

# **IAR'S INLAND EMPIRE REPORT ON BUSINESS**

**Prepared by: *The Institute of Applied Research***

**Housed in CSUSB's College of Business and Public  
Administration  
Report for January 2017**

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

\*\*\*\*\*

## **As predicted, PMI jumped back 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) increased to 56.8 from last month's 47.4. This increase was predicted in last month's report when we reported that December's dip appeared to be a yearly seasonal trend which typically turns around in January. Prediction of a change in trend requires three consecutive months of figures above 50, however since this month's turnaround seems to match yearly January increases, we feel relatively confident forecasting that the manufacturing sector and the economy as a whole are in growth mode."

"All key indicators of the PMI remained at or above the baseline 50% mark. Production increased to 67.7 from last month's 53.2. New Orders registered a huge increase from 48.4 to 61.3. The Employment Index returned to growth mode, increasing from 46.8 to 53.2 this month. The Supplier Deliveries Index increased from 48.4 to 53.2 this month, indicating that the speed of delivery is slowing (a sign that suppliers are busy and can't keep up with demand as well as the month before). The Inventory Index increased from 40.3 to 48.4. And the Commodity Prices Index increased from 54.8 last month to 61.3 this month, showing that inflationary pressures are increasing slightly."

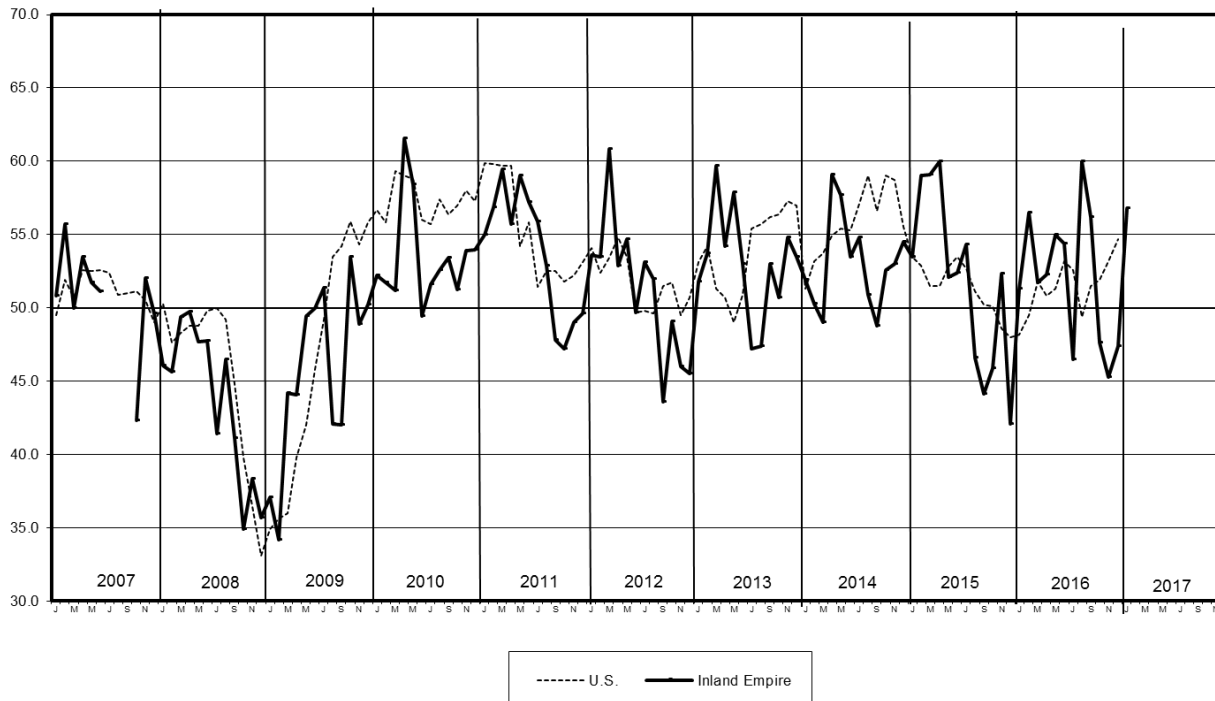
"The improvement in the PMI indices was reflected in Purchasing Manager's confidence in the local economy. This month 42% of Purchasing Managers forecasted that the local economy will improve in the coming quarter. This is a sharp increase from last month's 31%, and is the highest level of optimism since 2005. On the other hand, nearly a quarter (23%) of respondents project that the economy will be weaker (up from 17% last month), with the remaining 35% feel it will be unchanged."

