

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 May 2019

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

LOCAL PMI IS UP – INLAND EMPIRE ECONOMY CONTINUES IN GROWTH MODE

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 54.5, up slightly from last month's 52.8. The index has remained above the baseline 50% mark for the last 29 months, indicating sustained growth for both the local manufacturing sector and the overall Inland Empire economy."

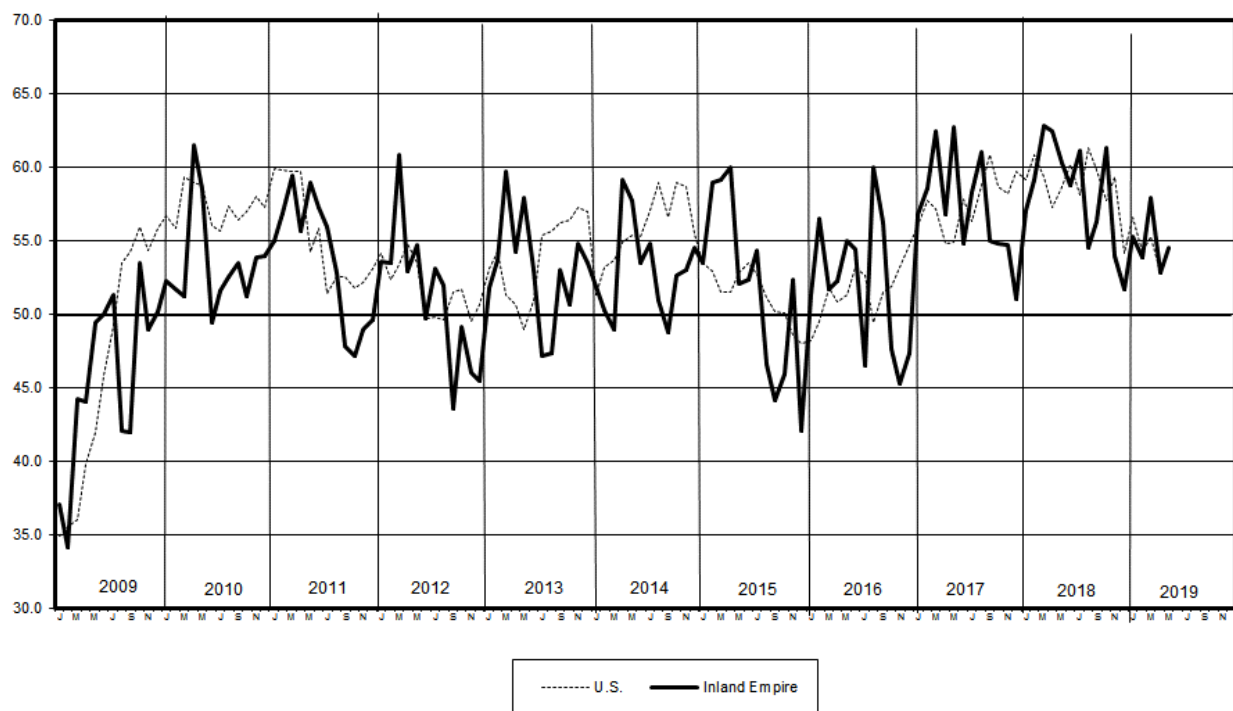
"This month's New Orders Index registered 55.2, an increase from last month's 51.7. This is the third month the index has remained above 50, indicating that the trend of growth has been re-established. The Production Index also increased, from 56.9 last month to 60.3 this month. The fact that these important indices are both above 50 indicates that consumers are optimistic enough about their own finances to be buying goods, and our Inland Empire manufacturing firms are busy producing and filling orders. The Commodity Price Index dropped from last month's 58.6 to 53.4 this month. The Supplier Deliveries Index increased this month to 53.4 from last month's 50.0, indicating that the speed of deliveries slowed (probably because suppliers are busier than they were previously). The Employment Index remained above 50% for the fourth month in a row, increasing to 53.4 from last month's 51.7."

