

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 July 2019

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

PMI ABOVE 50 AGAIN

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Coordinator, Institute of Applied Research), "The July Inland Empire Purchasing Managers' Index (PMI) registered 55.0, a significant increase from last month's 46.3. The June PMI dipped below 50 and ended 29 straight months of growth in the manufacturing sector. This month we are back above 50. If the index remains above the 50% for another two months, a new trend will have been established indicating conclusively a return to growth in the Inland Empire manufacturing sector."

"All major indices of the PMI increased significantly this month. The New Orders Index increased from 43.3 last month to 61.7, and the Production Index jumped from 45.0 last month to 53.3 this month. The Commodity Price Index registered 56.7 this month, indicating that cost of raw materials is increasing. The Employment Index also had a significant jump from last month's 41.7 to 60.0 this month. The Supplier Deliveries Index decreased this month to 48.3 from last month's 58.3, indicating that the speed of deliveries is increasing."

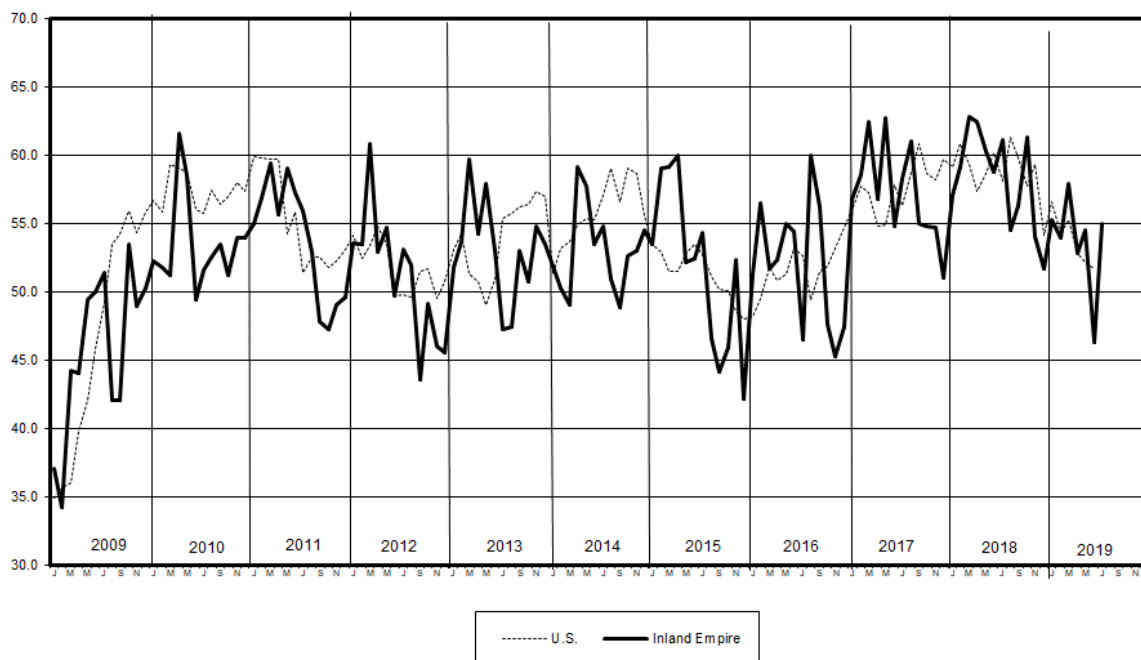
"Most of the survey respondents (64%) continue to believe that the local economy will remain unchanged in the next few months. Only eighteen percent (14%) predicted that the local economy will become stronger in the upcoming months, and (22%) believe the local economy will become *weaker* over the next quarter."

