

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 September 2013

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

PMI BACK IN GROWTH MODE

According to Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (53.0) registered above the 50% benchmark for the first time in three months. Given the typical variability in the index, it will take another two months above 50.0 before we can confidently forecast that the manufacturing sector is back in growth mode. As noted in previous reports, however, a figure of 42.2 or higher, over a period of time, is a sign that the overall economy is growing. The last time the PMI registered below 42.2 was October 2009, suggesting that the Inland Empire economy has enjoyed 48 months of continuous (albeit slow) growth."

"Production and New Orders (two of PMI's key indicators) jumped above the 50% mark, with Production registering at 53.6 and New Orders at 51.7. Supplier deliveries shifted from 48.4 last month to 53.3 this month, indicating that deliveries are slowing (most likely because business is picking up, thus it takes longer for suppliers to deliver their goods). Countering that positive news is the Employment Index which registered 46.7 (up only slightly from last month's 41.9). This is the third month in a row the figure has remained below 50, reflecting lower employment levels when compared with the previous month. Further, the Commodity Prices Index (61.7, up slightly from 59.7) continued to reflect inflationary pressures."

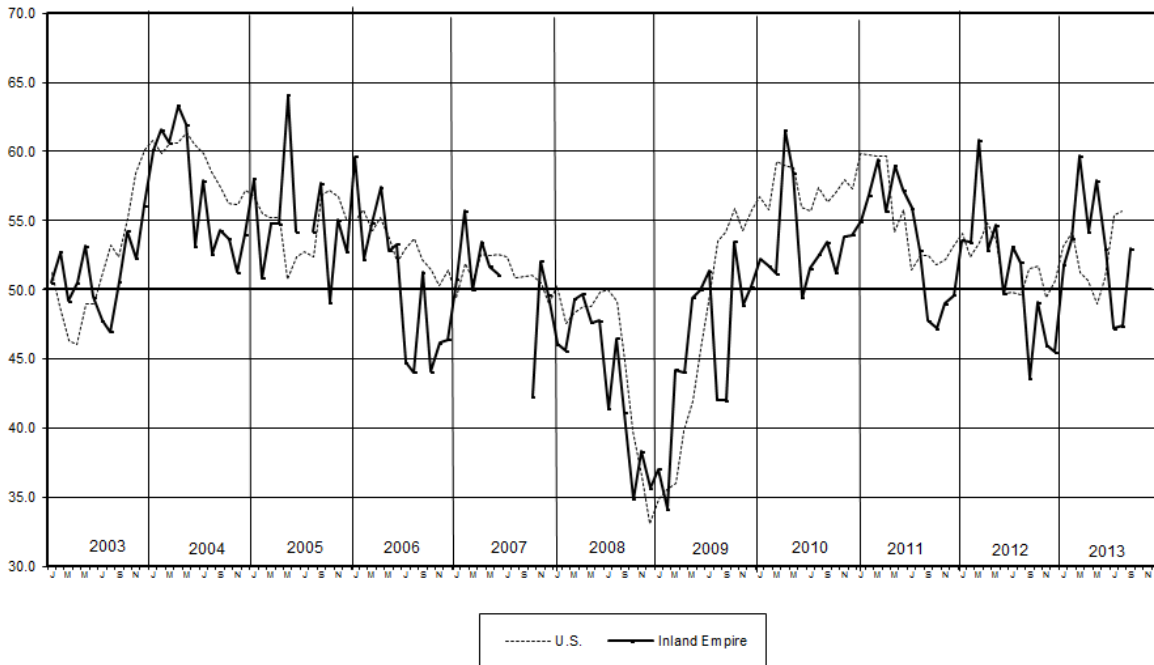
"Purchasing Managers continue to be cautious about the future state of the local economy. This month, 31% predicted that the economy will be weaker in the coming quarter (down from 40% last month). About a quarter (24%) of Purchasing Managers believe the local economy will become stronger by next quarter, and the remaining 45% believe the local economy will remain unchanged. This is an improvement from last year's report for September when only 12% projected a stronger economy in the coming quarter, and 42% predicted the economy would be weaker."

"The Imports Index increased from 46.7 to 53.3 and the Export Index jumped from 41.7 to 65.0."

Following are some highlights from this month's report:

