

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 2018**

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

PMI AND EMPLOYMENT ABOVE 50 FOR 17 MONTHS

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 60.3, a slight decrease from last month's 62.4. The index has remained above the baseline 50% mark for the last 17 months, indicating sustained growth for both the manufacturing sector and the overall local economy."

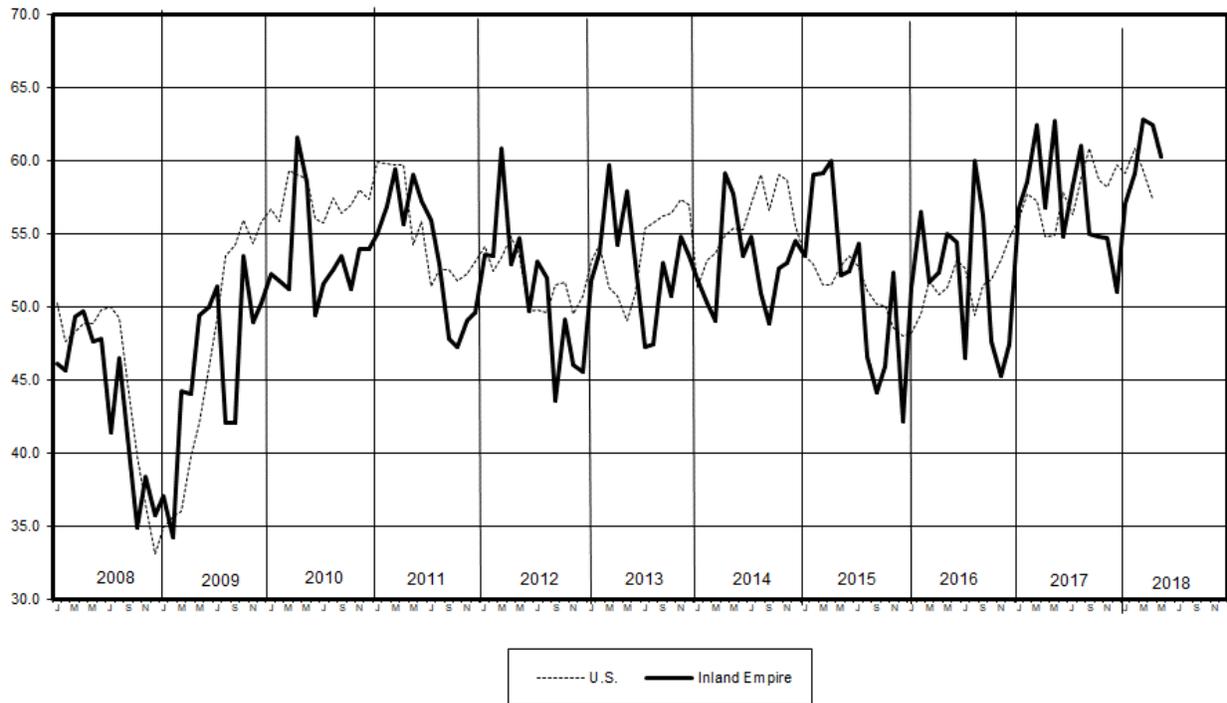
"The Production Index was 70.0, virtually unchanged from last month's figure of 69.7. The New Orders Index increased slightly from last month's 60.6 to 61.7 this month. The fact that these two key components of the PMI remain solidly above the 50% mark indicate that manufacturing companies anticipate increasing levels of consumer purchases in the near future. Inventories were only slightly higher than last month, with the index registering 51.7. The Commodity Price Index decreased from 81.8 to 78.3 this month indicating that prices are continuing to rise, although at a slower pace than last month. The all-important Employment Index has remained above 50 for the 17th month in a row, increasing to 60.0 from last month's 57.6. The speed of supplier deliveries is slowing, with the index changing from 65.2 to 58.3 this month."

"Only 4% of Purchasing Managers believe that the local economy will become weaker in the coming quarter (virtually unchanged from 3% last month). Forty-four (44%) of Purchasing Managers predicted that the local economy will become stronger in the upcoming months (down from last month's 50%), and the remaining 52% believe the local economy will remain unchanged (a positive figure considering that this rating of "unchanged" is relative to a long span of economic growth)."

