

# **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 June 2017**

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

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## **SIXTH MONTH PMI 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) 54.8 decreased sharply from last month's PMI 62.7, but continues to remain comfortably above the 50% mark, indicating that the manufacturing sector continues to grow but at a decreasing rate. It should be noted that much of the decline in the index may reflect the nature of a diffusion index in which comparisons are made between one month and the next, so it is not uncommon that the month after a sharp increase (such as the ones we saw in March and May) would show a decline. The important thing is that index remains above the 44.5% mark (the benchmark for growth in the local economy as a whole) as well as the baseline 50% mark which indicates that the Inland Empire *manufacturing sector* remains in growth mode."

"All of the major components of the PMI registered a decrease from last month but remained above 50 – in other words, the indices showed growth, although at a slower pace than last month. Production registered 56.5 – a significant decrease from last month's 65.9. New Orders decreased sharply from last month's 67.1 to 51.6 this month. The Employment Index also decreased from 59.8 to 58.1 this month, but it is encouraging that 9 of the 31 companies surveyed added staff this past month. The Supplier Deliveries Index also decreased from 64.6 last month to 54.8, indicating the speed of supplier deliveries is still slow (a sign that suppliers are busy and are having difficulty keeping up with deliveries). The Commodity Prices Index also decreased slightly this month from 65.9 to 61.3, showing that inflation is still a concern."

"Last month, 57% of Purchasing Managers predicted that the local economy would become stronger in the coming quarter. Following that encouraging figure, 53% of this month's respondents believe that the local economy will remain the same (as strong) as last month, and an additional 40% think it will become even stronger. Only 7% believe

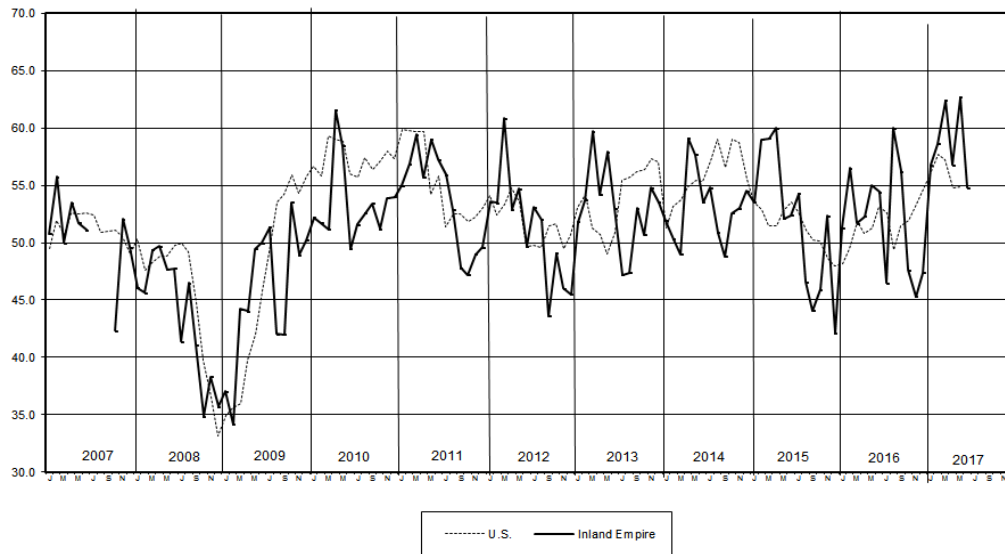
the local economy will be weaker in the coming months.”

Following is a summary of highlights of the monthly indices:

<b>June 2017 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	62.7	54.8	Growing	Slower	6
Commodity Prices	65.9	61.3	Increasing	Slower	17
Production	65.9	56.5	Growing	Slower	7
New Orders	67.1	51.6	Growing	Slower	6
Inventory	56.1	53.2	Increasing	Slower	5
Employment	59.8	58.1	Growing	Slower	6
Supplier Deliveries	64.6	54.8	Slowing	Slower	6
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	57%	40%			
% Same	35%	53%			
% Weaker	8%	7%			

