

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 September 2017

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

NEW ORDERS DROPPED BELOW 50, BUT THE PMI REMAINS ABOVE 50

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 55.0, marking the 9th 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. We must note that the index declined from last month's 61.0, but that simply means that the **rate** of growth has slowed somewhat."

"The Production Index dropped from 61.7 last month to 57.8 this month. New Orders showed a sharp drop from 63.3 last month to 48.4 this month. The Employment Index stayed above the 50% benchmark for the 9th month, although it registered a sharp drop from 60.0 last month to 51.6 this month. Commodity Prices dropped from its six-year high of 71.7 last month to 62.5 this month. Supplier deliveries showed a slight increase from 60.0 last month to 62.5 this month, indicating that deliveries are getting slightly slower (a good sign for the economy since slower deliveries mean that suppliers are busy)."

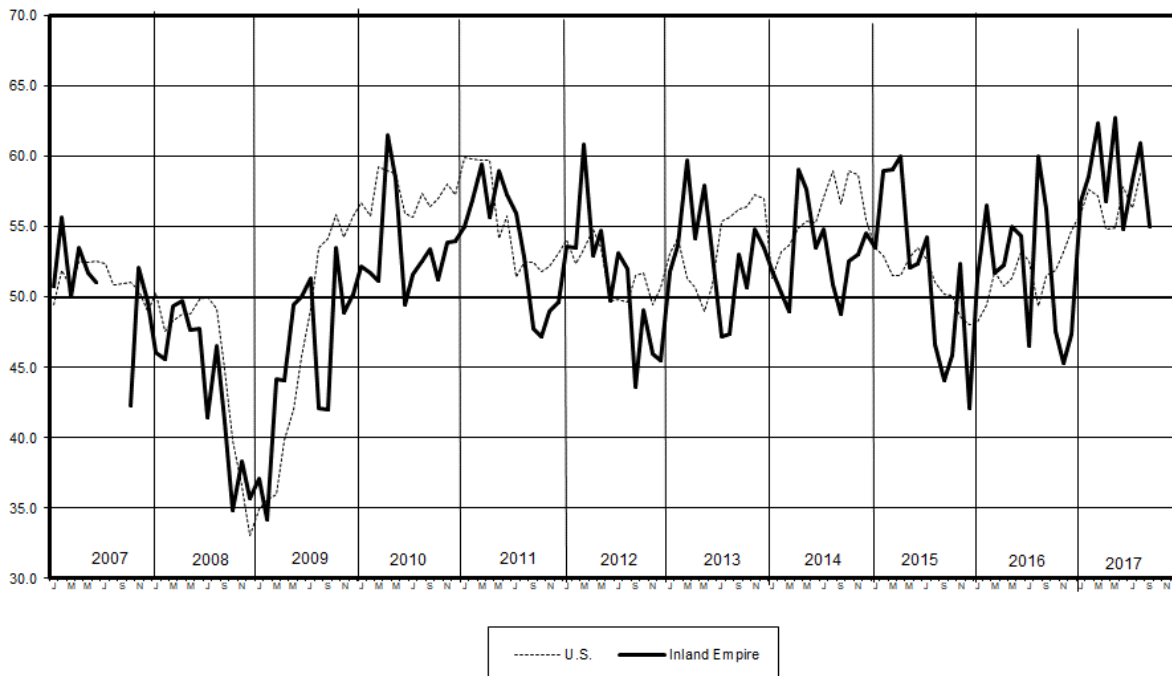
"Purchasing Managers' projections about the state of the local economy for the coming quarter showed very little change from last month, with 39% of purchasing managers predicting that the local economy will become stronger in the coming months (up from 38%). Fifty percent of Purchasing Managers believe the local economy will remain unchanged (down from 52%), and the remaining 11% believe the local economy will come weaker over the next quarter (up from 10%)."

Following is a summary of highlights of the monthly indices:

September 2017 Business Survey at a Glance					
	Series Index				
	Last Month	This Month			
Local PMI	61.0	55.0	Growing	Slower	9
Commodity Prices	71.7	62.5	Increasing	Slower	20
Production	61.7	57.8	Growing	Slower	10
New Orders	63.3	48.4	Contracting	From Growing	1
Inventory	60.0	54.7	Increasing	Slower	8
Employment	60.0	51.6	Growing	Slower	9
Supplier Deliveries	60.0	62.5	Slowing	Faster	9
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	38%	39%			
% Same	52%	50%			
% Weaker	10%	11%			

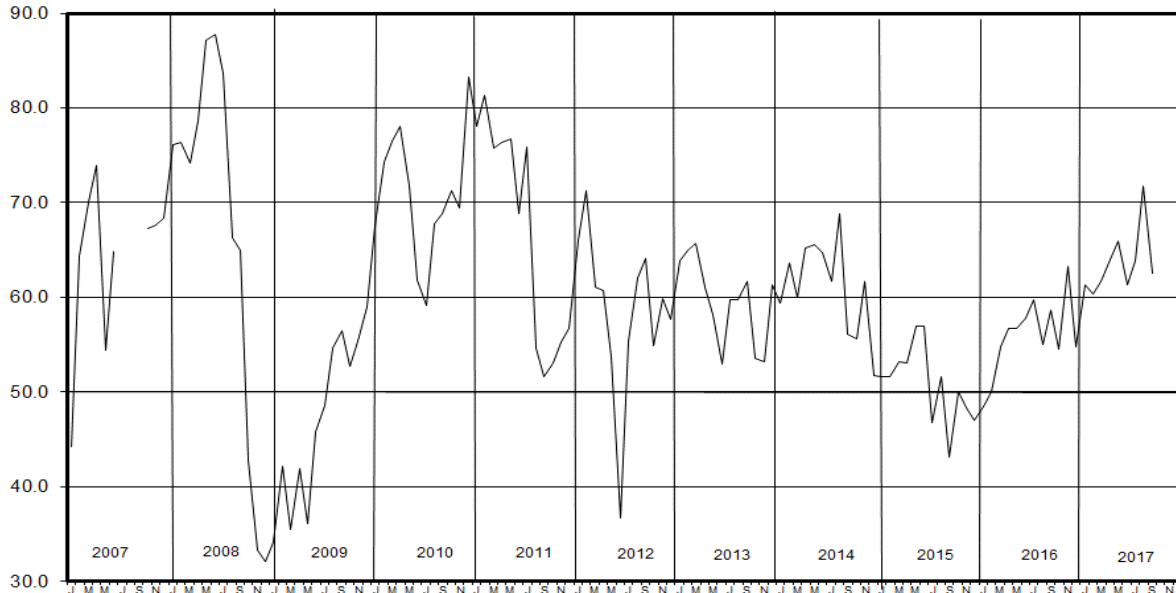
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