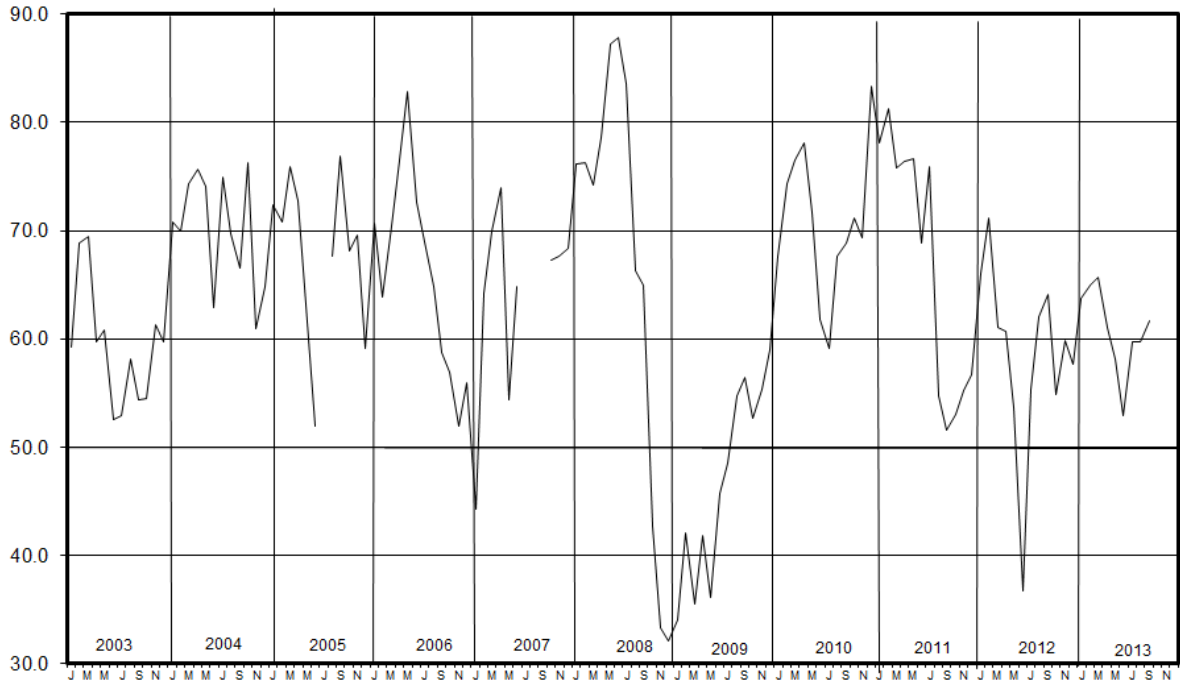
September 2013 Business Survey at a Glance				
	Series Index		Direction from 50	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	47.4	53.0	Growing	From Contracting
Commodity Prices	59.7	61.7	Increasing	Faster
Production	46.7	53.6	Growing	From Contracting
New Orders	46.7	51.7	Growing	From Contracting
Inventory	53.2	60.0	Increasing	Faster
Employment	41.9	46.7	Decreasing	Slower
Supplier Deliveries	48.4	53.3	Slowing	From Faster
Imports	46.7	53.3	Growing	From Contracting
Exports	41.7	65.0	Growing	From Contracting
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	23%	24%		
% Same	37%	45%		
% Weaker	40%	31%		

Purchasing Managers' Index



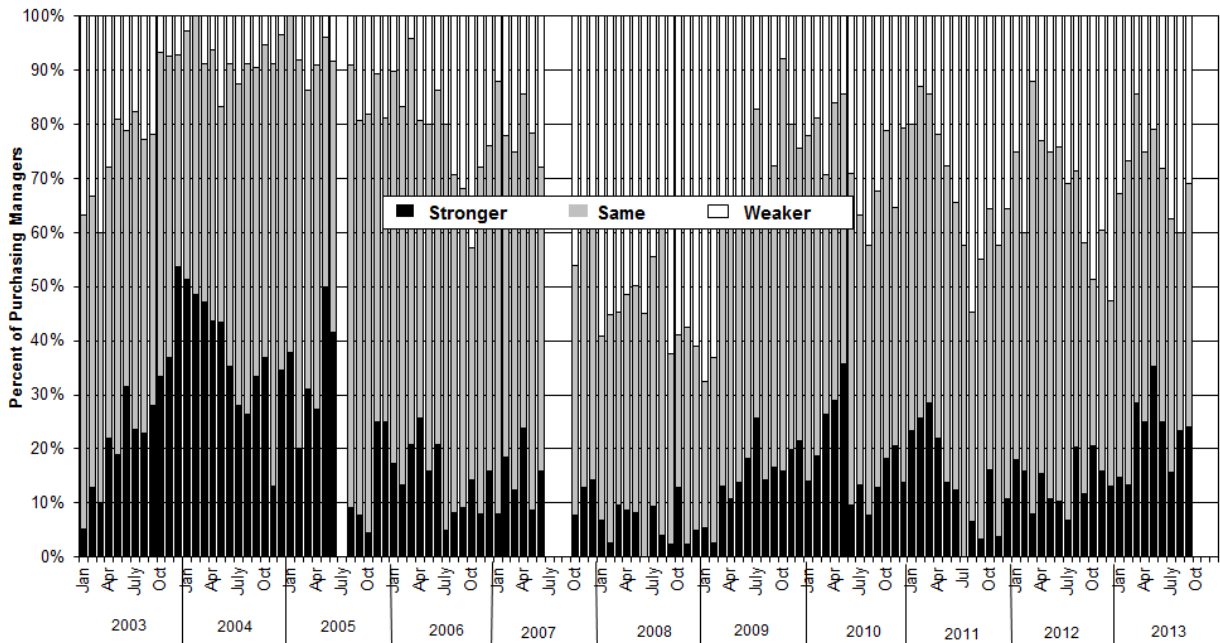
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Commodity Prices



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

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.

STATE OF THE ECONOMY: DATA FROM 9/2012 THROUGH 9/2013

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Weaker	42	49	39	53	32	27	14	25	21	28	37	40	31
Same	47	31	45	34	53	60	57	50	44	47	47	37	45
Stronger	12	21	16	13	15	13	29	25	35	25	16	23	24

Very few comments were made by Purchasing Managers this month, and those that were made either reflect uncertainty or pessimism about the economy: “Business at this time is very robust, but future orders are flattening out,” “Orders picking up but sporadic,” and “Business continues to be slow.”

In summary, the good news is that production and new orders are up, but Purchasing Managers are still projecting more weakness than strength for the Inland Empire economy over the next few months. Perhaps they are reflecting uncertainty about how national issues (e.g. angst over the possible impending federal government shutdown, the debut of the Affordable Care Act) will affect the local business climate, or perhaps their views are based on California’s long-term fiscal challenges and issues “closer to home” such as a slower than desirable recovery in the Inland Empire housing market. In any case, we will continue to monitor the situation in months to come.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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

Kelly Reenders
Administrator, San Bernardino County Economic Development Agency
(909) 387-9801

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