

## **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 2020***

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

### **Inland Empire Purchasing Managers' Optimism is Intact**

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Coordinator, Institute of Applied Research), "the January 2020 Inland Empire Purchasing Managers' Index (PMI) registered 54.4, slightly up from December's 53.6 and November's 52.1. This is the fourth 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 overall economy."

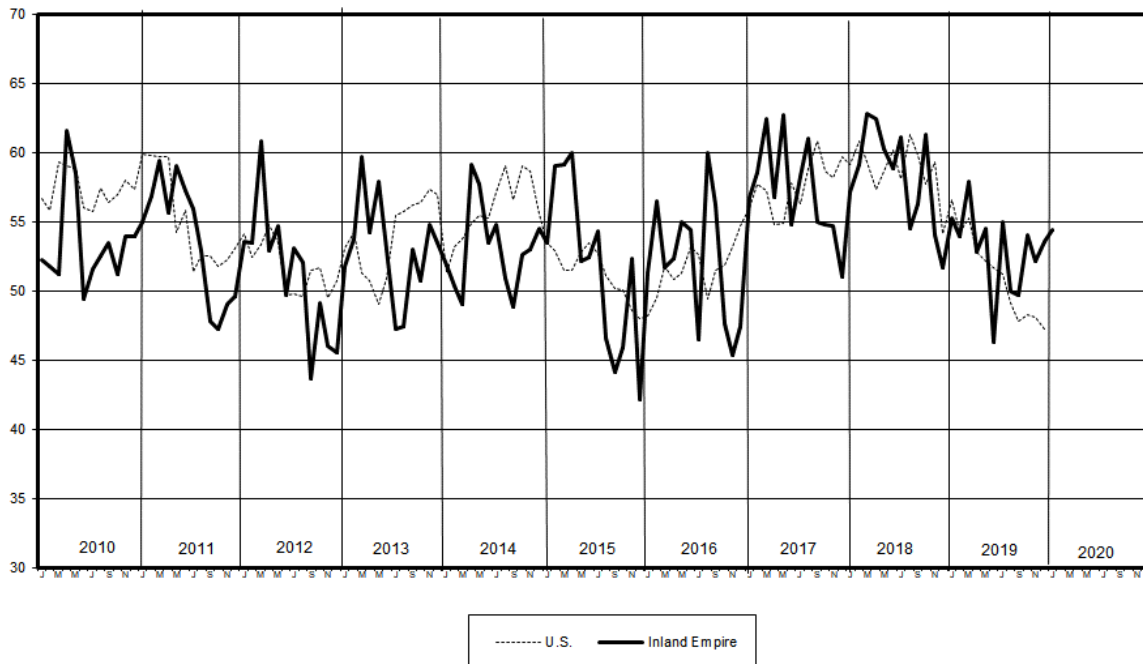
"The Production Index dipped slightly from last month's 57.1 to 55.6 this month, and the New Orders Index slipped from 60.7 to 57.4. It is important to note that these two key components of the PMI have remained at or above 50% mark for more than three consecutive months, indicating a trend of growth. The Commodity Prices increased from last month's 57.1 to 64.8 this month. The Inventory Index decreased from 51.8 to 44.4, continuing its recent 2-to-3 month cycle of growth and contraction (that is, one month the inventory of purchased materials including raw, MRO, and intermediates increases, and then next month the level decreases). The Supplier Deliveries Index increased from 53.6 to 59.3 this month, indicating that deliveries have become slower (a sign that suppliers are busy). The volatile Employment Index registered a big increase from 44.6 to 55.6 this month. Although most companies said the overall level of employment remained the same as last month, 22% registered an increase in hiring whereas 11% registered a decrease. This is another index that has fluctuated greatly over the past few months."

"Nearly a quarter (23%) of respondents believe that the economy will become stronger over the next three months (down from 30% last month), whereas 15% (up from 7% last month) believe that the local economy will become weaker. The rest (62%) believe that the economy will stay about the same over the next three months."

