

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 December 2017**

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

PMI AND EMPLOYMENT ABOVE 50 FOR THE 12TH MONTH IN A ROW

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 51.0, a drop from last month's 54.7. This decrease should not be of concern since the index has remained above the 50% benchmark for the 12th month in a row, indicating that the Inland Empire manufacturing sector and the overall local economy remain comfortably in growth mode. The decrease simply indicates that the growth has slowed a bit (which is typical for the month of December – a month when some companies have shut down for the holiday season). And it is encouraging that the figure is much higher than the indices for December 2016 (47.4) and December 2015 (42.1)."

"The Production Index decreased from 57.8 last month to 48.3 this month, and reflects a seasonal decrease typical for December. Similarly, New Orders dropped from 53.1 last month to 46.7 this month. On a positive note, the Employment Index (55.0) was above 50 for the 12th month in a row. It appears that the end of 2017 continued the trend of employment growth seen through the year. Supplier deliveries showed only a slight decrease from 57.8 last month to 56.7 this month, indicating that suppliers continue to be busy and thus are slow in providing deliveries. Commodity Prices continued to rise, as they have done since January of 2017."

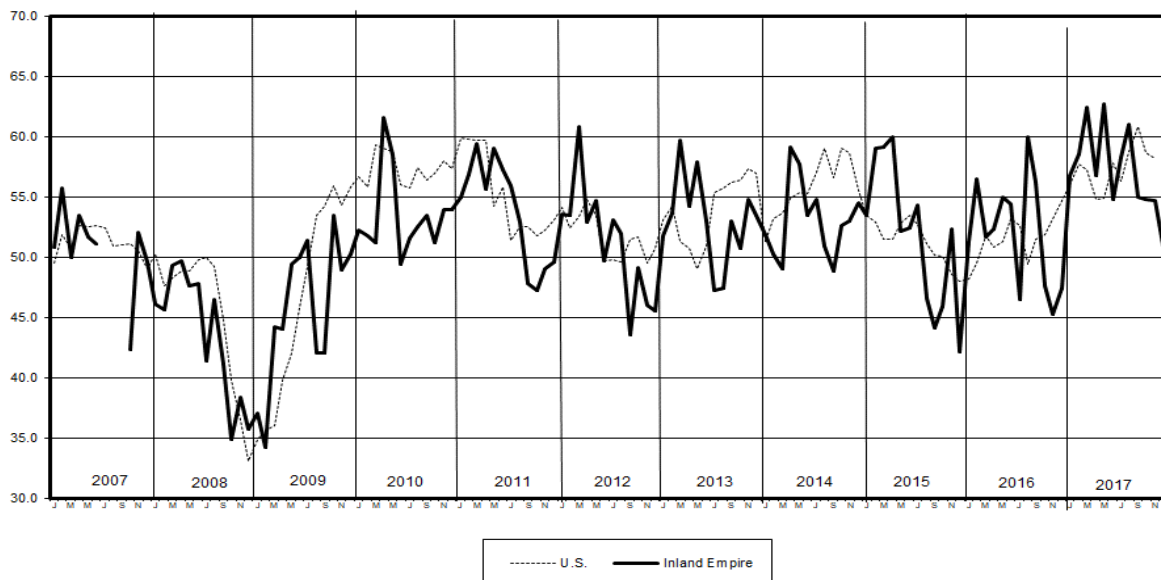
"Purchasing Managers' confidence in the future local economy is still strong. This month 46% of Purchasing Managers forecasted that the local economy will improve in the coming quarter (down only slightly from last month's 48%). Over half (54%) stated that the economy would stay the same (reflecting continued slow and steady growth). **None** of the respondents thought that the economy would become weaker in the coming quarter, a finding not seen since 2005.

Following is a summary of highlights of the monthly indices:

December 2017 Business Survey at a Glance					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	54.7	51.0	Growing	Slower	12
Commodity Prices	62.5	66.7	Increasing	Faster	23
Production	57.8	48.3	Contracting	From Growing	1
New Orders	53.1	46.7	Contracting	From Growing	1
Inventory	54.7	48.3	Decreasing	From Increasing	1
Employment	50.0	55.0	Growing	From Unchanged	12
Supplier Deliveries	57.8	56.7	Slowing	Slower	12
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	48%	46%			
% Same	49%	54%			
% Weaker	3%	0%			

