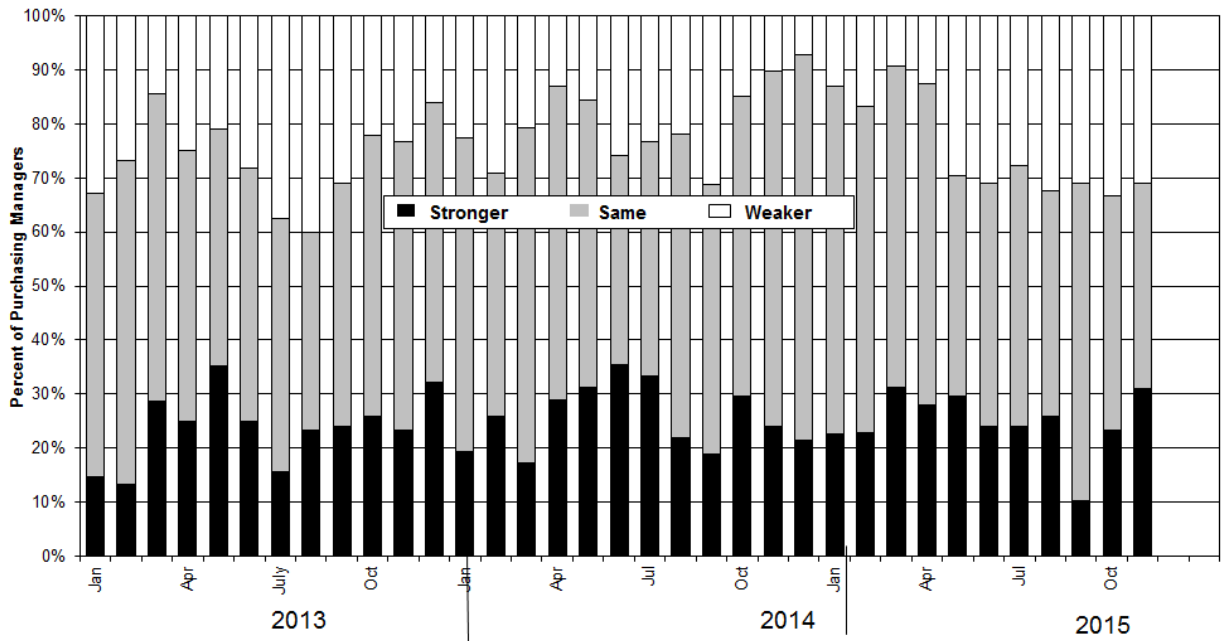
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## Commodity Prices



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## State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 11/2014 THROUGH 11/2015

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
<b>Weaker</b>	10	7	13	17	9	13	30	31	28	32	31	33	31
<b>Same</b>	66	72	64	60	60	59	40	45	48	42	59	43	38
<b>Stronger</b>	24	21	23	23	31	28	30	24	24	26	10	23	31

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

- “Business is solid. Even though the last three weeks are not a trend, if sales continue at the current pace we would see more than a 30% increase in business,”
- “We are gratified and have seen results due to the diminishment of insecurity as action was taken at the Federal political level that has reduced the risk that was impacting our orders in the aerospace industry.”
- “Opening our product line to new export markets.”
- “November is better than a terrible October as far as production scheduled. But it is still less than expected. We suspect that we need a good cold snap to get some customers interested in ordering heaters. We take a long holiday shut-down...Dec. 23 until Jan 11 and likely will not need any overtime this year to get ahead of late December early January shipments.”

Some cautionary notes included:

- “Slower.”
- "Business continues to be slow."
- "Orders still slow, but stabilized."
- "Still in our seasonal slowdown."

In summary, at this point we are encouraged to see the PMI rebound above 50, mainly due to an increase in the Production and New Orders figures. Those increases, in addition to other statistics which show that the Inland Empire employment scene is trending in the right direction, are a good sign for the Inland Empire economy.

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

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