

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 November 2017

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

PMI ABOVE 50 FOR THE 11TH MONTH IN A ROW

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) registered 54.7, a figure virtually unchanged from last month's 54.8. This marks the 11th month that the index has remained above the 50% benchmark, indicating that the Inland Empire manufacturing sector and the overall local economy remain comfortably in growth mode."

"The Production Index increased from 54.8 last month to 57.8 this month. New Orders dropped slightly from 54.8 last month to 53.1 this month. The Employment Index registered 50.0 – a slight drop from last month's 51.6. Considering that this figure follows 10 months of numbers above 50 (reflecting growth), an index of 50.0 means that the slow and steady growth we've seen throughout 2017 is continuing. Commodity Prices decreased to 62.5 this month from 69.4 last month (an expected drop since last month's figure was so high). Supplier deliveries showed a slight decrease from 59.7 last month to 57.8 this month, indicating that suppliers continue to be busy and thus are slow in providing deliveries."

"Purchasing Managers' confidence in the future local economy is up from last month. This month 48% of Purchasing Managers forecasted that the local economy will improve in the coming quarter (up slightly from last month's 46%). And only 3% (down from 11% last month) predicted that the local economy will become weaker. Almost half (49%) stated that the economy would stay the same (reflecting continued slow and steady growth).

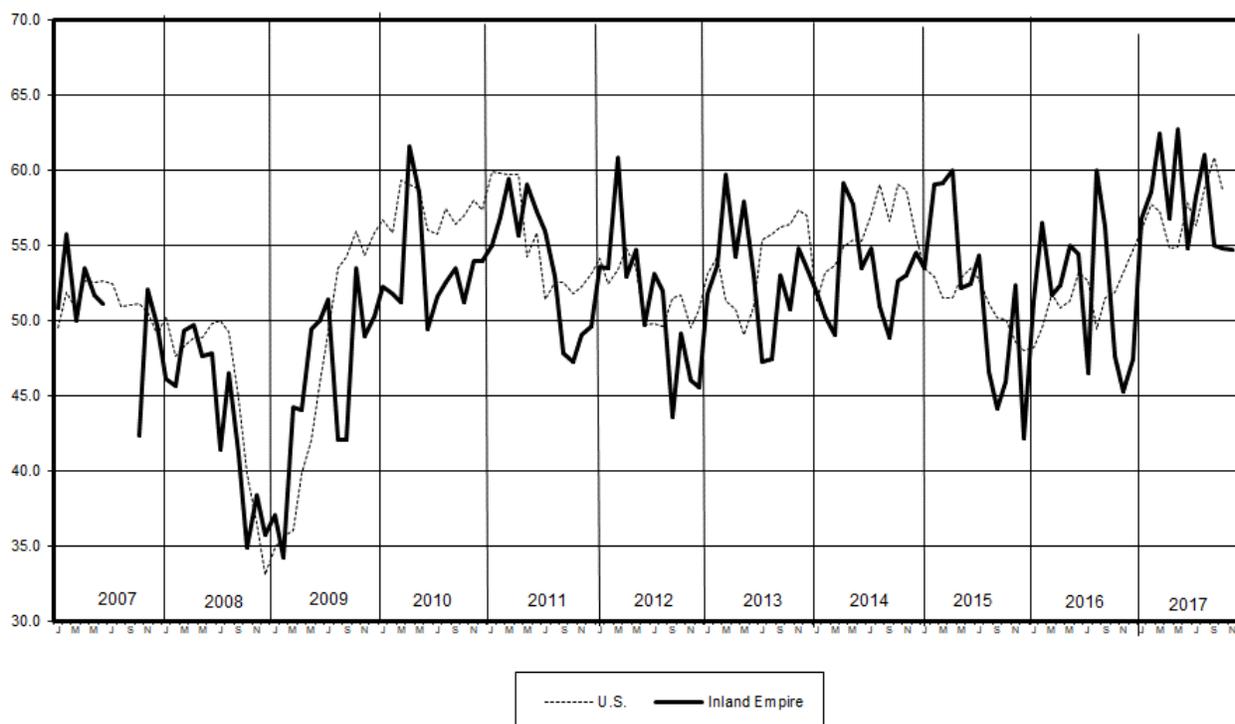
Following is a summary of highlights of the monthly indices:

