

# **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 April 2019***

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

## **PMI REGISTERS ITS 28<sup>th</sup> MONTH ABOVE 50, BUT RATE OF GROWTH SLOWS**

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 52.8, a decrease from last month's 57.9. The index has remained above the baseline 50% mark for the last 28 months, indicating sustained growth for both the manufacturing sector and the overall economy. But the fact that the PMI decreased means that the rate of growth has slowed somewhat."

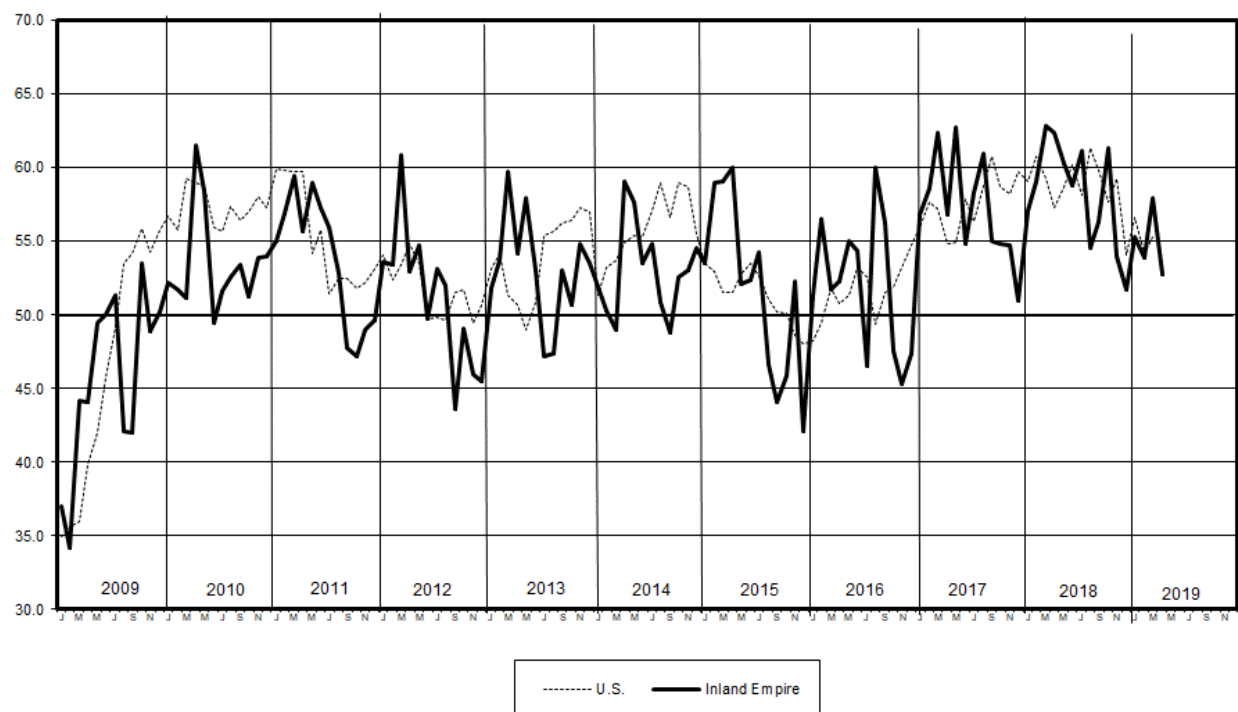
"This month's New Orders Index registered 51.7, a figure which reflects growth in new orders are growing, however at a slower pace than last month. The Production Index also decreased this month from 60.3 to 56.9. The Commodity Price Index dropped slightly from last month's 65.5 to 58.6 this month, indicating that although prices of raw materials are continuing to rise, they are rising at a slower pace than last month. The Supplier Deliveries Index decreased this month to 50.0 from 53.4, thus the overall speed of supplier deliveries is about the same as last month. The Employment Index remained above 50% for the third month in a row establishing a new trend of growth after the one-month dip below 50 in January. Yet the rate of growth in employment is not as high as last month's (the figure decreased from 56.9 last month to 51.7 this month)."