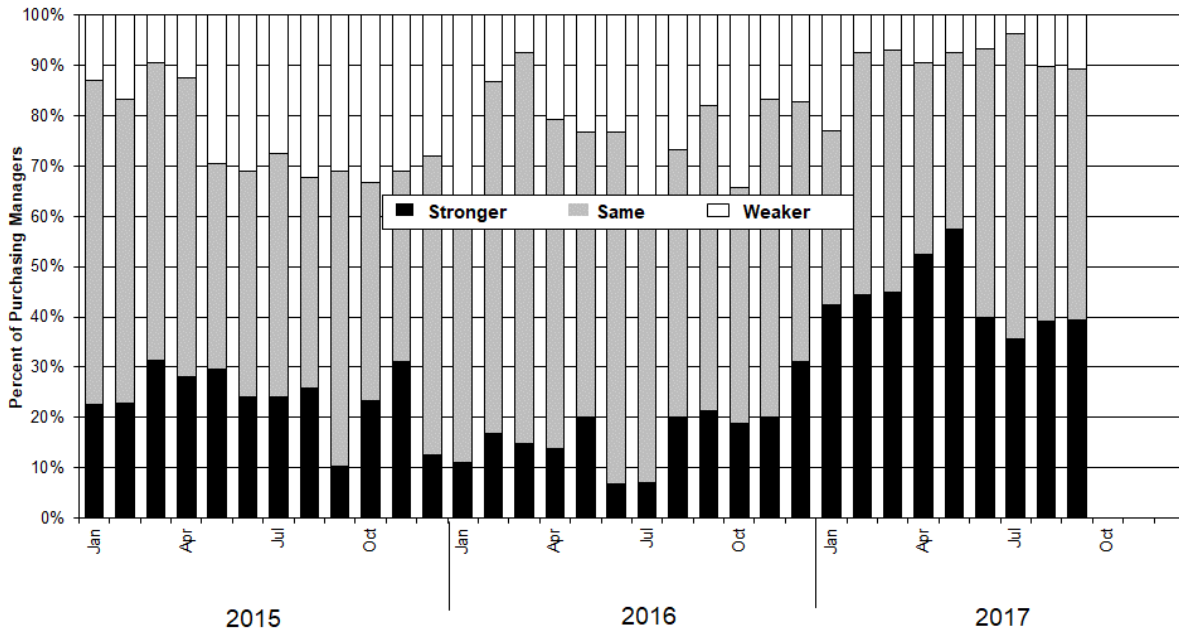
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Commodity Prices



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State of the Local Economy



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

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Weaker	18	34	17	17	23	8	7	10	8	7	4	10	11
Same	61	47	63	52	35	44	48	38	35	53	60	52	50
Stronger	21	19	20	31	42	48	45	52	57	40	36	38	39

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

- “Business outlook is good.”
- “The demand for silicon elastomers remains robust both nationally and internationally.”
- “We continue to see a strong demand for our product (light-gauge stainless steel) from just about every industry in the country except for oil & gas. The weaker US dollar has also made our product more competitive in Europe. September and the outlook for October is slightly better than what we saw in July/August.”
- “New orders are coming, experiencing a 30% growth over last year in international. It is hard to measure monthly. We are importing rare earths from China and this is growing significantly.”
- “There seems to be a slow evolution in business attitudes towards understanding the "new normal" in terms of policy leadership that impacts business, and the businesses are accommodating their practices in consideration of that understanding and moving forward in their own interests.”

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

- “Slow.”
- “Still slow but avoiding lay-offs. Let's hope winter is cold and reminds customers they need some heaters.”
- “Hurricane Harvey flooded a resin manufacturer in Texas; it could have an impact with the supplier we get our buckets from. Supplier said we should be ok because they just received a load of resin.”
- “Business is OK, but has slowed from August peak.”
- “Domestic is flat and down. International is up and growing fast.”
- “August had outstanding sales, September will not match it.”
- “Orders slowing (seasonal?). Still busy getting new customers.”
- “We are experiencing a slowdown trend.”
- “Fewer orders from a major customer.”

In summary, this report shows that the outlook for the Inland Empire manufacturing sector and overall economy is positive. There are seasonal factors impacting some business sectors, and decrease in the Employment Index could portend a future problem. But survey respondents’ optimism about the coming quarter’s economy is

comforting. As long as there are no sudden and unforeseen issues (e.g. another hurricane or other natural disaster that could impact oil and other commodities, an increase in tensions across the globe, significant shifts in the stock market, changes in the core inflation rate, or unanticipated responses to an interest rate hike), the local economy should continue humming along.

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