Following is a summary of highlights of the monthly indices:

January 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	47.4	56.8	Growing	From Contracting	1
Commodity Prices	54.8	61.3	Increasing	Faster	12
Production	53.2	67.7	Growing	Faster	2
New Orders	48.4	61.3	Growing	From Contracting	1
Inventory	40.3	48.4	Decreasing	Slower	2
Employment	46.8	53.2	Growing	From Contracting	1
Supplier Deliveries	48.4	53.2	Slowing	From Faster	1
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	31%	42%			
% Same	52%	35%			
% Weaker	17%	23%			

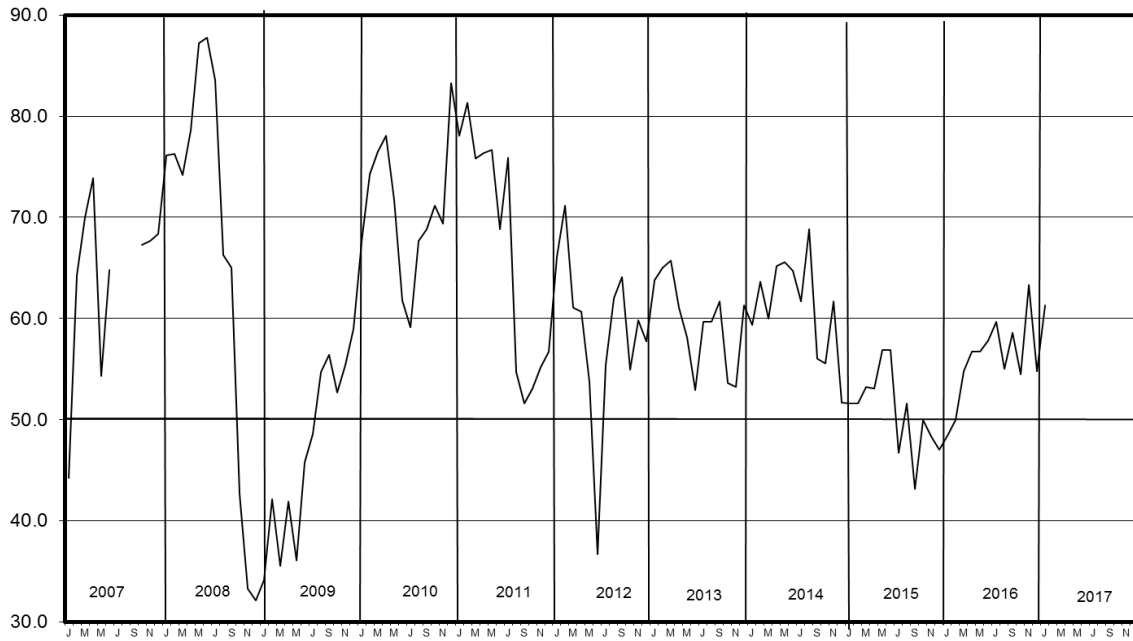
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



