

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 June 2016

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

Inland Empire still in growth mode (just at a snail's pace) Also, Brexit is not a concern for Inland Empire Manufacturers

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) is 54.4, virtually unchanged from last month's 55.0. This is the sixth month in a row that the PMI has remained above 50% mark indicating growth in the local manufacturing sector and the local economy."

"All key indicators of the PMI remained at or above the baseline 50% mark. Production increased from 58.3 last month to 59.4 this month. New Orders registered an increase from 53.3 last month to 59.4. The Employment Index decreased from 58.3 last month to 50.0 this month indicating that overall, employment has neither increased nor decreased since last month (although on a positive note, the companies which were hiring indicated that most hires were permanent positions – not temporary positions). The Supplier Deliveries Index increased from 50.0 to 51.6 this month indicating slower delivery times (an indication that the suppliers are slightly busier than last month). Inventories decreased from 55.0 to 51.6 this month, and the Commodity Prices Index increased slightly from 56.7 last month to 57.8 this month."

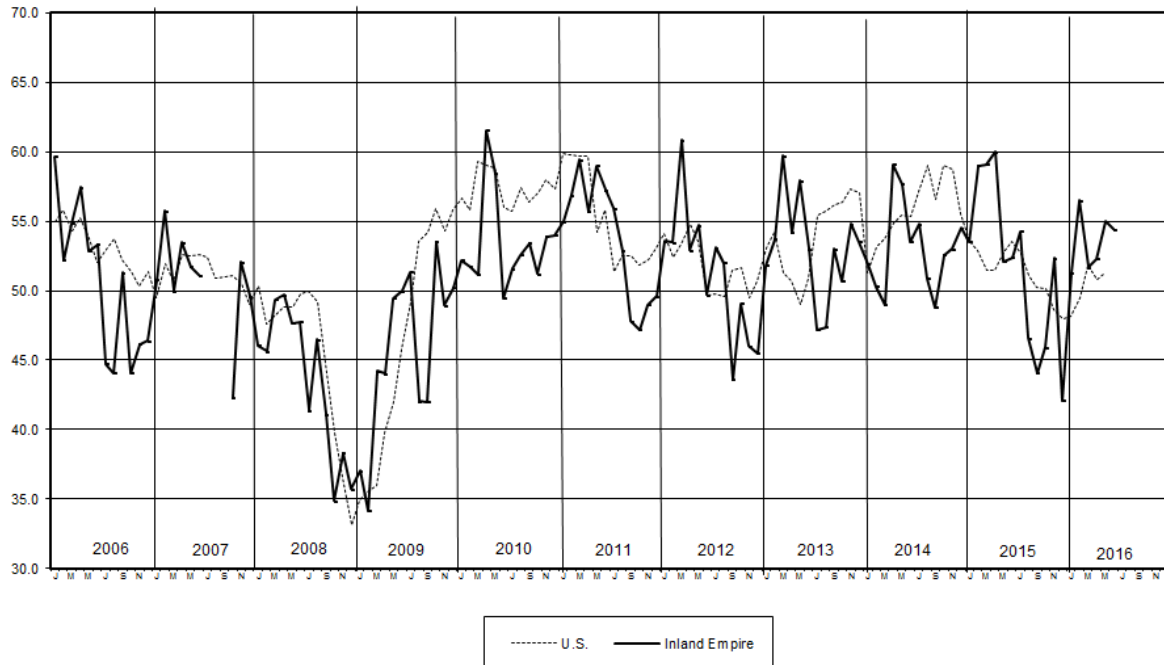
"Purchasing Managers were also asked to predict whether the state of the local economy for the coming quarter would become stronger, weaker, or stay the same. The majority of respondents (70%) think the economy will stay the same (up from 57% last month). In other words, the majority think that the pace of slow and steady growth will continue. Only 7% of the Purchasing Managers commented that they expect the economy to be stronger in the coming quarter (down from 20% last month), whereas 23% expect it to be weaker (the same figure as last month)."

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

June 2016 Business Survey at a Glance					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	55.0	54.4	Growing	Slower	6
Commodity Prices	56.7	57.8	Increasing	Faster	5
Production	58.3	59.4	Growing	Faster	6
New Orders	53.3	59.4	Growing	Faster	6
Inventory	55.0	51.6	Increasing	Slower	6
Employment	58.3	50.0	Unchanged	From Growing	5
Supplier Deliveries	50.0	51.6	Slowing	From unchanged	3
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	20%	7%			
% Same	57%	70%			
% Weaker	23%	23%			