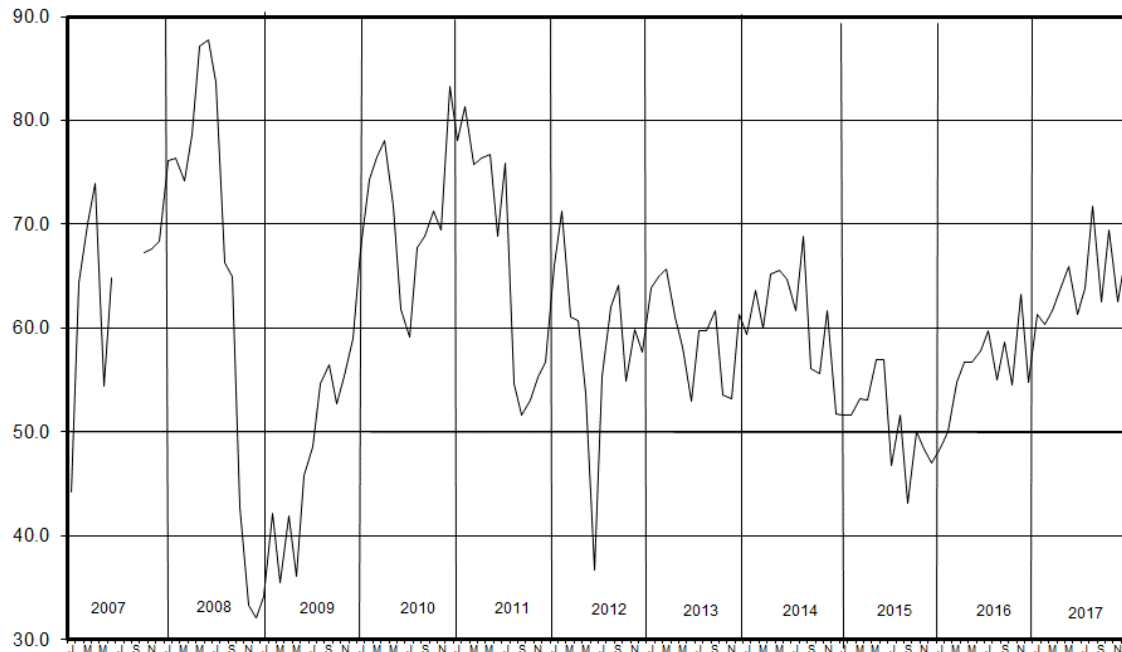
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



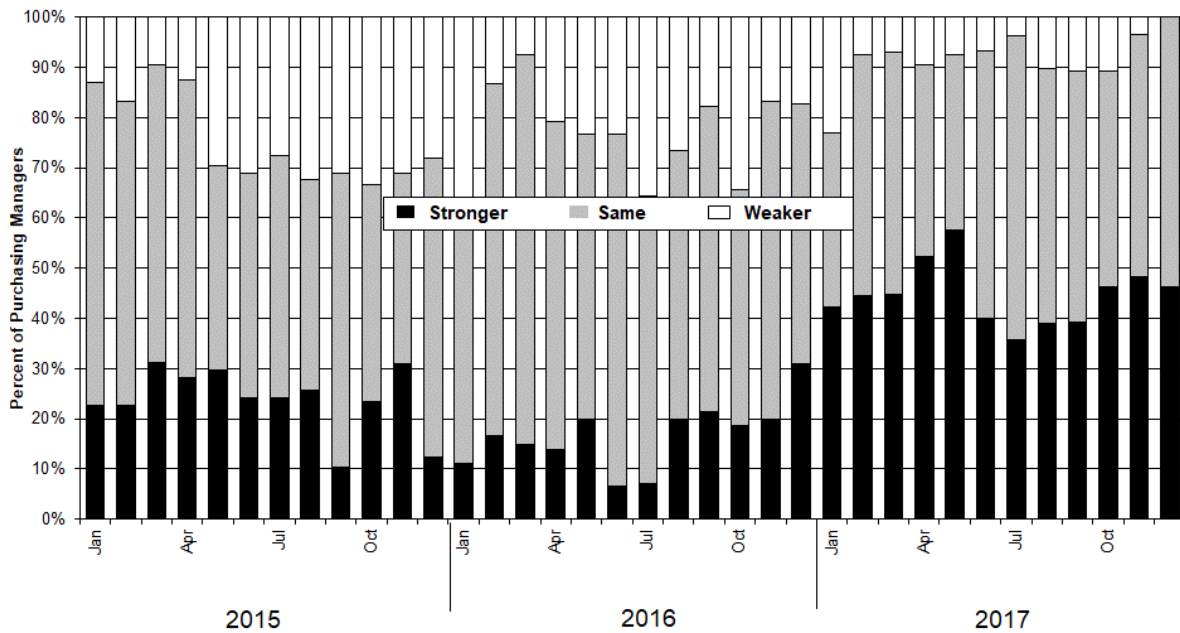
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 12/2016 THROUGH 12/2017

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Weaker	17	23	8	7	10	8	7	4	10	11	11	3	0
Same	52	35	44	48	38	35	53	60	52	50	43	49	54
Stronger	31	42	48	45	52	57	40	36	38	39	46	48	46

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

- "At this time of year we are usually slowing down, however we are still going at the same pace we have been all year. Times are good right now so we are booming!"
- "Business conditions continue to stay strong. Modest price increases (3 to 5%) are generally taken well / accepted by our customers. Outlook for 2018 is promising."
- "Business pretty strong for December."
- "December was a record high for new orders in the history of the company."
- "We are very busy at this time but see prices from our suppliers starting to creep up. In the meantime, we are working overtime to meet demand."

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

- "Business continues to be slow."
- "Orders slowing down. We close down 12/21-1/2/2018 so business for December will be down."
- "Our customers sound optimistic but we have not seen any increases in the past quarter."
- "Production has been limited because of the holiday shut down."
- "Slow time of the year for us. We do see the impact of the tariffs and the cost of lumber for our pallets going up."

In summary, this month's data appears to indicate that both the Inland Empire manufacturing sector and the economy as a whole are continuing their slow and steady growth. Yes, the production and new order figures are down, but that decrease may very well reflect seasonality. Indeed, December of 2011, 2012, 2015, and 2016 all showed decreases in production, new orders, and/or the PMI itself. Further, nearly half of the respondents are forecasting a stronger economy in the coming quarter, and none

believe that the economy will become weaker. Based on the available data, we look forward to continued growth in the first quarter of 2018 (and hopefully beyond).

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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