November 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	54.8	54.7	Growing	Slower	11
Commodity Prices	69.4	62.5	Increasing	Slower	22
Production	54.8	57.8	Growing	Faster	12
New Orders	54.8	53.1	Growing	Slower	3
Inventory	53.2	54.7	Increasing	Faster	10
Employment	51.6	50.0	Unchanged	From Growing	11
Supplier Deliveries	59.7	57.8	Slowing	Slower	11
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	46%	48%			
% Same	43%	49%			
% Weaker	11%	3%			

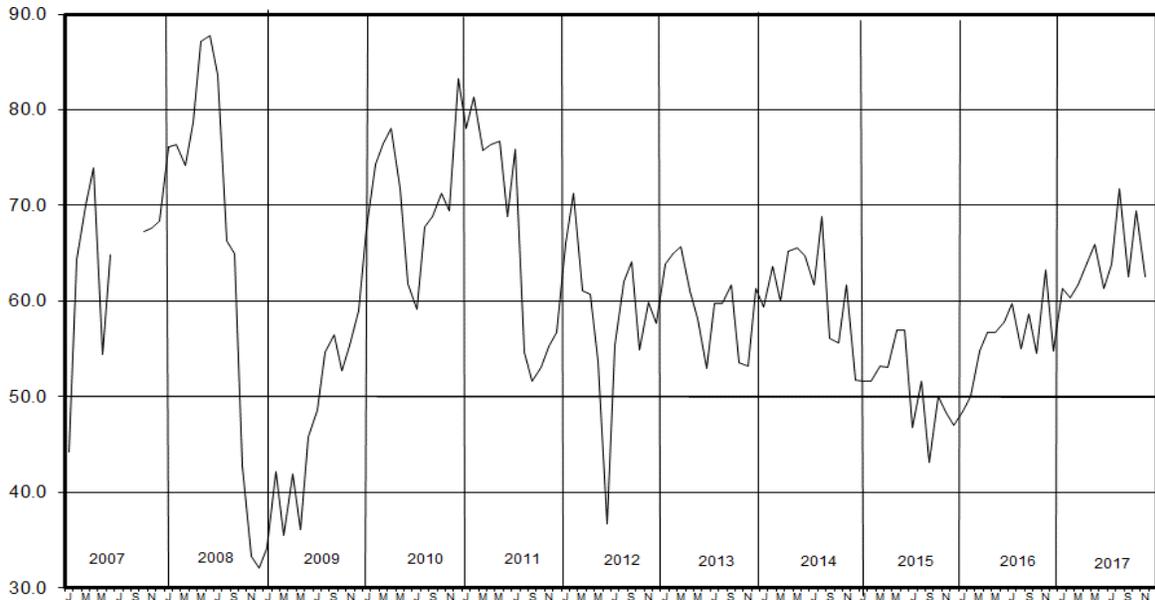
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



