

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 October 2017

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

PMI ABOVE 50 FOR THE 10TH 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 54.8, a figure virtually unchanged from last month's 55.0, marking the 10th month that the index has remained above the 50% benchmark. This indicates that the Inland Empire manufacturing sector and the overall local economy remain comfortably in growth mode."

"The Production Index dropped from 57.8 last month to 54.8 this month. New Orders showed a sharp increase from 48.4 last month to 54.8 this month. The Employment Index stayed above the 50% benchmark for the 10th consecutive month, registering 51.6 (unchanged from last month). Commodity Prices increased to 69.4 this month from 62.5 last month. Supplier deliveries showed a decrease from 62.5 last month to 59.7 this month."

"Purchasing Managers' confidence in the future local economy is up from last month. This month 46% of Purchasing Managers forecasted that the local economy will improve in the coming quarter (up from last month's 39%). In addition, 43% stated that the economy would stay the same (reflecting continued slow and steady growth), and 11% (unchanged from last month) predicted that the local economy will become weaker."

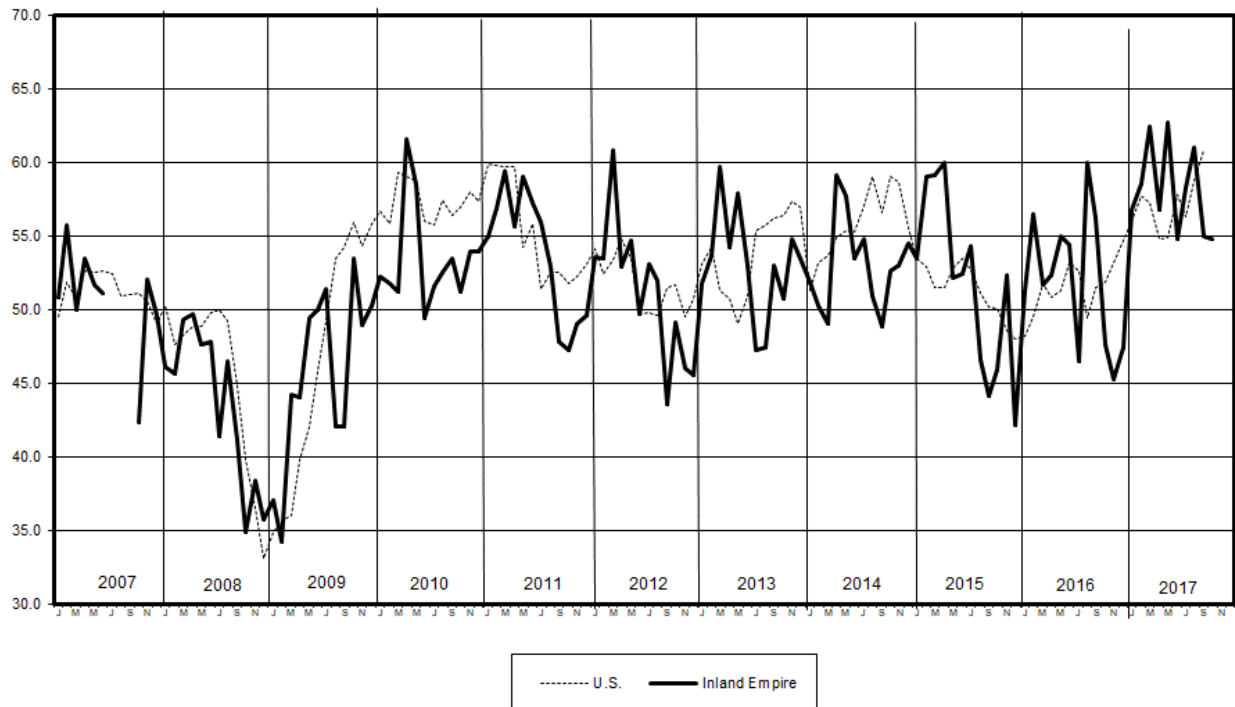
Following is a summary of highlights of the monthly indices:

October 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	55.0	54.8	Growing	Slower	10
Commodity Prices	62.5	69.4	Increasing	Faster	21
Production	57.8	54.8	Growing	Slower	11
New Orders	48.4	54.8	Growing	From Contracting	2
Inventory	54.7	53.2	Increasing	Slower	9
Employment	51.6	51.6	Growing	Unchanged	10
Supplier Deliveries	62.5	59.7	Slowing	Slower	10
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	39%	46%			
% Same	50%	43%			
% Weaker	11%	11%			

