

**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 2021**

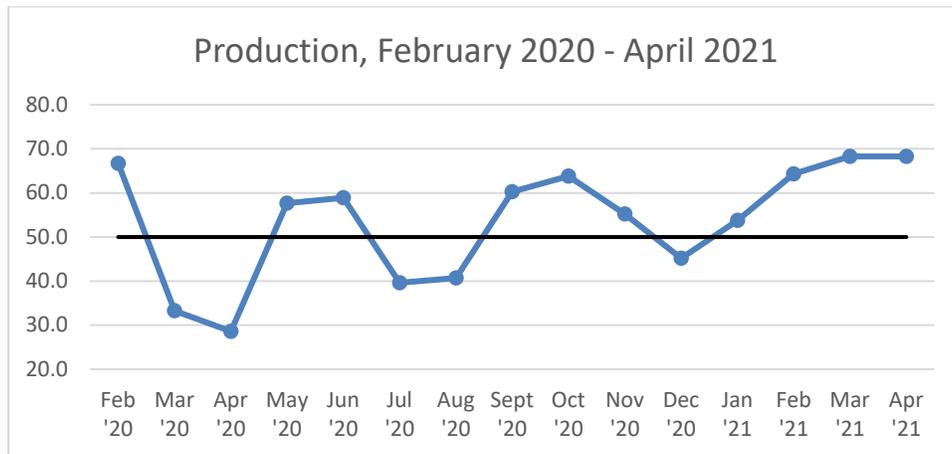
**Sponsors: San Bernardino County Economic Development Agency**  
**Riverside County Business and Community Services**

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**COMMODITY PRICES REACH 98.3 – HIGHEST SINCE 1993**  
**PMI SHOWS THE ECONOMY IS FIRMLY 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) registered **65.7**, virtually unchanged from last month’s 64.3. The index has remained above the baseline 50% mark for the eighth consecutive month, indicating steady growth in the Inland Empire manufacturing sector and the economy as a whole.”

“In other good news for the local economy: in our last report we noted that the Production Index was rising, signifying that manufacturers had a higher level of production than the month before. This month it remained at **68.3**, strongly in growth mode. This trend of growth began in December 2020.



The Production Index tracks firm's activity on orders made over the past months, whereas the New Orders Index reflects orders that just came in during the month of April. This month's New Orders Index is **61.7**, just slightly lower than last month's 65.0. This means that new orders are still increasing over time, although at a slightly slower pace than last month. The Employment Index increased slightly from 53.3 last month to **55.0** this month."

"On the downside: The Commodity Price Index soared to **98.3** (up from last month's 93.3). This is the highest on record since the inception of this report back in 1993. Recent Consumer Price Index data published earlier this month showed that prices for everything from cereal to cars to paper goods to exercise equipment have significantly increased. Suppliers have been charging increased prices to manufacturing firms, and those increases are (or will be) passed on to consumers. It remains to be seen whether prices of supplies will decrease now that the pandemic is easing.

Supplier Deliveries jumped from 83.3 last month to **86.7** this month, indicating that deliveries are continuing to slow. In last month's report we noted that several respondents had mentioned supply chain issues, both in terms of timely delivery and price. We are seeing similar comments this month."