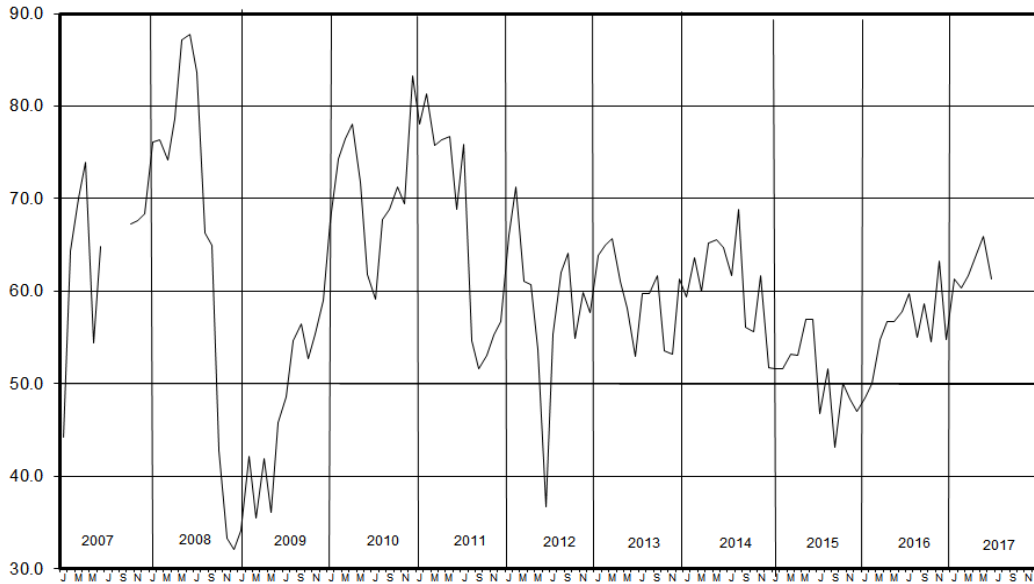
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

### Purchasing Managers' Index



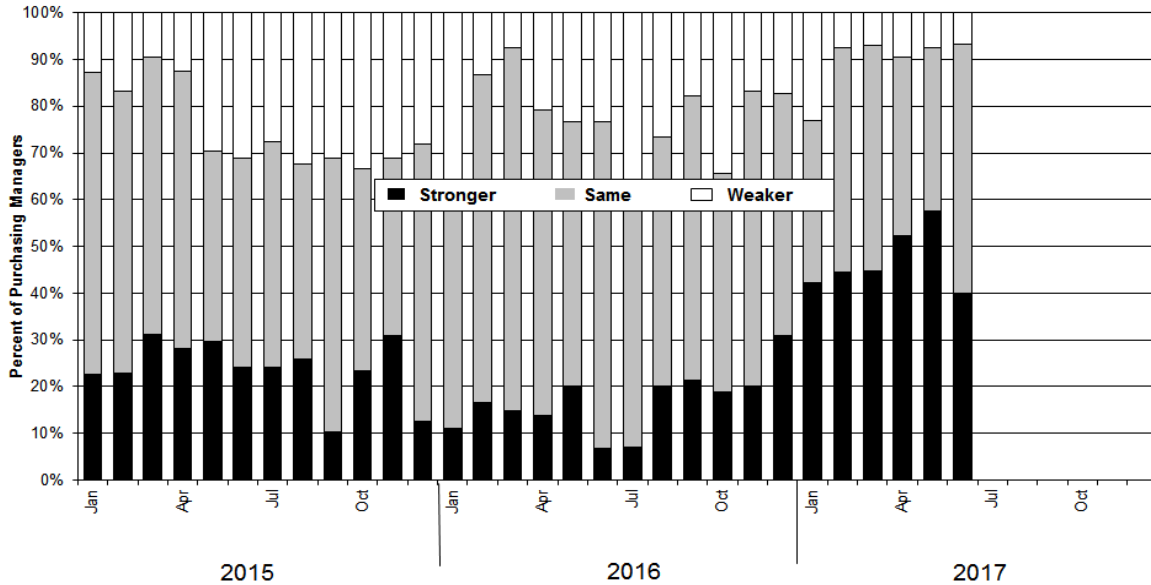
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## Commodity Prices



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## State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 6/2016 THROUGH 6/2017

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Weaker</b>	23	36	27	18	34	17	17	23	8	7	10	8	7
<b>Same</b>	70	57	53	61	47	63	52	35	44	48	38	35	53
<b>Stronger</b>	7	7	20	21	19	20	31	42	48	45	52	57	40

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

- “The global demand for Silicone products is outpacing production capacities. Lead times are doubled and raw materials are on allocation.”
- “We have been growing very aggressively during the first half of this year, and in our industry this seems to be similar to what our colleagues are experiencing.”
- “We are seeing the same continued strength across the board (except for the oil & gas industry) that we have seen for the past 6 to 12 months.”
- “In general purchasing is stable as far as pricing and availability. Only one unique product (Brickmax) is hard to get.”
- “Increased sales, new customers.”
- “Orders are remaining strong.”

But six of our Purchasing Managers made comments that their business is slow. For example:

- “Still slow. We have not laid off anyone yet but we need more orders to avoid doing so.”
- “Slight slowdown in orders from May.”
- “Business off about 10% from last month.”

In summary, this month’s data shows decreases in the indices, however the indices are still above 50. The indices still reflect growth, but the decreases reflect a slowing in the *rate* of growth – that was expected after last month’s exceptionally high figures. All-in-all, the data reflects a local manufacturing sector and local economy which are comfortably in growth mode and should remain so for at least the coming quarter.

Of course, should there be major changes on the national or state scene (e.g. taxes on imports, possible trade wars, immigration policies, health care policy, national and state budgets, etc.), things could shift quickly.

**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