

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 2019

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

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Inland Empire Purchasing Managers are optimistic about the economy

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Coordinator, Institute of Applied Research), "The December Inland Empire Purchasing Managers' Index (PMI) registered 53.6, slightly up from November's 52.1. This is the third month in a row that the index has remained above the baseline 50% mark, the level which indicates growth in the Inland Empire's manufacturing sector and economy as a whole."

"The Production Index increased only slightly from last month's 56.9 to 57.1 this month, and the New Orders Index jumped from 53.4 to 60.7. It is important to note that these two key components of the PMI have remained at or above 50% mark for more than three consecutive months, indicating a trend of growth. The Inventory Index increased from 46.6 to 51.8 this month (probably in anticipation of increased production) and the Supplier Deliveries Index was virtually unchanged from 53.4 last month to 53.6 this month. Supplier delivery figures above 50 indicate that deliveries have slowed (usually due to suppliers being busy). The Employment Index registered a big drop from 50.0 to 44.6 this month. That index has been below 50 (showing declining employment) for 5 of the 12 months of 2019."

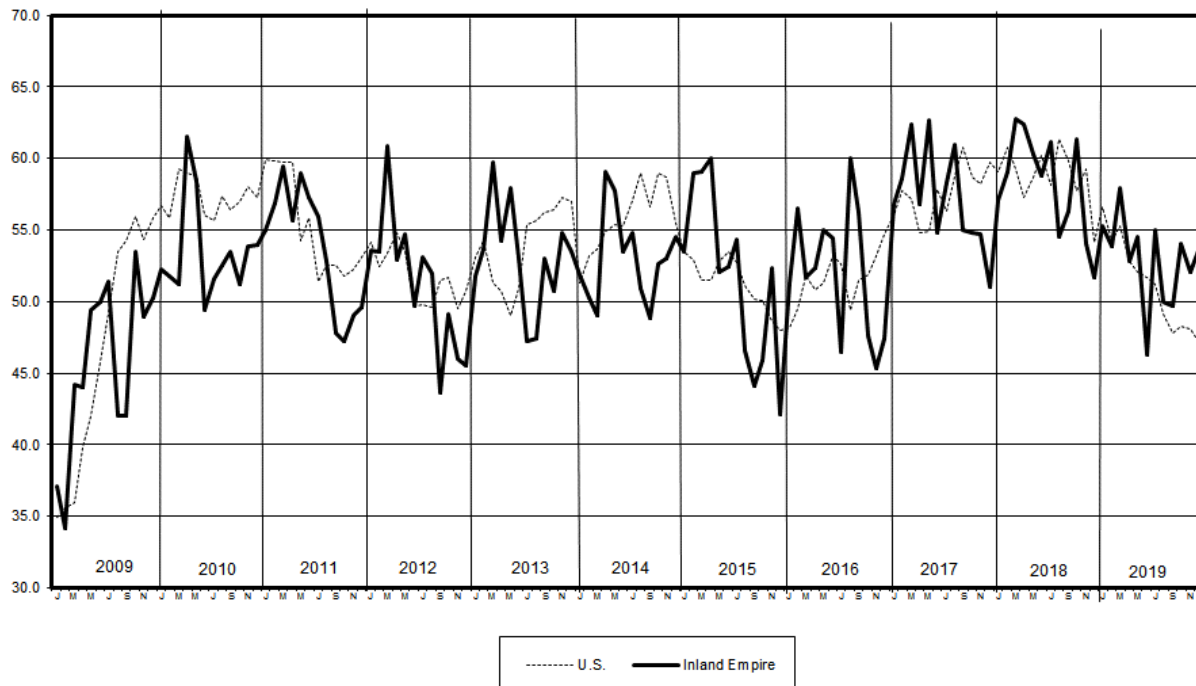
"Only 7% of Purchasing Managers (down from 12% last month) believe that the local economy will become weaker over the next three-month period. In contrast, 30% believe that the economy will become stronger, and almost two-thirds (63%) believe that it will stay the same over the next three months."