"Only nineteen percent (19%) of purchasing managers predicted that the local economy will become stronger in the upcoming months (down from last month 22%), and an equal amount (19%) believe the local economy will become *weaker* over the next quarter (down from last month 22%). The remaining 62% of purchasing managers believe the local economy will remain unchanged."

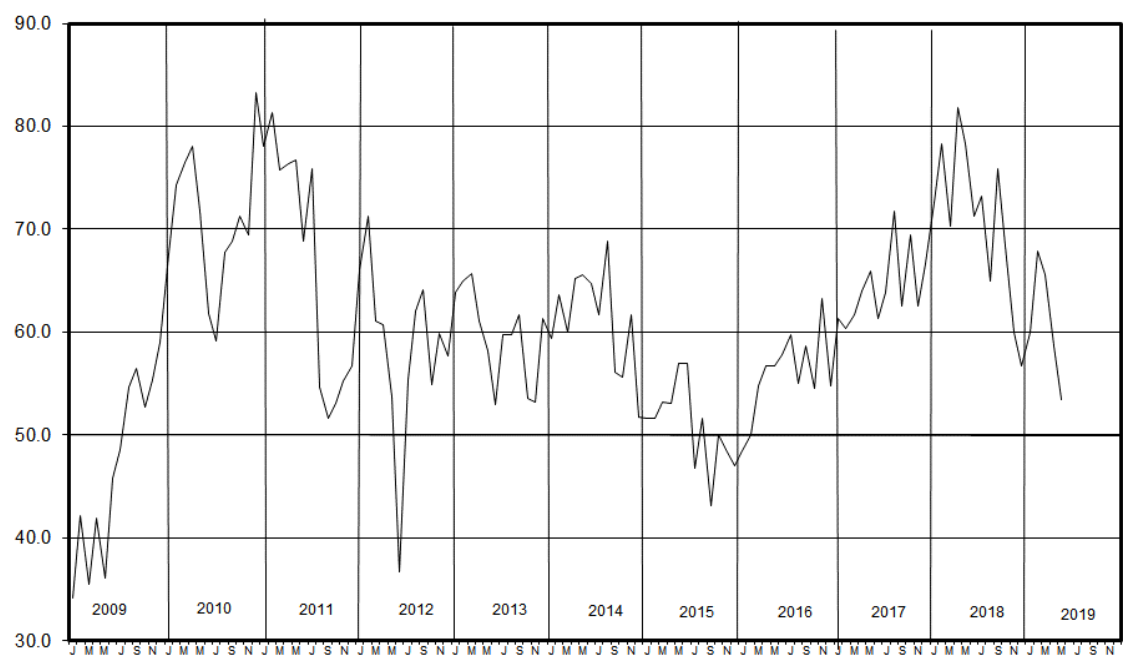
Following is a summary of highlights from this month's report:

May 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	52.8	54.5	Growing	Faster	29
Commodity Prices	58.6	53.4	Increasing	Slower	40
Production	56.9	60.3	Growing	Faster	17
New Orders	51.7	55.2	Growing	Faster	3
Inventory	53.4	50.0	Unchanged	From Increasing	5
Employment	51.7	53.4	Growing	Faster	4
Supplier Deliveries	50.0	53.4	Slowing	From unchanged	29
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	22%	19%			
% Same	56%	62%			
% Weaker	22%	19%			