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

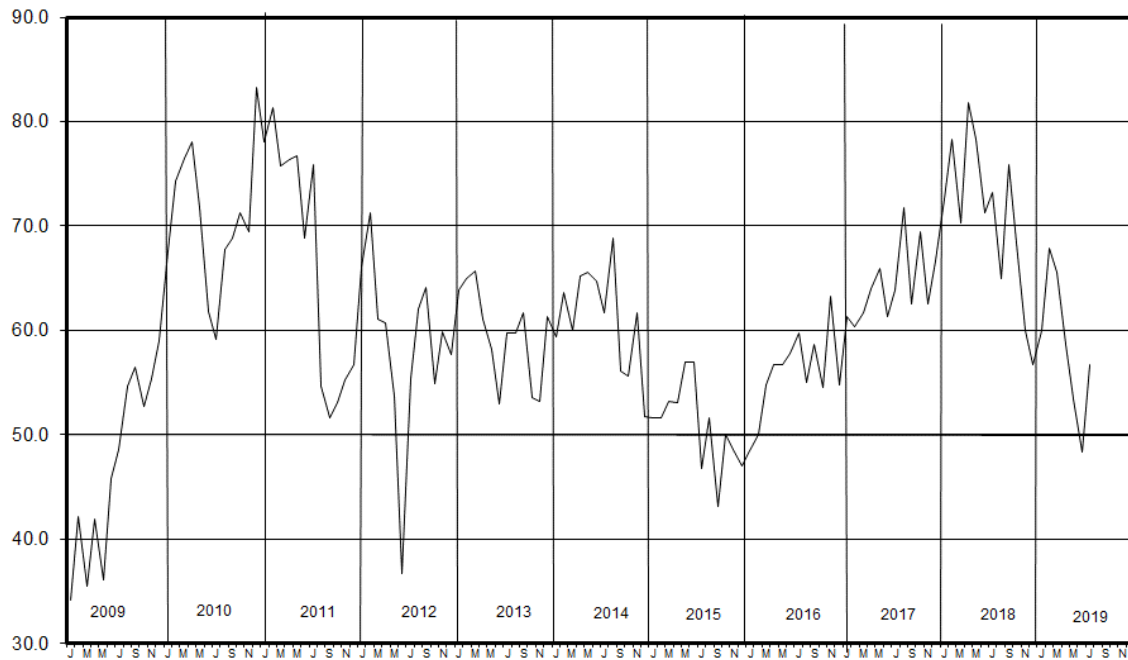
July 2019 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index	Trend Months
	Last Month	This Month			
Local PMI	46.3	55.0	Growing	From Contracting	1
Commodity Prices	48.3	56.7	Increasing	From Decreasing	1
Production	45.0	53.3	Growing	From Contracting	1
New Orders	43.3	61.7	Growing	From Contracting	1
Inventory	43.3	51.7	Increasing	From Decreasing	1
Employment	41.7	60.0	Growing	From Contracting	1
Supplier Deliveries	58.3	48.3	Getting Faster	From Slowing	1
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	18%	14%			
% Same	64%	64%			
% Weaker	18%	22%			