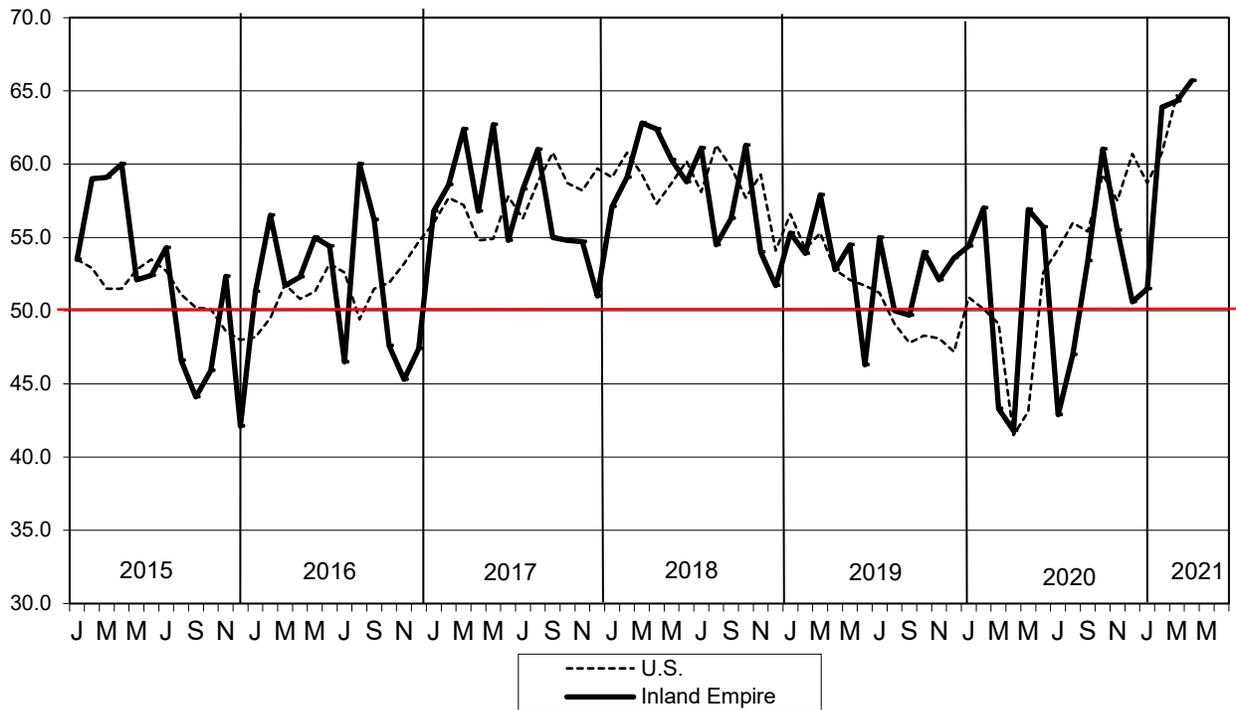
"The overall Inventory level (units, not dollars) including raw, MRO (Maintenance, Repair, Operating), intermediates, etc. increased from 51.7 last month to **56.7** this month. Nearly a quarter (23%) of companies indicated that their level of *finished goods* has increased, whereas 17% of companies indicate that their level of *finished goods* has decreased since the previous month. Most (60%) indicated that their inventory of finished goods has not changed since last month, meaning that their production of finished goods is "staying even" with sales."

"Purchasing Managers were incredibly optimistic about the state of the economy for the coming quarter. What a difference a year makes! Last year in our report released May 1, 2020, 89% of respondents forecasted a weakening economy for the short term, and 11% said it would stay the same. None showed optimism that the economy would improve in the near term. This year over half (56%) forecasted a **strengthening** local economy for the next 3 months. This figure is up from last month's 44%. We must note that a figure this high has only been recorded seven times since the inception of the report in 1993. Only 11% predicted that the economy would be weaker (down from 19% last month), and the remaining 33% predicted that the economy will remain unchanged (slightly down from 37% last month)."