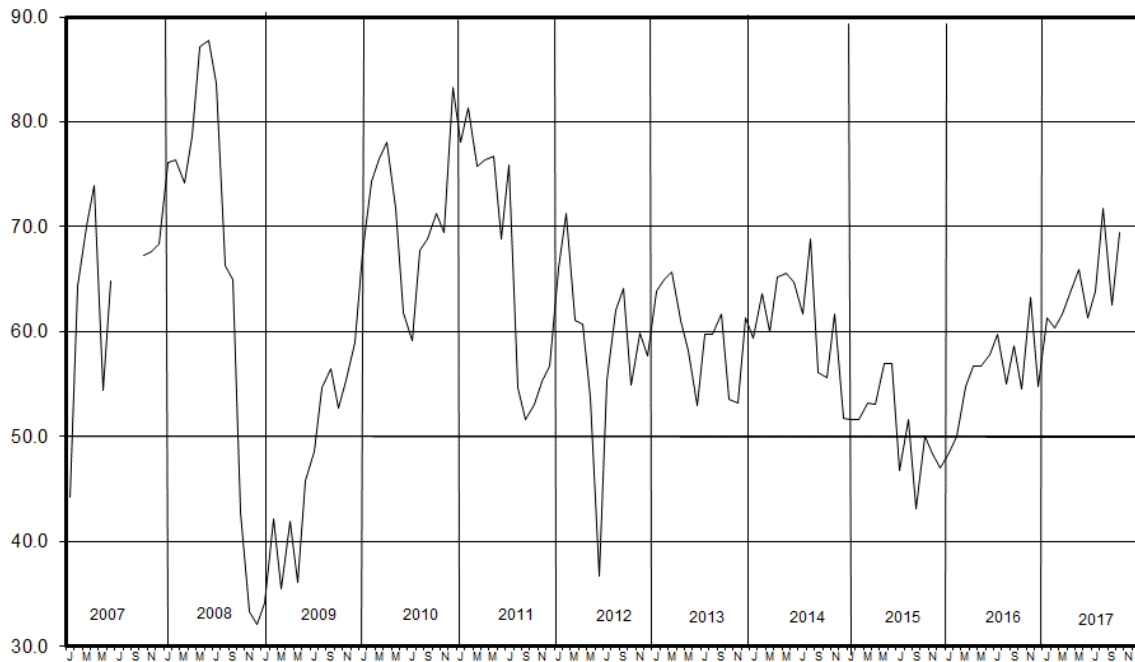
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



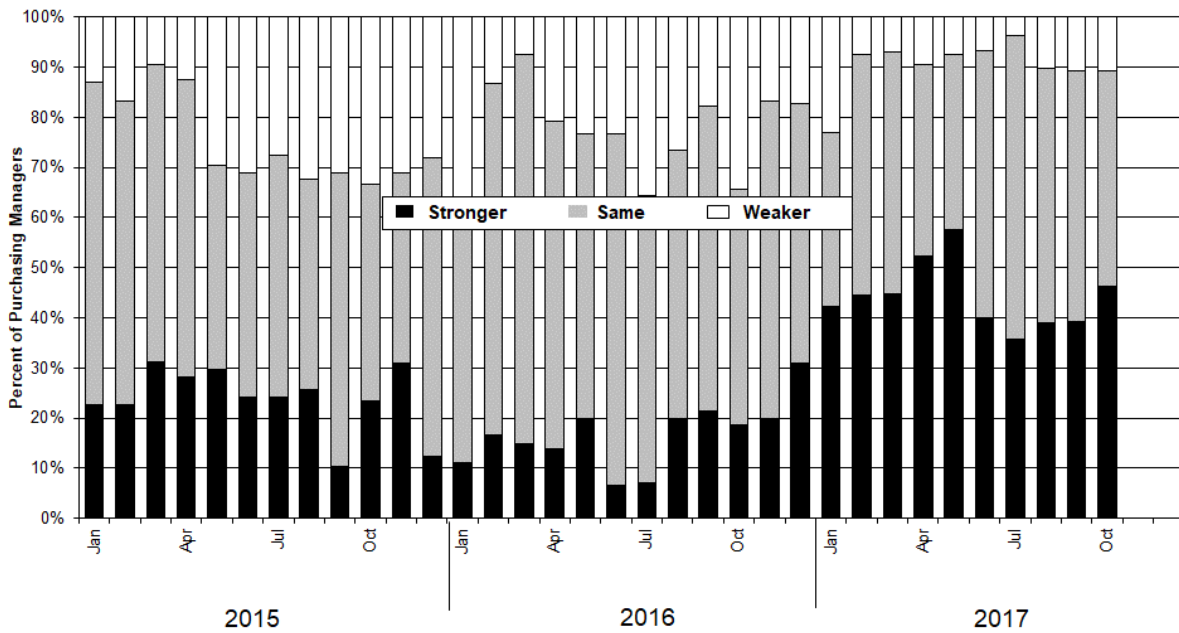
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 9/2016 THROUGH 9/2017

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Weaker	34	17	17	23	8	7	10	8	7	4	10	11	11
Same	47	63	52	35	44	48	38	35	53	60	52	50	43
Stronger	19	20	31	42	48	45	52	57	40	36	38	39	46

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

- "Business still strong, domestic inventories lower due to mill shut-down for maintenance."
- "Business activity remains upbeat and the vast majority of our customers are positive on business for the next few quarters. No one is pointing to any one issue that could impact business. Urgency of new orders is down, meaning that our customers seem to have built up an inventory (albeit a small inventory). So, that makes for less stress in meeting deliveries and fewer issues regarding lead times."
- "Business is good and optimism is high for continued growth."
- "Silicone elastomers continues strong sales and heavy demand."
- "Business is good. When we say "same" to your questions, it means that we continue to remain busy."

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

- "I hear the economy is good but I don't see it, still puttering along for the last 3 years."
- "Business seems to be holding its own, but with significant doubts/uncertainty due to the political climate."
- "Pray for a cold Winter! We need some more business to avoid layoffs."
- "Business is flat, and feels soft."
- "Domestic is flat and down, "International is up and growing fast."
- "Slowdown in domestic production, requiring us to use imported product to fulfill orders"

In summary, all indices point to slow and steady growth. Of course, with the 12-cent increase in gas taxes starting November 1, we could see some changes. Businesses may need to raise prices to offset the tax increase, and consumers who find that they are spending more money on gas taxes may be hesitant to spend as much money on commodities the businesses wish to sell. Further, it is uncertain whether President Trump's proposed tax reform plan (as conceived at the moment) will boost economic growth or stifle it, especially in a state like California where residents currently claim deductions for state and local taxes – deductions which might disappear under the proposed plan. It's "wait and see" time!

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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