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

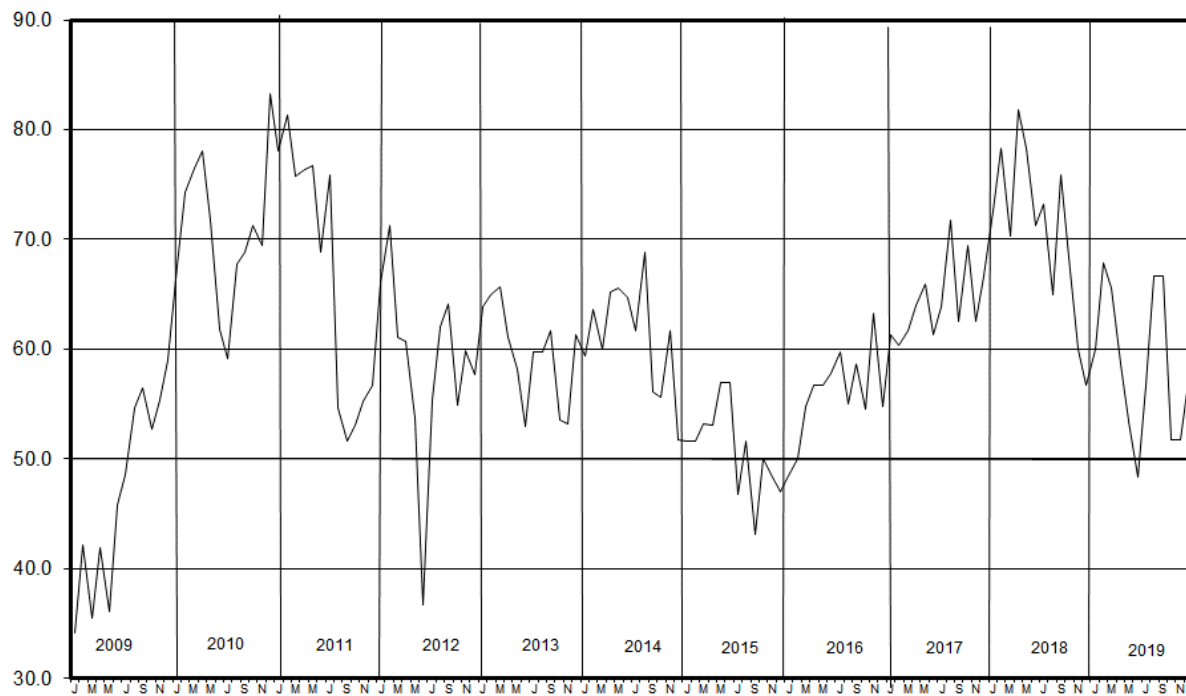
December 2019 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index	Trend Months
	Last Month	This Month			
Local PMI	52.1	53.6	Growing	Faster	3
Commodity Prices	51.7	57.1	Increasing	Faster	6
Production	56.9	57.1	Growing	Faster	4
New Orders	53.4	60.7	Growing	Faster	6
Inventory	46.6	51.8	Increasing	From Decreasing	1
Employment	50.0	44.6	Contracting	From Unchanged	1
Supplier Deliveries	53.4	53.6	Slowing	Faster	3
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	12%	30%			
% Same	76%	63%			
% Weaker	12%	7%			