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

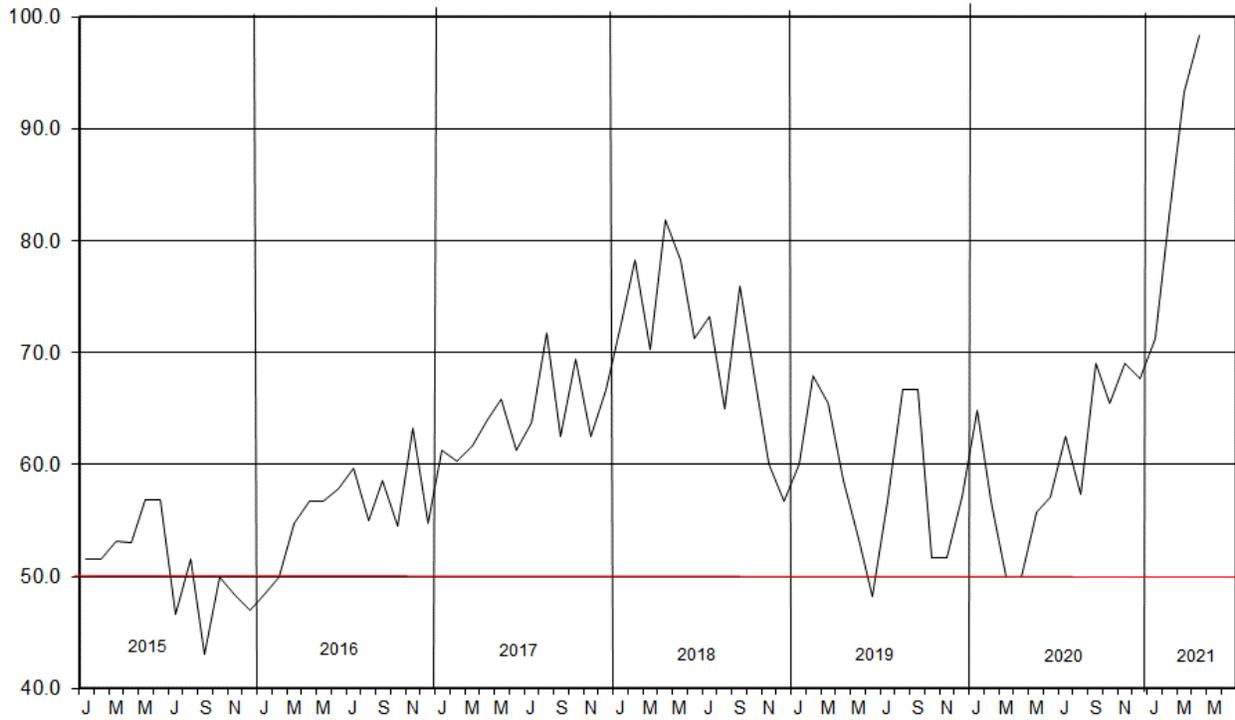
<b>April 2021 Business Survey at a Glance</b>					
	<b>Series Index</b>		<b>Direction from 50</b>	<b>Rate of Change from Last Index</b>	<b>Trend Months</b>
	<b>Last Month</b>	<b>This Month</b>			
Local PMI	64.3	65.7	Growing	Faster	8
Commodity Prices	93.3	98.3	Increasing	Faster	22
Production	68.3	68.3	Growing	Unchanged	4
New Orders	65.0	61.7	Growing	Slower	4
Inventory	51.7	56.7	Increasing	Faster	3
Employment	53.3	55.0	Growing	Faster	3
Supplier Deliveries	83.3	86.7	Slowing	Faster	19
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	44%	56%			
% Same	37%	33%			
% Weaker	19%	11%			