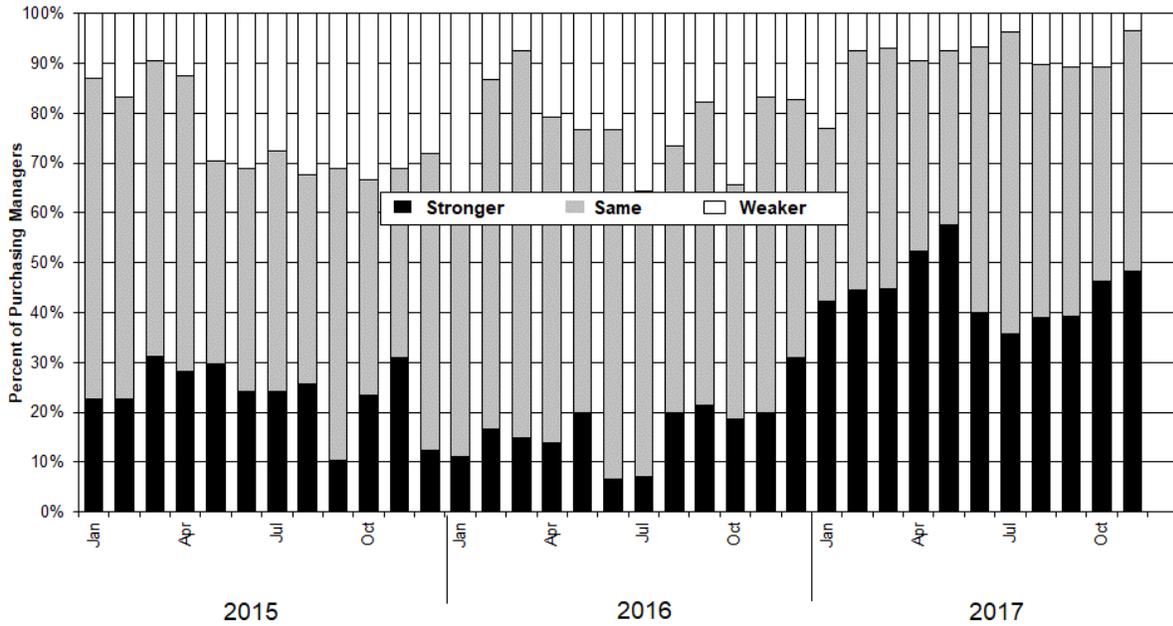
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 11/2016 THROUGH 11/2017

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Weaker	17	17	23	8	7	10	8	7	4	10	11	11	3
Same	63	52	35	44	48	38	35	53	60	52	50	43	49
Stronger	20	31	42	48	45	52	57	40	36	38	39	46	48

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

- “Silicone Elastomers business is outstripping supply. Lead times are now in months.”
- “At this time, our company is doing very well. In fact, we are busier this year at this time than we ever have been. The economy is good and we are booming right now.”
- “November started slow but we received several large orders in the past week or so. With holidays and our 4-day week, we have almost more work than we can do in the short time left in the year. We are receiving emails from several vendors about price increases next year.”
- “Economy is strong and business is good.”
- “November is better than the last three months so far. Higher sales than projected.”
- “We see continued positive attitude from our customers regarding the strength and continued longevity of the current business cycle. There are some pricing pressures, but I think it is mostly from the larger corporations trying to keep any inflationary pressures down as much as possible. I’m not sure that they will be successful. Due to wage growth and slight price increases from our base suppliers, there is no reason to lower or keep prices the same as last year.”
- “Our International sales have increased 30% over last year. Last year was a record year also.”

Even though the PMI index showed growth, some Purchasing Managers made cautionary or “mixed” comments:

- “Lack of demand.”
- “Business continues to be slow.”
- “Business inquiries are good but orders are flat.”
- “In our particular case we see a significant increase in business, but it seems our customers are taking care of necessities rather than taking on new risk...still uncertainty in the business climate.”
- “Bookings are beginning to slow, not sure if this is normal end of year slowdown or signs of a weakening economy.”
- "Seasonal slowdown on sales."

In summary, 2017 has been a good year for the Inland Empire manufacturing sector and the local economy as a whole. Production and new orders are holding steady, as is

employment. Consumer confidence is up 3.3% nationwide and is now at a 17 year high in California. Most Inland Empire economic barometers have shown growth over the past quarter. On the flip side, there is a great deal of uncertainty about the possible new tax plan which could modify consumer spending. Only time will tell!

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