

## **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 January 2019***

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

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### **PMI IS UP, BUT EMPLOYMENT INDEX DROPPED BELOW 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) registered 55.3, an increase from last month's 51.7. The index has remained above the baseline 50% mark for the last 25 months, indicating sustained growth for both the manufacturing sector and the overall economy."

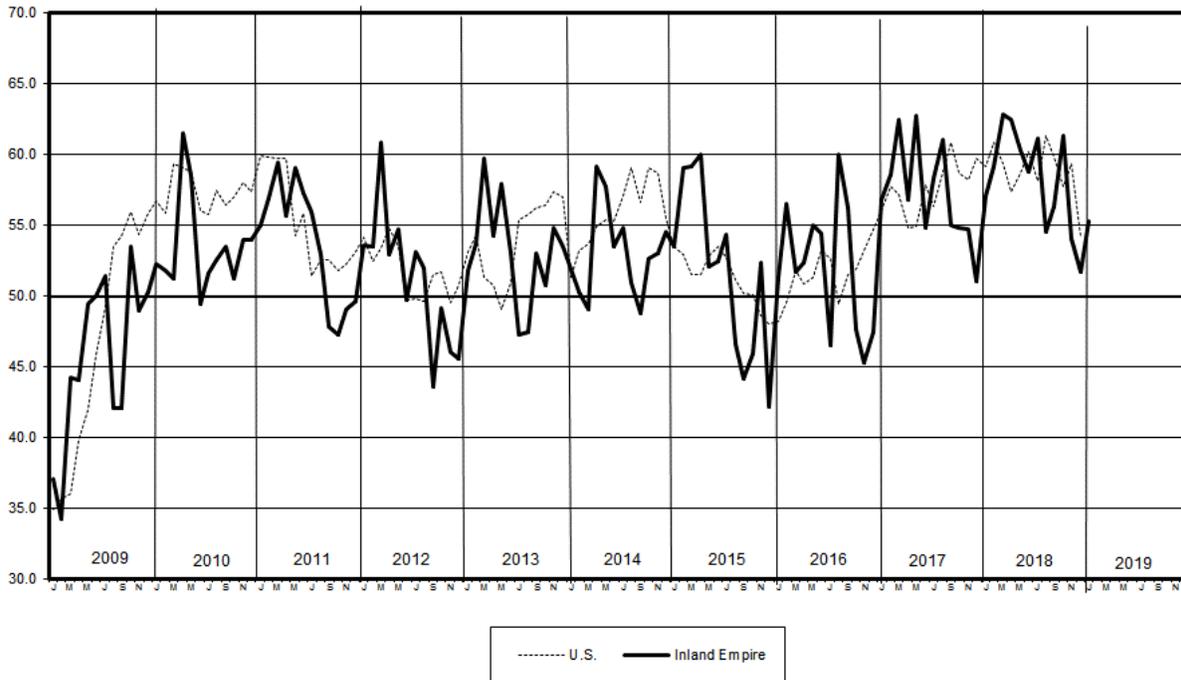
"The Production Index and the New Order Index both registered an increase this month. The Production Index jumped to 58.3 from 53.3 last month. The New Order Index also rebounded to 58.3 this month (up from last month's 48.3 which was probably a seasonal dip). The Commodity Price Index increased to 60.0 from last month's 56.7, indicating that prices of raw materials are continuing to rise. The Supplier Deliveries Index increased this month to 63.3 from 56.7 last month, indicating the deliveries are slowing (typically due to increased business activity). But the big news is that the Employment Index decreased sharply to 46.7 from last month's 51.7, thus reversing a two-year trend of growth. The last time the index fell below 50.0 was December 2016."

"Purchasing Managers were less than optimistic about the economy, with only 17% (down from 22% last month) forecasting a **strengthening** of the local economy. Another 17% forecasted that the local economy would become **weaker** in the coming quarter (up from 14% last month). The remainder (66%) believe the local economy will remain unchanged."