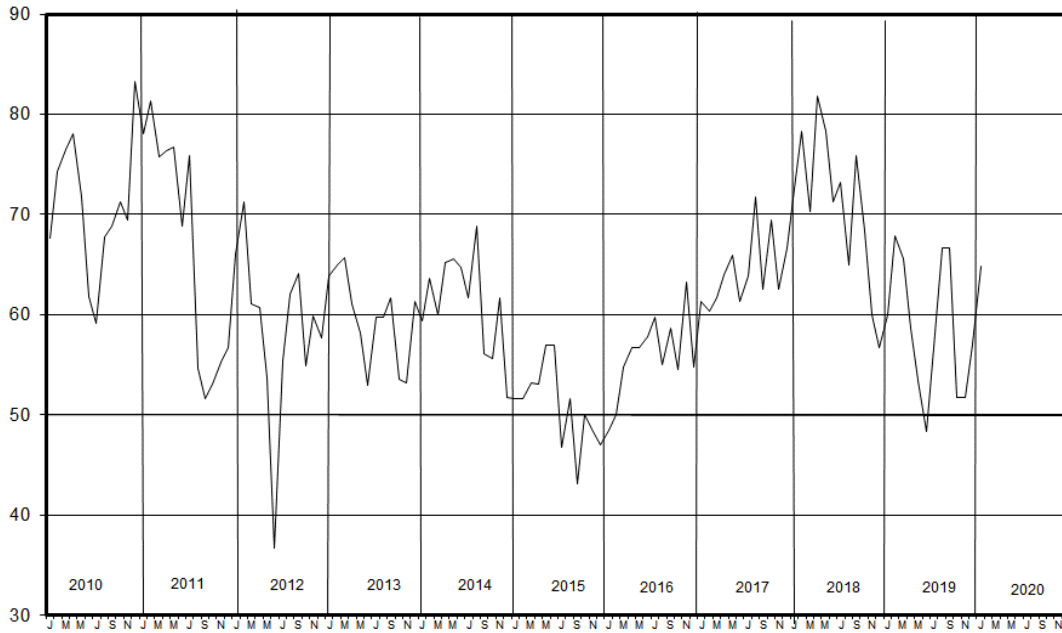
Following is a summary of highlights from this month's report:

<b>January 2020 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	53.6	54.4	Growing	Faster	4
Commodity Prices	57.1	64.8	Increasing	Faster	7
Production	57.1	55.6	Growing	Slower	5
New Orders	60.7	57.4	Growing	Slower	7
Inventory	51.8	44.4	Decreasing	From Increasing	1
Employment	44.6	55.6	Growing	From Contracting	1
Supplier Deliveries	53.6	59.3	Slowing	Faster	4
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	30%	23%			
% Same	63%	62%			
% Weaker	7%	15%			