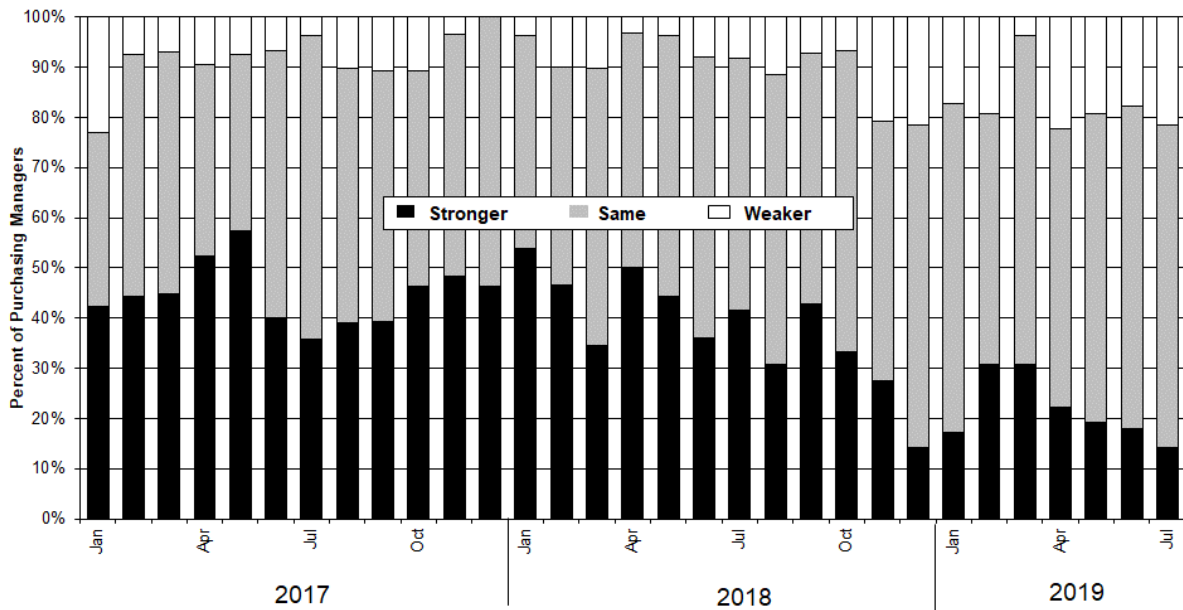
Purchasing Managers' Index



Commodity Prices



State of the Local Economy



STATE OF THE ECONOMY: DATA FROM 7/2018 THROUGH 7/2019

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Weaker	8	11	7	7	21	22	17	19	4	22	19	18	22
Same	50	58	50	60	52	64	66	50	65	56	62	64	64
Stronger	42	31	43	33	28	14	17	31	31	22	19	18	14

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

- "Business has been good, but had a little slow down from the 4th of July vacations."
- "Busy, busy, busy. We have loads of work in-house and have quoted 8 weeks delivery since winter. Until spring 2018 we were at a 3- to 4-week delivery cycle. We got busy then and have yet to catch up."

Mixed or cautionary comments include:

- "Orders have slowed, if we do not see improvement in 2 weeks we will reduce labor."
- "Unusually slow season in sales of brick. Running below last year's numbers."
- "Business is about the same as previous months – import from Asia has dramatically slowed."
- "July was pretty much a carbon copy of June. Maybe a little more positive but not too much better. Not sure if that may be light at the end of the tunnel or just a train coming right at us. Let's hope it is light, it seems that many customers are a bit more positive regarding business than they were a month or two ago, or maybe it is just hope. Regardless, business is still off about 11% from last year with not many hopeful signs on the horizon."
- "SLOW."
- "The economy has been teetering for a few months, now it seems to be slowing."
- "The uncertainty persists, due to issues with international trade that flows down to the supply chain. This results in reluctance to make longer term commitments."
- "Tariffs affecting imports from Asia."

In summary, last month's report was the first in over two-years to report a PMI figure below 50, and it appears that the drop may have reflected a summer slowdown in orders (which has occurred in June over 9 of the last 10 years). OR it may have been an aberration/statistical anomaly (just to "keep us all on our toes"). It will take two more months to indicate definitively whether the economy is, indeed, in growth mode. For now, let's just say that the economic indicators in this and other reports are mixed.

On the positive side, companies across the nation (including the Inland Empire) are adding more jobs than expected. Consumer spending is up, and stock indices are high. Inland Empire's logistics industry is expanding, and regionwide efforts are underway to create a "pathway to logistics" to train high school through university students for high-paying jobs in the industry.

On the other hand, tariffs are on the minds of many businesspeople. China's PMI is down below 50 this month and US-China trade talks have not produced a deal. The Fed has decided to cut interest rates for the first time since 2008 in order to deal with uncertainty based on the slowing global growth and trade tensions. There are more negative than positive comments from our respondents regarding business conditions in their companies.

That said, hopefully the trend of growth in the Inland Empire manufacturing sector has returned. It will take two more months of data to be sure!

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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