"Only twenty-two percent (22%) of purchasing managers predicted that the local economy will become stronger in the upcoming months (down from last month 31%), and an equal amount (22%) believe the local economy will become *weaker* over the next quarter (up significantly from 4% last month). The remaining 56% of purchasing managers believe the local economy will remain unchanged."

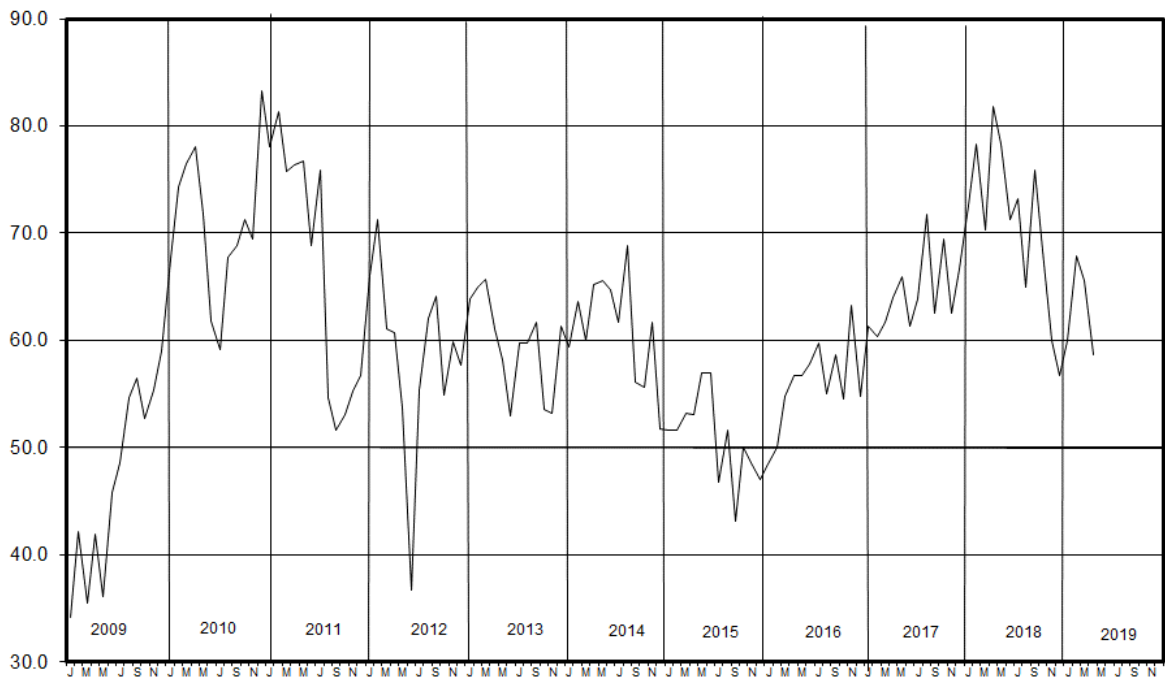
Following is a summary of highlights from this month's report:

<b>April 2019 Business Survey at a Glance</b>					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend Months
	Last Month	This Month			
Local PMI	57.9	52.8	Growing	Slower	28
Commodity Prices	65.5	58.6	Increasing	Slower	30
Production	60.3	56.9	Growing	Slower	16
New Orders	58.6	51.7	Growing	Slower	2
Inventory	60.3	53.4	Increasing	Slower	4
Employment	56.9	51.7	Growing	Slower	3
Supplier Deliveries	53.4	50.0	Unchanged	From Decreasing	28
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	31%	22%			
% Same	65%	56%			
% Weaker	4%	22%			

