

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 2016

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

Inland Empire PMI Still In Growth Mode

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) is 56.2. Although this is a decrease from last month's 60.0, there is no cause for concern. A figure above 50 indicates a growing manufacturing sector and overall economy, thus this month's PMI reflects that the Inland Empire is still in growth mode – just at a slower pace than last month."

"Production and New Orders (two of the key indicators in the PMI) also remained above 50% baseline. Production decreased to 60.3 this month from last month's 68.3, and New Orders decreased to 56.9 from 68.3 last month. These declines were anticipated since last month's figures were so high that there is some expected 'regression toward the mean.' The Commodity Price Index increased from 55.0 last month to 58.6 this month, indicating that commodity prices continued to increase, at a somewhat faster pace than last month. The Employment Index this month dropped to 55.2 from last month's 58.3. This month marks the eighth month in a row that the index has remained above the 50% mark indicating increasing employment....a good sign. The Supplier Deliveries Index was unchanged from last month (51.7), reflecting once again that deliveries are slowing (an indication that suppliers are busier and therefore unable to deliver goods as quickly as before)."

"Nearly a quarter (21%) of Purchasing Managers predicted that the local economy will be stronger in the upcoming quarter, while 18% expressed the belief that the local economy will become weaker in the coming quarter (a decrease from last month's 27%). The remaining 61% think that the local economy will remain unchanged for the next few months. These figures are a bit more encouraging than those from the same time period last year."

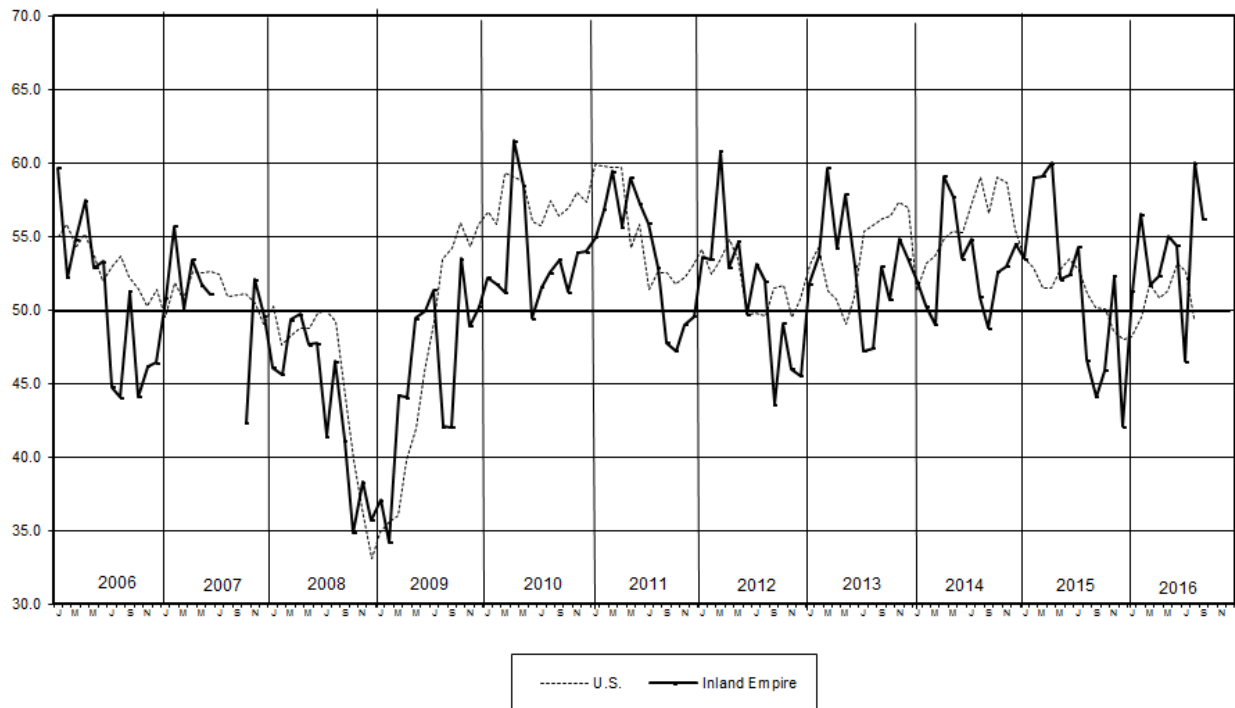
Following is a summary of highlights from this month's report:

September 2016 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	60.0	56.2	Growing	Slower	2
Commodity Prices	55.0	58.6	Increasing	Faster	8
Production	68.3	60.3	Growing	Slower	2
New Orders	68.3	56.9	Growing	Slower	2
Inventory	53.3	56.9	Increasing	Faster	9
Employment	58.3	55.2	Growing	Slower	8
Supplier Deliveries	51.7	51.7	Slowing	Unchanged	6
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	20%	21%			
% Same	53%	61%			
% Weaker	27%	18%			