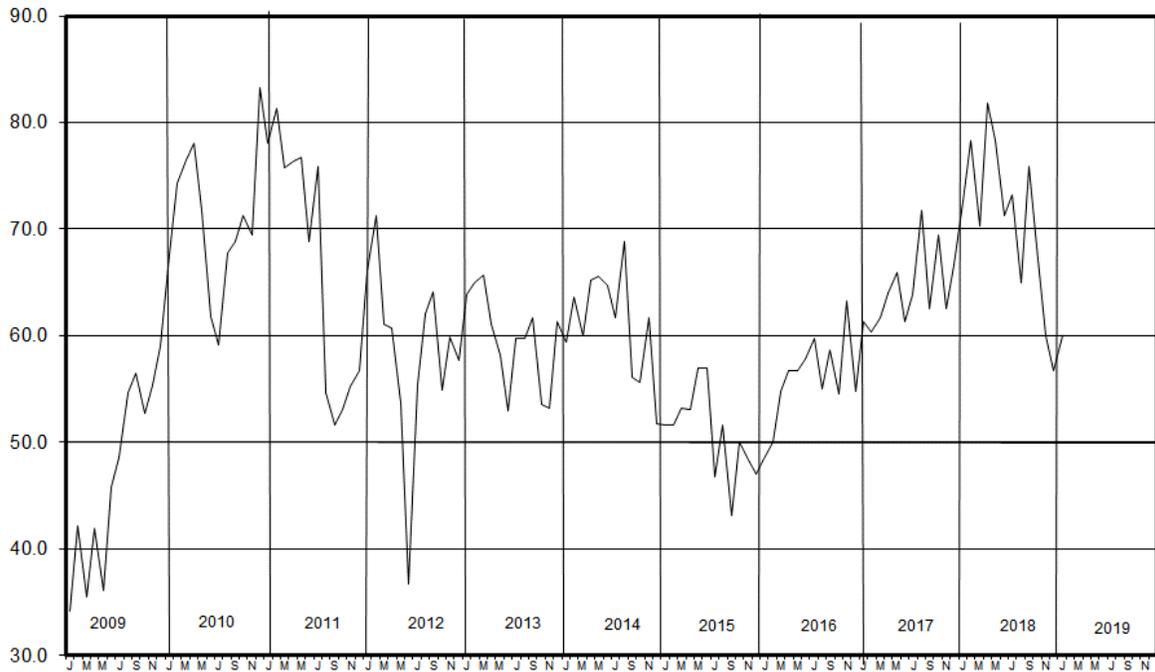
Following is a summary of highlights from this month's report:

January 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	51.7	55.3	Growing	Faster	25
Commodity Prices	56.7	60.0	Increasing	Faster	37
Production	53.3	58.3	Growing	Faster	13
New Orders	48.3	58.3	Growing	From Contracting	1
Inventory	48.3	50.0	Unchanged	From Decreasing	1
Employment	51.7	46.7	Contracting	From Growing	1
Supplier Deliveries	56.7	63.3	Slowing	Faster	25
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	22%	17%			
% Same	64%	66%			
% Weaker	14%	17%			

