PMI (49.1) is on the rise, but still remains below 50

According to Shel Bockman and Barbara Sirotnik (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), “Although this month’s PMI (49.1) registered a sharp increase from last month’s figure (43.6), it is still below 50%. Further, all main indicators which comprise the PMI registered 50 or below. If in fact the PMI remains below 50% for another month, there will be indications that the local manufacturing sector has changed direction and is now contracting.”

“When we examine the two most critical components of the index (Production and New Orders), we see some slightly positive signs. The Production Index increased to 50.0 from 37.5 and the New Orders Index increased from 37.0 to 48.8. The Employment Index increased from 44.6 to 47.6 with several companies stating they added permanent staff this month. Inflationary pressures within the Inland Empire appear to have eased somewhat, with the Commodity Prices Index registering at 54.9 (a decrease from 64.1 last month).

Imports showed a slight decrease from last month (43.8 to 40.0). Exports increased from 35.7 to 43.8. Comments include: “Apparently stimulus money is available in Mexico, Saudi Arabia, Bahrain, Czech Republic, all places where we have sold machinery. Canada sales are strong because economy is strong. US sales are good driven by tax incentives.” and “In the process of both developing our Export effort as well as continue to ship to current customers outside of the USA,” and “Business in Middle East, Mexico, Canada is strong.”

“Fewer Purchasing Managers this month (when compared to last month) indicated that they expect the state of the local economy to remain “the same” in the coming quarter. What this suggests is that there is a polarization in views between those who think the economy is getting stronger (21%, up from 12% last month) and those who think it is getting weaker (49%
In this month, up from 42%). Only 31% now think the economy will remain the same, whereas last month that figure was 47%.

Following are some highlights from this month’s report:

### October 2012 Business Survey at a Glance

<table>
<thead>
<tr>
<th>Series Index</th>
<th>Last Month</th>
<th>This Month</th>
<th>Direction from 50</th>
<th>Rate of Change from Last Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local PMI</td>
<td>43.6</td>
<td>49.1</td>
<td>Contracting</td>
<td>Slower</td>
</tr>
<tr>
<td>Commodity Prices</td>
<td>64.1</td>
<td>54.9</td>
<td>Increasing</td>
<td>Slower</td>
</tr>
<tr>
<td>Production</td>
<td>37.5</td>
<td>50.0</td>
<td>Unchanged</td>
<td>From Contracting</td>
</tr>
<tr>
<td>New Orders</td>
<td>37.0</td>
<td>48.8</td>
<td>Contracting</td>
<td>Slower</td>
</tr>
<tr>
<td>Inventory</td>
<td>46.7</td>
<td>42.9</td>
<td>Decreasing</td>
<td>Faster</td>
</tr>
<tr>
<td>Employment</td>
<td>44.6</td>
<td>47.6</td>
<td>Decreasing</td>
<td>Slower</td>
</tr>
<tr>
<td>Supplier Deliveries</td>
<td>51.1</td>
<td>56.1</td>
<td>Slowing</td>
<td>Faster</td>
</tr>
<tr>
<td>Imports</td>
<td>43.8</td>
<td>40.0</td>
<td>Contracting</td>
<td>Faster</td>
</tr>
<tr>
<td>Exports</td>
<td>35.7</td>
<td>43.8</td>
<td>Contracting</td>
<td>Slower</td>
</tr>
</tbody>
</table>

**Purchasing Managers’ Confidence in the State of the Local Economy**

<table>
<thead>
<tr>
<th></th>
<th>% Stronger</th>
<th>% Same</th>
<th>% Weaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Stronger</td>
<td>12%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>% Same</td>
<td>47%</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>% Weaker</td>
<td>42%</td>
<td>49%</td>
<td></td>
</tr>
</tbody>
</table>

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

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

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.

<table>
<thead>
<tr>
<th></th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>Ma</th>
<th>Jun</th>
<th>Jul</th>
<th>Au</th>
<th>Sep</th>
<th>Oct</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Weaker</strong></td>
<td>36</td>
<td>42</td>
<td>36</td>
<td>25</td>
<td>40</td>
<td>23</td>
<td>25</td>
<td>24</td>
<td>31</td>
<td>29</td>
<td>42</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td><strong>Same</strong></td>
<td>48</td>
<td>54</td>
<td>53</td>
<td>57</td>
<td>44</td>
<td>80</td>
<td>62</td>
<td>64</td>
<td>66</td>
<td>62</td>
<td>51</td>
<td>47</td>
<td>31</td>
</tr>
<tr>
<td><strong>Stronger</strong></td>
<td>16</td>
<td>4</td>
<td>11</td>
<td>18</td>
<td>16</td>
<td>8</td>
<td>15</td>
<td>11</td>
<td>10</td>
<td>7</td>
<td>20</td>
<td>12</td>
<td>21</td>
</tr>
</tbody>
</table>

Positive remarks from Purchasing Managers included: “Business in U.S. is up significantly,” “We see a slight upswing in new residential construction, with re-roofing about the same as the last several years,” “Improving little by little,” and “Steady improvement.”

Negative comments include: “The uncertainty created by the government in subjects from taxes to the election is having an effect,” “Our roofing industry has over capacity which will not be cured through demand for at least two years,” “Cash flow sometimes hinders purchasing in construction industry,” “Deteriorating economic conditions are adversely affecting the general retail environment,” “We are anticipating a down turn in business over the next 6 to 12 months due to the political climate. Economic uncertainty in the U.S. and California are effecting our sales,” “The world economy will have some effect on our export sales,” “Business has slowed slightly,” “Uncertainty about the election and the amount of defense spending budget are effecting us,” “No activity due to election uncertainty,” “It is usually a slow time for us, but this year it is even slower than usual,” and “China pricing is weakening demand for U.S. products.”

In summary, this month’s report shows improvements in the areas of Production and New Orders, but the indices still don’t show enough strength to cross the baseline 50% mark. Distilling Purchasing Managers remarks, political and economic uncertainty remain the name of the game.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

Dr. Shel Bockman
Co-Director, Institute of Applied Research
(909) 537-5733

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

Mary Jane Olhasso
Administrator, San Bernardino County Economic Development Agency
(909) 387-9802

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