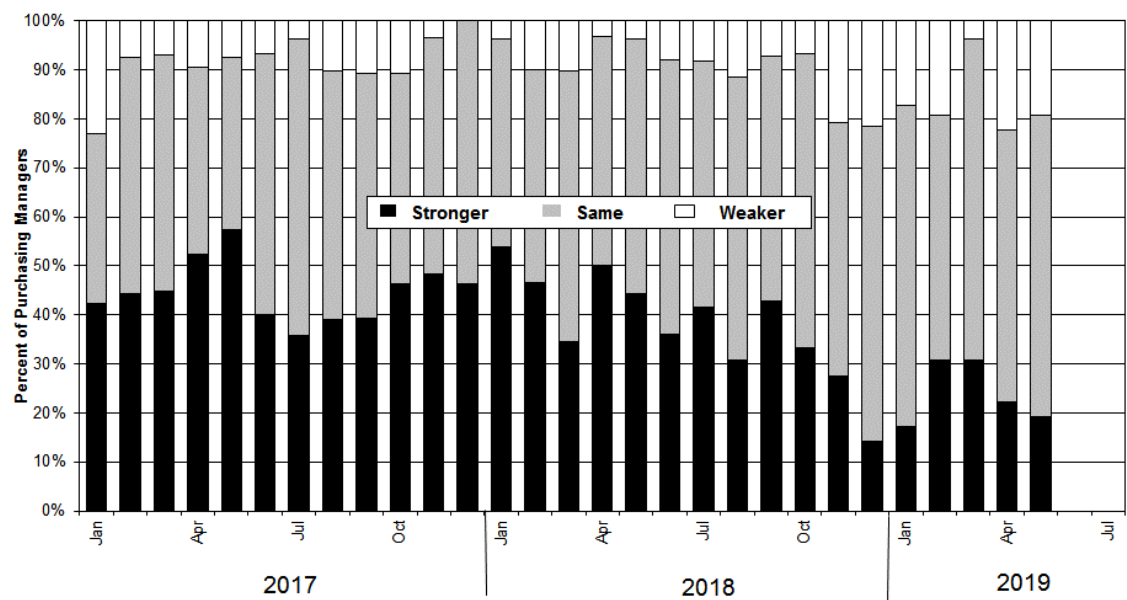
Purchasing Managers' Index



Commodity Prices



State of the Local Economy



STATE OF THE ECONOMY: DATA FROM 5/2018 THROUGH 5/2019

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Weaker	4	8	8	11	7	7	21	22	17	19	4	22	19
Same	52	56	50	58	50	60	52	64	66	50	65	56	62
Stronger	44	36	42	31	43	33	28	14	17	31	31	22	19

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

- "Still busy, those days of possible lay-offs are long gone. We still need to raise prices to return to profitability."
- "Business is starting to pick up again aggressively. Over the next few months we see it being very busy."
- "Orders are very consistent with previous couple of months. Up from a year ago at this time."

Mixed or cautionary comments include:

- "Orders are a bit softer but we are maintaining good production and sales. The lower production was mainly because of production issues, not a lack of orders."
- "Lower volume of exports due to tariffs."
- "Tried to import before tariff in effect."
- "Tariffs have a negative effect on our raw material purchases from Canada and Mexico as well."
- "Business has noticeably slowed this quarter. Nothing too alarming but there does not seem to be as much excitement from our customers about the economy."
- "It seems to have slowed down a little bit on the new orders, but production is still working to get caught up from orders earlier in the year."
- "Overall economy slowing down a bit."
- "Political instability and the potential of import and export duties impacting even domestically sourced products create an unpredictable economic environment."

In summary, the Inland Empire manufacturing sector and overall economy have been in growth mode for nearly 2.5 years, and there is nothing in this month's data to indicate that the trend will not continue for at least the next three months. On the other hand, news on the national scene is not encouraging, with threats of a 5% tariff on Mexican goods slated to kick in on June 10, and with further tariffs possible in future months. As noted by several of our respondents, tariffs have already had a negative effect on Inland Empire companies, some of which have been forced to reconfigure their supply chains to ensure a consistent flow of goods. The National Association of Manufacturers is already on record of saying that the proposed tariffs would have negative consequences for American businesses and consumers. It remains to be seen whether that prediction

will become a reality.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

Dr. Barbara Sirotnik
Director, Institute of Applied Research
909.537.5729

Soua Vang
Manager – Business Attraction, Retention & International Trade
Economic Development Agency, County of San Bernardino
909.387.4385

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