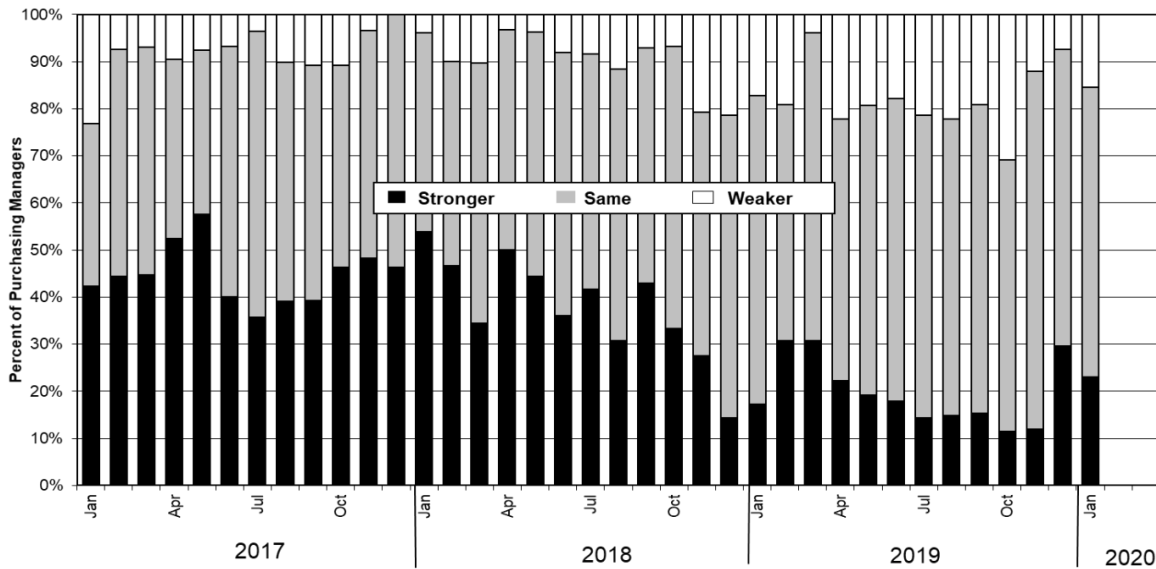
### Purchasing Managers' Index



### Commodity Prices



## State of the Local Economy



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**ATE OF THE ECONOMY: DATA FROM 1/2019 THROUGH 1/2020**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>Weaker</b>	17	19	4	22	19	18	22	22	19	31	12	7	15
<b>Same</b>	66	50	65	56	62	64	64	63	65	58	76	63	62
<b>Stronger</b>	17	31	31	22	19	18	14	15	16	11	12	30	23

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:

- "Economy is very good...just need the State of California to spend more effort on infrastructure improvements. Put those gas tax dollars to work."
- "It was a little slow at the beginning of the year due to the holiday but seems to be picking up."
- "January is always a short month as our holiday shut-down includes the first week of January. Still we are keeping busy and have not been able to shorten the lead time by much."
- "January is typically a good month for us. It always seems that purchasing activity is much more active. 2020 has started off well with a typical purchasing pattern that we usually see from our customers. The January effect is one possible reason for the robust month. Another is the threat of conflict with Iran (we did see a pickup from our Defense contractors)."

- "Overall business remains consistent."
- "The business still the same, some months better and some worse."
- "We are seeing a possible increase in work for 2020 compared to 2019. There is a lot of work out there bidding and it hasn't slowed down yet."

Mixed and/or cautionary comments included:

- "Because of how the uncertainties in the economy are causing our major customers to be risk averse, we find that we are being contacted often when their time to hold off purchases has been exhausted. This means we are asked to provide expedited deliveries in many cases."
- "Slower than expected month, but customers are all positive about a good year."
- "Still slow."
- "Sales are normally slow in January, but this month has been unusually slow. Our purchases are down because our sales are down, and we are concerned about restocking parts for sale."
- "We are off to a slow start in 2020."
- "December was very slow and has created some cash flow issues for purchases needed. Holiday slow down and now lunar new year from Asia."
- "Things are slow. I think that people are spooked by the political climate right now both here and abroad. I am hoping that February will see a turnaround as current events get settled."

In summary, two weeks ago, Fortune Magazine published an article entitled "CEOs are more pessimistic about the global economy than they've been in 8 years" (<https://fortune.com/2020/01/20/2020-economic-growth-rate-forecast-ceos/>). The article notes that the consulting firm that conducted the survey (PwC) "attributes CEOs' downbeat expectations to trade tensions, geopolitical issues, and a lack of consensus on addressing climate change."

This month's Inland Empire data reflects a bit of that pessimism. The indices underpinning the PMI are still showing strength (especially new orders, production, and employment), and the PMI has remained above 50 for four months (thus predicting growth in the near term). Yet several comments touched on political uncertainty here and abroad, and cited a slow start to the year. Of course, the signing of the Phase One trade deal with China in January could be a boon for the Inland Empire's logistics industry (and therefore our overall economy), but it is too soon to tell whether that will actually occur.

The one certainty at this point is *uncertainty*, and in an environment of uncertainty, companies typically avoid major new investments and consumers tend to postpone large new purchases. We'll see what happens!

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

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