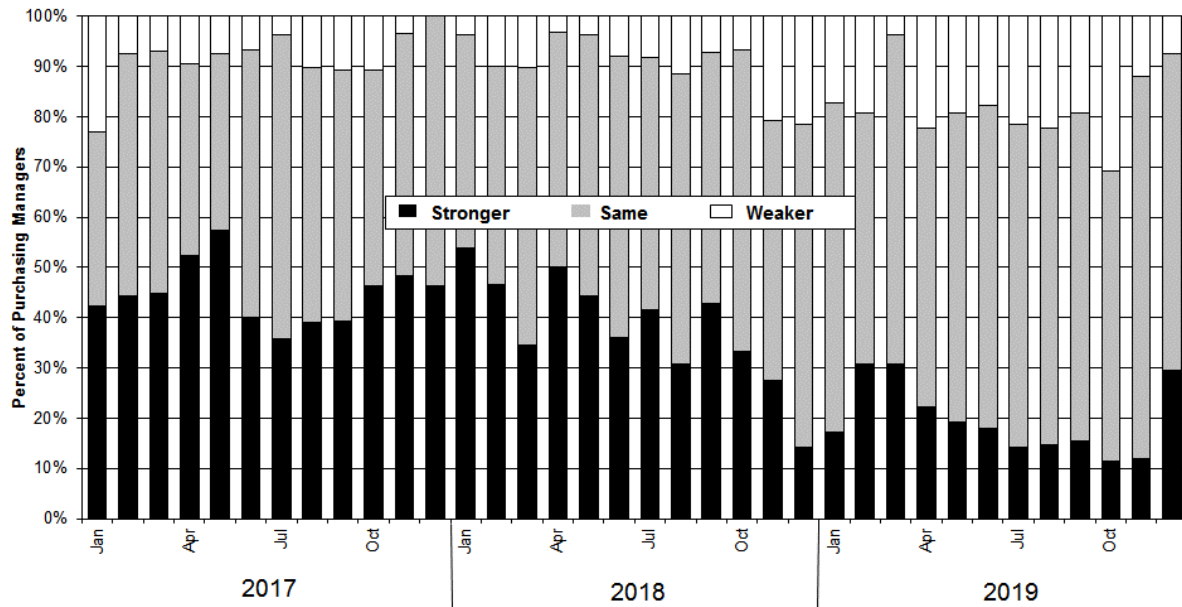
Purchasing Managers' Index



Commodity Prices



State of the Local Economy



STATE OF THE ECONOMY: DATA FROM 12/2018 THROUGH 12/2019

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Weaker	22	17	19	4	22	19	18	22	22	19	31	12	7
Same	64	66	50	65	56	62	64	64	63	65	58	76	63
Stronger	14	17	31	31	22	19	18	14	15	16	11	12	30

As always, some respondents had positive comments regarding the business outlook for their company or industry, and others had cautionary or negative comments.

Following are the positive comments:

- "Business conditions remain steady but raw material costs are increasing."
- "Business continues to be steady."
- "Business has been good."
- "December is a short month but weekly the shipping is about the same as November."
- "Orders are up, we have had a banner year. Best in our history. No thanks to our California Government and their relentless restricted laws and high taxes."
- "We ended up 11% over last year. Expecting 2020 to be another growth year."
- "We have issued a small price increase for 2020 and people wanted to get orders in before prices went up."

Mixed and/or cautionary comments included:

- "Still slow."
- "Still growing towards the end of this year, but with great concerns over the insecurities created by inconsistency of policy in the economic environment."
- "The year ended about the same as it started. We just don't see any real traction in the manufacturing community."
- "Imports are lower due to tariffs."

In summary, nearly all components of the local PMI are positive, showing growth in new orders and production. Relatively few Purchasing Managers expressed concern that the Inland Empire manufacturing sector and overall economy might decline over the next few months.

We have consistently noted that the Inland Empire economy is not in lockstep with the national economy. This month is a case in point. The Institute of Supply Management's PMI (which uses the same survey instrument and methodology as IAR's Inland Empire PMI report) has remained below 50 for the past 5 months, and this month it registered its lowest level since June 2009. The Federal Reserve has noted that import tariffs and concerns about a US-China trade war are hurting U.S. manufacturing. The recent escalating tensions in the Middle East could affect oil prices which, in turn, could cause problems for the global economy. Yet amidst this negative economic news, the Inland Empire economy appears to be remaining strong. Yes, the economy clearly has had its ups-and-downs throughout 2019, and we have seen three months of PMI figures

registering at or below 50. But for now, the PMI (a short-term leading indicator) reflects a positive picture for the Inland Empire manufacturing sector and overall economy. Let's hope it stays that way as we usher in a new year and a new decade.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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