### Purchasing Managers' Index

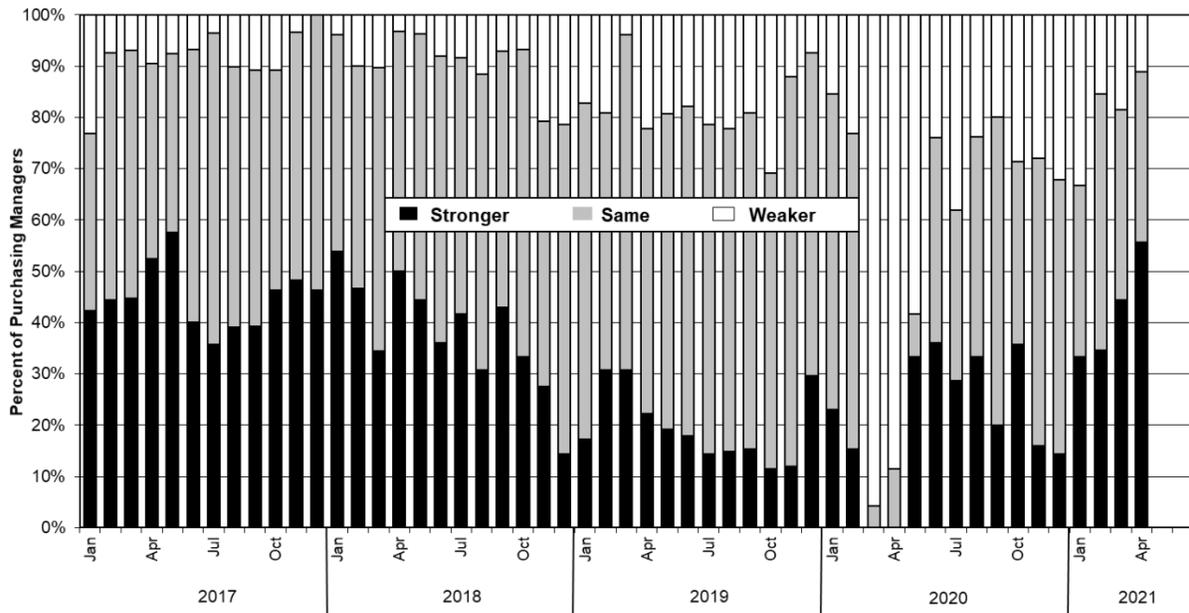


Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

### Commodity Prices



### State of the Local Economy



**STATE OF THE ECONOMY: DATA FROM 04/2020 THROUGH 04/2021**

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
<b>Weaker</b>	89	58	24	38	24	20	29	28	32	33	15	19	11
<b>Same</b>	11	9	40	33	43	60	37	56	54	34	50	37	33
<b>Stronger</b>	0	33	36	29	33	20	36	16	14	33	35	44	56

**What respondents are saying:**

Each month we ask our respondents to make comments regarding business conditions – local, national, or international. Despite the strong quantitative indices reported above, many of the comments had a negative or cautionary slant focusing mainly on rising commodity prices and supply chain difficulties:

- "Cannot obtain imports due to logistics issues at port."
- "Commodity prices are in a bull market, forcing finished good increases. Port traffic slowdowns are putting strain on some of our ingredients and raw materials."
- "Slow down occurred in automotive."
- "Soybean oil price is out of control. Pricing is up \$.40 per pound from the first of the year. Lead time is a lot longer, freight is higher than it has ever been."
- "Supplier prices are surging on some items."
- "The only complaining going on is the lack of availability. People could care less that prices are increasing each month. It is the perfect storm for suppliers like ourselves."
- "We are experiencing slower delivery on certain products due to supply and demand."
- We are still experiencing difficulty attracting production workers, which in our company requires a period of time to fully integrate new staff to enable us to comply with our quality standards."
- "We are finding longer lead times for some purchased material."

Following are the relatively positive comments:

- "Business has been good for the last couple months. Getting a little better to find new employees as well."
- "Business has never been stronger. We just finished the best quarter in the history of our company and April kept the trend going. We see strength in just about every industry that we serve and in all regions of the country."
- "Business continues to grow, but without the initial "spike" we experienced as things began to open up."
- "Can't keep up. Same number of employees, working longer hours."
- "It appears that Europe is finally coming out of their COVID shell and things are starting to brew like they have been doing here for the past few quarters. Asia is also a little more active."
- "It seems that the global economy is improving."

- "Orders have picked up, but very sporadic."
- "Our year started slow but picking up."
- "Overall orders remain firm."
- "While we have a good book of business, industrial orders for domestic are weak. I am concerned about June. My concerns will go away if the domestic economy improves."

In summary, it appears that the Inland Empire economy is back on solid ground again. People are beginning to receive their stimulus checks from the federal government and the state of California, and many who had been furloughed are getting back to work. That means that people now have the money to purchase the products made by our manufacturing firms. Nationwide, spending is on the rise. Unfortunately, so is inflation. Inflation metrics have sharply increased, and prices are up due to rising costs of production and distribution. Yet the California Consumer Sentiment Index shows that optimism is high, and this month's PMI data corroborates that rosy picture.

IAR will continue to provide the most up-to-date data on business conditions that we can during this time of renewal and growth.

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

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