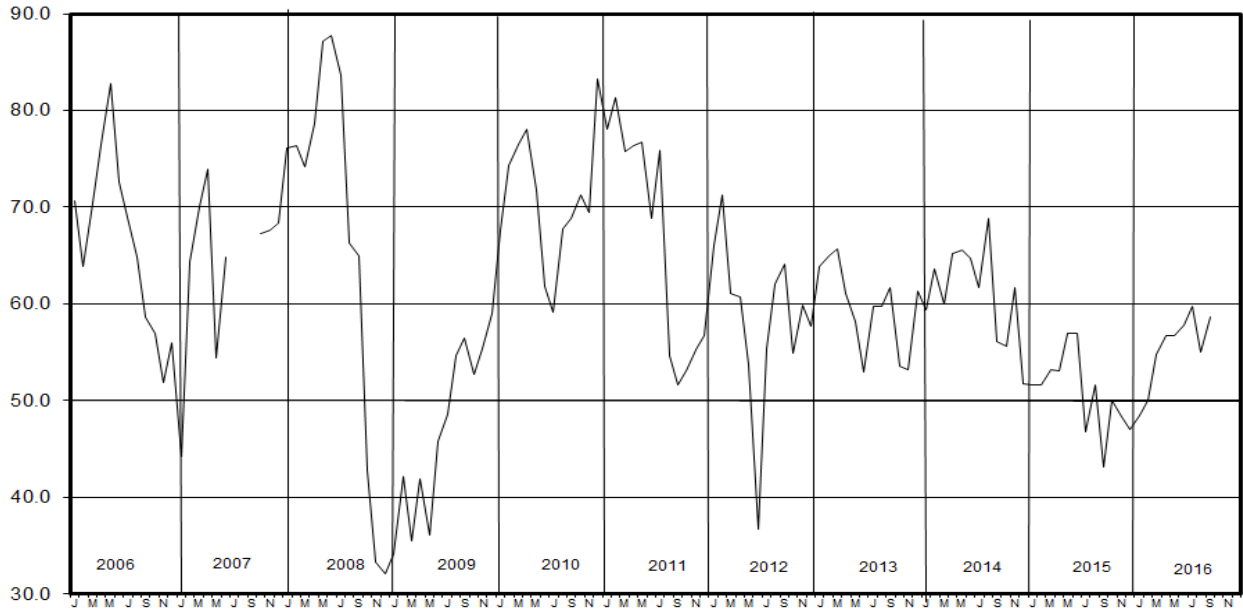
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



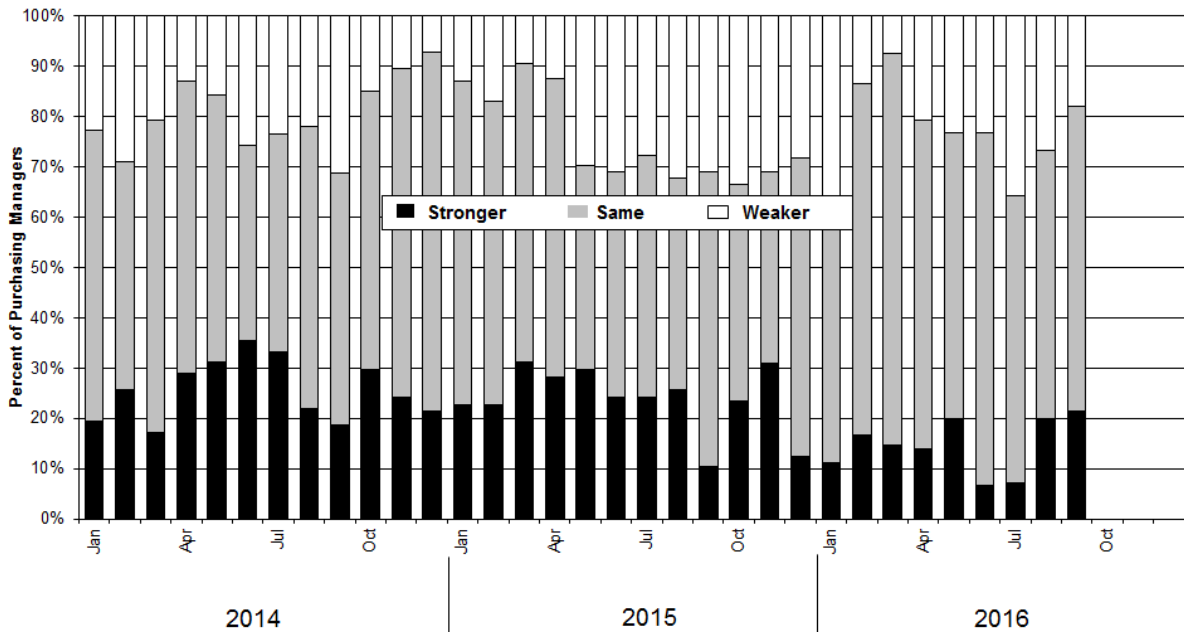
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 9/2015 THROUGH 9/2016

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Weaker	31	33	31	28	41	13	7	21	23	23	36	27	18
Same	59	43	38	58	48	70	78	65	57	70	57	53	61
Stronger	10	23	31	14	11	17	15	14	20	7	7	20	21

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

- “We have recently seen that short term business opportunities have diminished, while longer term contracts have increased. We can only speculate as to the causes of this, but perhaps the political uncertainty of this election season is one of those reasons.”
- “Holding steady except for dip in sales in the past week.”

Some cautionary notes included:

- “Still slow.”
- “May have some lay-offs in October.”

In summary, the data from our survey show that the Inland Empire manufacturing sector and overall economy are continuing to grow at a slow and steady pace. On the other hand, initiatives on the November ballot such as Proposition 55 (extension of Prop 30’s temporary income tax increase on the wealthy), if passed, could possibly have a dampening effect on the state’s (and Inland Empire’s) economy. Further, uncertainty about the outcome of the Presidential race is causing concern regarding the nation’s economy. If the much talked-about potential trade war were to occur, the Inland Empire manufacturing, distribution, and logistic sectors would certainly be affected.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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