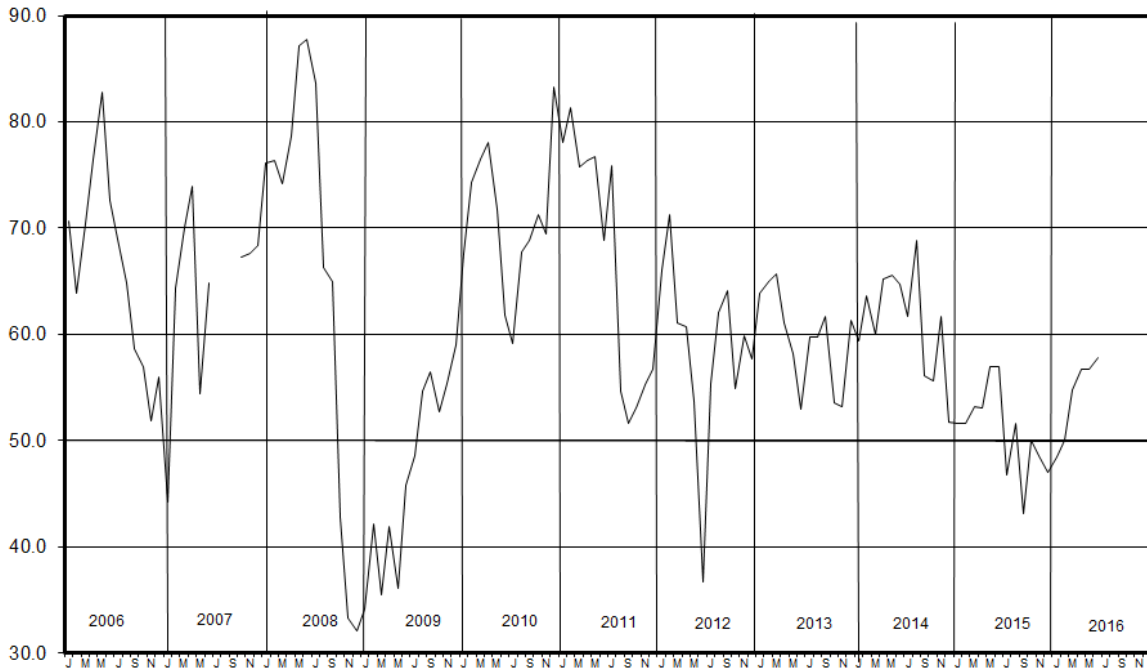
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



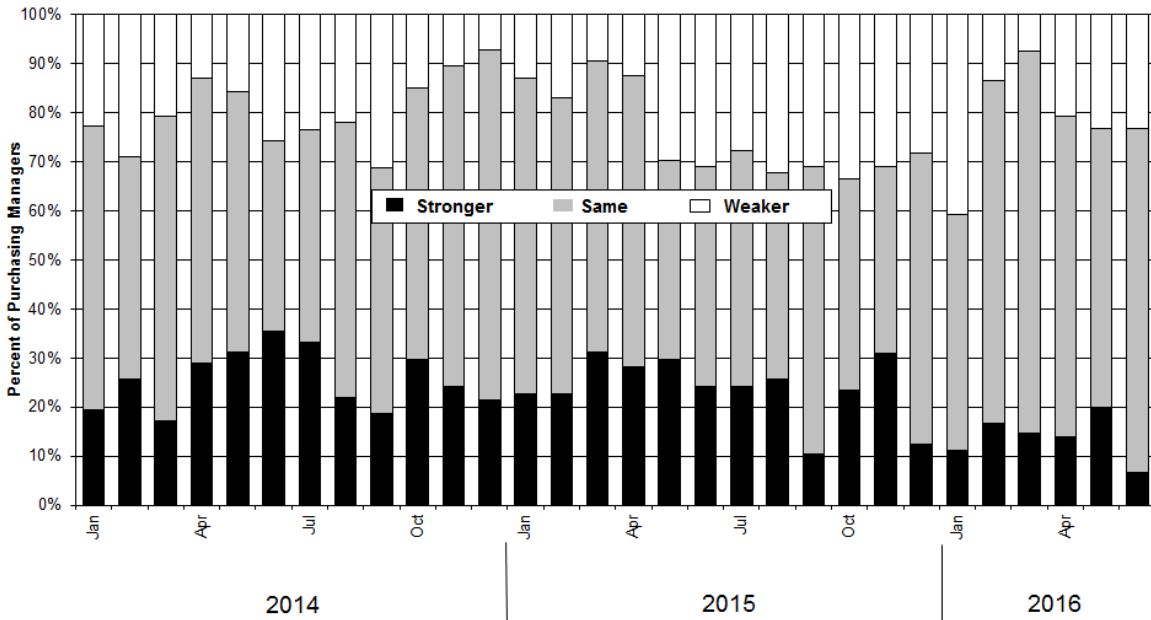
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 6/2015 THROUGH 6/2016

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Weaker	31	28	32	31	33	31	28	41	13	7	21	23	23
Same	45	48	42	59	43	38	58	48	70	78	65	57	70
Stronger	24	24	26	10	23	31	14	11	17	15	14	20	7

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included:

- "Business is strong."
- "Orders are picking up."
- "Increased orders for the Asian paper due to lower cost and improved quality."

Some cautionary notes included:

- "Still Slow."
- "The upcoming election and the election in the UK are creating doubts in the economy which permeates the conditions of business."
- "The opening total on the production schedule was lower than in May. We did have to lay off 6 people in early June. A few orders arriving mid-month means no more layoffs this month. Still, it's a bad summer."
- "Still sluggish, not sure if the U.K. vote to leave the E.U. will have any impact."
- "Orders have slowed domestically and internationally. The high value of the US Dollar is an issue."
- "California drought affects our raw material (fruit) price and quality."
- "We have several orders for foreign customers that have been delayed. The clients have given no reason for the delay."

Obviously the big world news this past month was the U.K. vote to leave the E.U. – an event which could have an effect on business conditions throughout the US. IAR emailed our survey respondents this past week asking the question: "What effect (if any) do you think "Brexit" will have on your company's business?" Of the eleven people who chose to respond to that extra question, nine said that Brexit would have virtually no effect on their business, either because the percent of sales in the EU is small or because imports may get cheaper. Several, however, noted that the US stock market fluctuations occurring due to Brexit simply add to the already unpredictable (and therefore unstable) political and economic environment. And the market drop could hit the local construction market which could slow down the local economic growth. Further, one said: "Far more direct would be the influence of our own political environment both with the lack of legislative collaboration at the Federal level and the insecure election cycle."

In summary, economic growth in the Inland Empire is continuing its slow, sporadic growth.

The housing market appears to be strengthening and Inland Empire unemployment is down. But increasing stock market volatility and further uncertainty about fallout from the British vote as well as the November US election could slow the US and local economy.

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