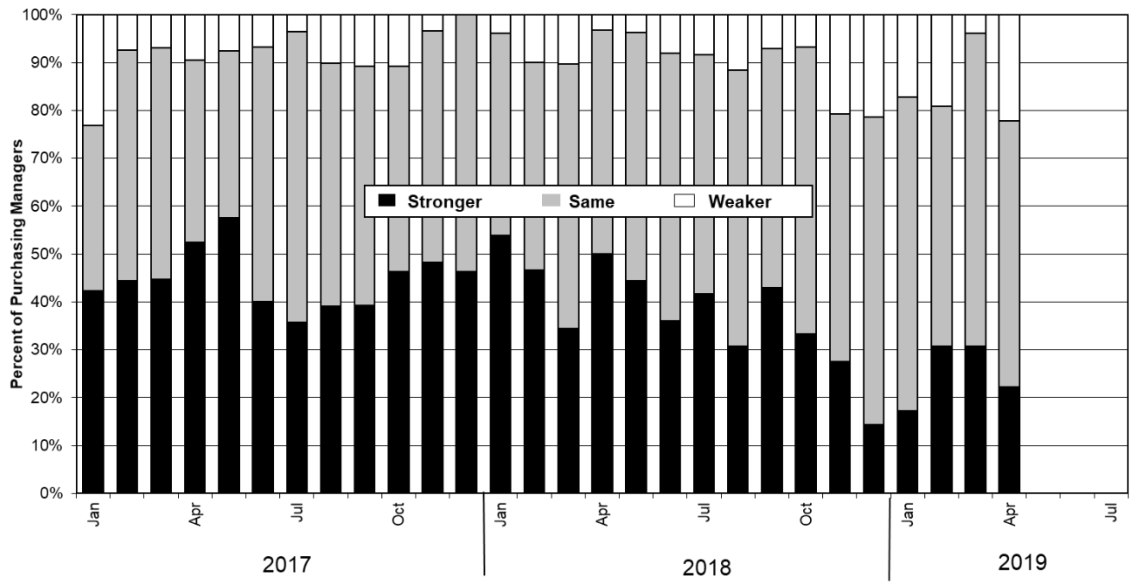
## Purchasing Managers' Index



### Commodity Prices



### State of the Local Economy



### **STATE OF THE ECONOMY: DATA FROM 4/2018 THROUGH 4/2019**

	Ap	Ma	Ju	Ju	Au	Se	Oc	No	De	Ja	Fe	Ma	Ap
<b>Weaker</b>	3	4	8	8	11	7	7	21	22	17	19	4	22
<b>Same</b>	47	52	56	50	58	50	60	52	64	66	50	65	56
<b>Stronger</b>	50	44	36	42	31	43	33	28	14	17	31	31	22

Following are positive comments from Purchasing Managers regarding general business conditions and/or reasons for import and export changes:

- "Business is good."
- "Busy writing new orders. In addition, working some overtime to fill them. We cannot seem to get the needed price increases from our larger customers, some of whom are asking for price reductions."
- "I believe trade relations are getting better."
- "New orders continue to be strong. Most customers feel optimistic about the near future."
- "So far this year has been good and we are still on a steady growth."
- "Still shipping at record levels and expect to do that next month. June may be slower; it has not firmed up yet."
- "The business is still the same."
- "Uptick in sales, and credit applications for new customers!"
- "Will be ordering more next month, changing formulations and reducing inventory of the old materials."

Mixed or cautionary comments include:

- "Cost of licenses and permits decreasing the likelihood of extra purchases."
- "Electric Auto has picked back up but OEM automotive manufacturing is leveling out."
- "We are seeing short term advances, but with customers holding off on long term commitments...as an example: we have a major commitment for a multiyear contract for aerospace requirements, but to date only actual orders have been placed for the first of those years."
- "In April, we have certainly seen a softening in demand from almost all industries that we serve. Order entry is off by about 10% from March and May is not looking much better."
- "Slow."

In summary, although the Inland Empire economy is still in growth mode, we are seeing signs of slowing. Is that cause for concern? Not yet. After all, we expect some monthly variation in our indices. And US consumer confidence (a leading indicator) increased in April, with a jump that was higher than expected. That should partially trickle down to

Inland Empire consumers. On the other hand, the slow growth in the New Orders index could be an indication that consumers are beginning to cut back on their purchasing – a potentially troublesome sign for the economy in the coming quarter.

***FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:***

Dr. Barbara Sirotnik  
Director, Institute of Applied Research  
909.537.5729

Soua Vang  
Manager – Business Attraction, Retention & International Trade  
Economic Development Agency, County of San Bernardino  
909.387.4385

Rob Moran  
Economic Development Manager  
Riverside County Economic Development Agency 951.955.6673

Dr. Lawrence Rose  
Dean, Jack H. Brown College of Business and Public Administration, CSUSB  
909.537.3703