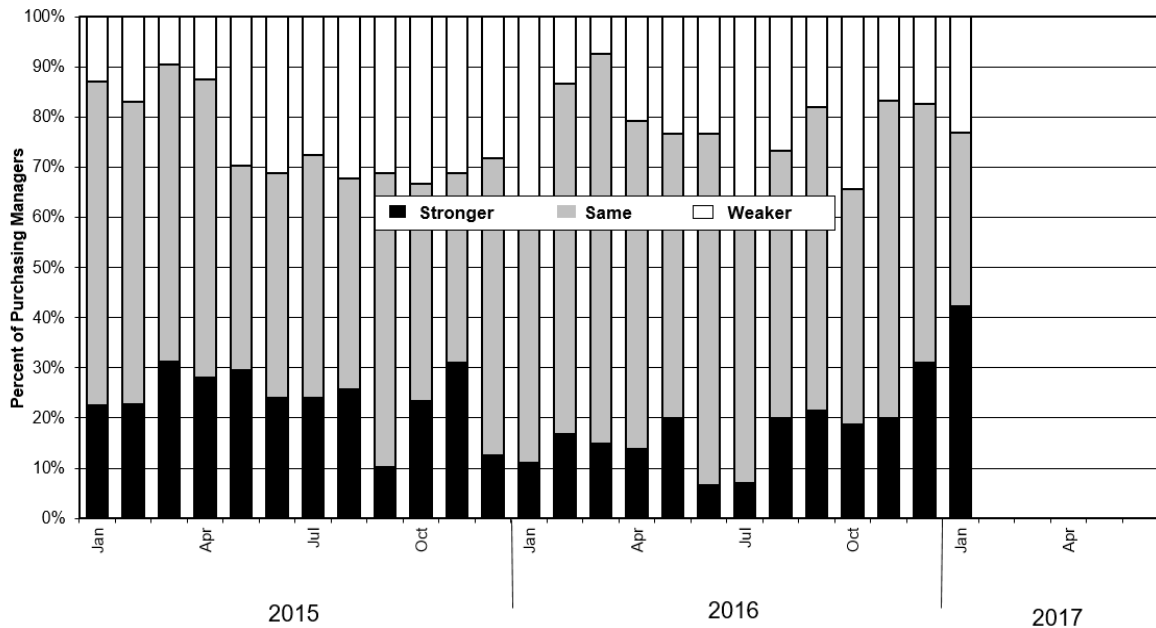
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Commodity Prices



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

## State of the Local Economy



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

STATE OF THE ECONOMY: DATA FROM 01/2016 THROUGH 01/2017

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>Weaker</b>	41	13	7	21	23	23	36	27	18	34	17	17	23
<b>Same</b>	48	70	78	65	57	70	57	53	61	47	63	52	35
<b>Stronger</b>	11	17	15	14	20	7	7	20	21	19	20	31	42

Despite the encouraging numeric figures of the monthly forecast, many of the comments on the general business conditions that affected Purchasing Managers' companies were negative:

- "Local business conditions still slow."
- "There is still significant uncertainty over the impact of the new directions that the political situation will take us. In the short term there is optimism, but for most others there is just uncertainty, so it is difficult to plan for the future."
- "We haven't seen a jump in sales like we have in previous years. Everyone is ordering but at a lower volume. Some say it is because no one knows what's going to happen when Trump takes office. Also the peso dropping is not helping export to Mexico. I have talked to other companies, and they are seeing the same things out there."
- "The rain has slowed our off season more than usual."
- "January starting out slower than expected."

As always, comments from at least a few people showed optimism:

- "Little better."
- "We are still on reduced hours but things may be looking up. The colder weather has spurred orders from a few automotive customers. Aircraft orders are still slower than last year but may improve."
- "Business has been stable and consistent. Customers are very positive about the near future."
- "Generally our slow time, but not as slow as usual!"
- "The Aerospace segment is ramping up production."

In summary, many economic indicators at the national level are picking up steam, and the local figures seem to be following suit. It will take two more months of positive indicators before a new trend is definitively established, however based on historical seasonal variations, it is probably safe to say that the manufacturing sector and local economy are back in growth mode. Of course, given the potential impact of President-elect Trump's threats to impose tariffs on goods from Mexico and the general environment of political uncertainty, this optimism could turn around.

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

Dr. Barbara Sirotnik  
Director, Institute of Applied Research  
909.537.5729

Mary Jane Olhasso  
Assistant Executive Officer, County of San Bernardino  
909.387.4599

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