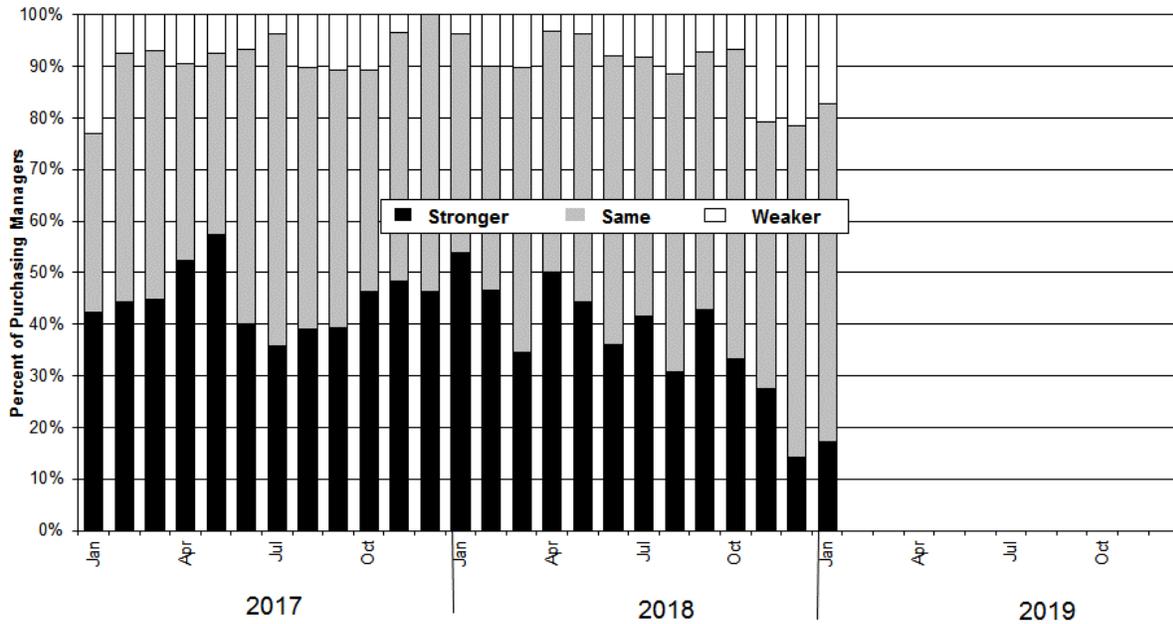
### Purchasing Managers' Index



## 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	Jan
<b>Weaker</b>	0	4	10	10	3	4	8	8	11	7	7	21	22	17
<b>Same</b>	54	42	43	55	47	52	56	50	58	50	60	52	64	66
<b>Stronger</b>	46	54	47	35	50	44	36	42	31	43	33	28	14	17

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

- "2019 has started off great. Januarys are usually one of our better months and Jan 2019 will be our strongest month in at least the last two quarters. All business segments and business from local, to nationwide to international are all up from previous months."
- "Busy still, late on lots of orders, we closed for an extra week over the holidays and are trying to get caught up."
- "New orders have been up slightly."
- "Sales are brisk. Ended last year with 2nd biggest year in our history. Large orders being placed even though we raised our prices 4.5%. A lot of industry changes, i.e., large companies buying out small ones and companies changing their business strategies. Impact in question at this point in time."
- "Orders and shipments are very good for this time of the year."
- "Things have been pretty consistent lately. No big changes were seen this month."
- "Was a little slow over the holiday season for our business-to-business sales but has started picking up again."

Cautionary comments include:

- "Uncertainty and higher tariffs have impacted our suppliers."
- "New Federal order went into effect. Costing more to make cheese, so we are making less now. The future isn't looking too great for the small cheese plants."
- "Tariffs are beginning to be a factor for inbound materials and outbound orders. Also, slow action at customs because of the Government shutdown."
- "January is always a slower month therefore everything has slowed down (buying, production etc.)"
- "TESLA is one of our larger customers and they have announced that they will cut back on building Model S and Model X- also laying off 7% of their workforce."
- "The degree of uncertainty in the economy is still impacting the confidence of our customers and our vendors and is also causing banks to ensure they are avoiding risks. The strength of the now "United States-less TPP" with the eleven remaining countries and their agreement to lower tariffs while we are in uncertain relations with major trading partners is starting to impact our domestic economy and any of our suppliers who depend on imports."

- "The business has been slow since last year."
- "Due to the holidays- things have slowed down in January and that is a typical sales trend."

In summary, the Inland Empire economy appears to be continuing its slow and steady growth, however clouds may be on the horizon. Nationwide, U.S. consumer confidence was down to its lowest level since July 2017, partially due to the longest-ever government shutdown (and the potential for another shutdown in mid-February). The Congressional Budget Office indicates that U.S. trade barriers and tariffs are still a concern at the national level, and this month several Inland Empire Purchasing Managers made comments about tariff's negative impacts on suppliers. Further, the Employment Index reversed trend after two years of sustained growth. Hopefully the dip is only a one-month anomaly.

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

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