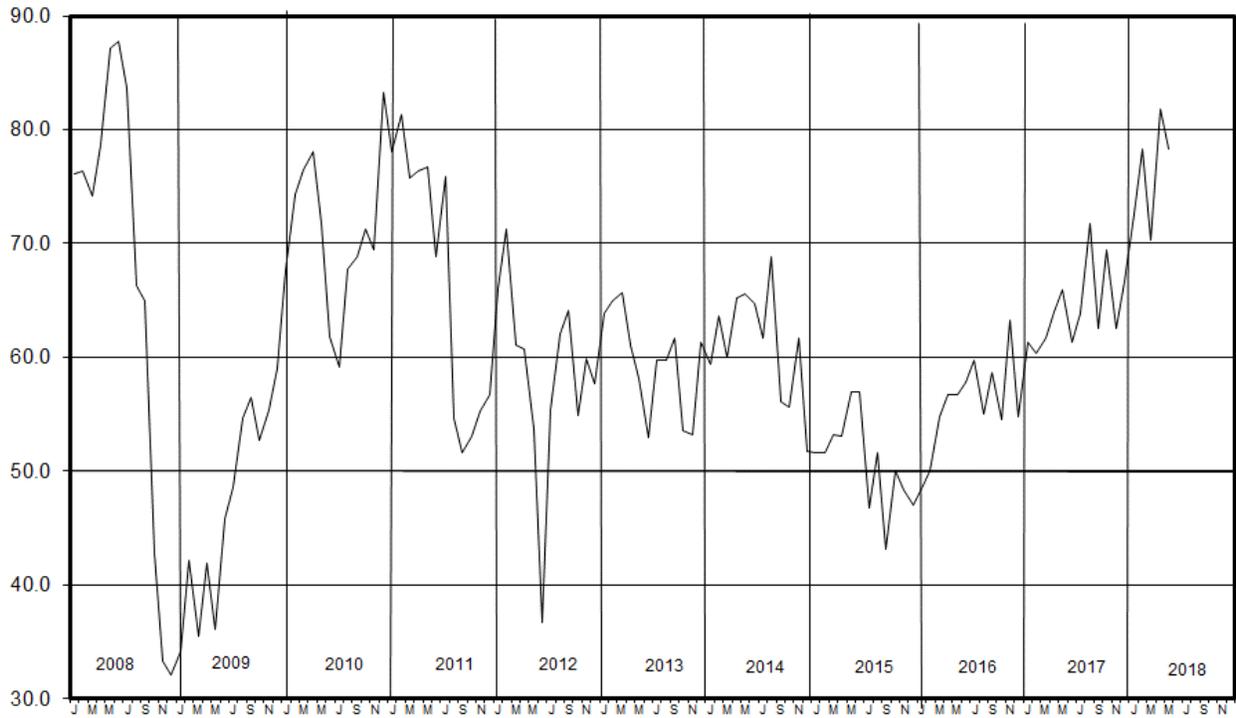
May 2018 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	62.4	60.3	Growing	Slower	17
Commodity Prices	81.8	78.3	Increasing	Slower	28
Production	69.7	70.0	Growing	Faster	5
New Orders	60.6	61.7	Growing	Faster	5
Inventory	59.0	51.7	Increasing	Slower	5
Employment	57.6	60.0	Growing	Faster	17
Supplier Deliveries	65.2	58.3	Slowing	Slower	17
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	50%	44%			
% Same	47%	52%			
% Weaker	3%	4%			

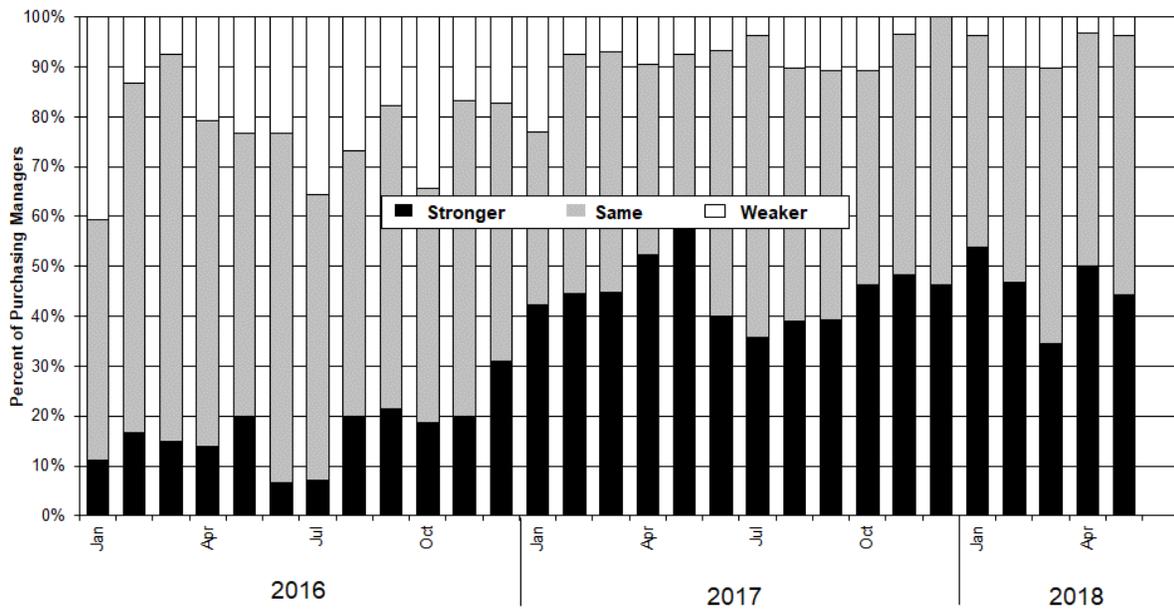
Purchasing Managers' Index



Commodity Prices



State of the Local Economy



STATE OF THE ECONOMY: DATA FROM 5/2017 THROUGH 5/2018

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Weaker	8	7	4	10	11	11	3	0	4	10	10	3	4
Same	35	53	60	52	50	43	49	54	42	43	55	47	52
Stronger	57	40	36	38	39	46	48	46	54	47	35	50	44

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

- "Very busy now."
- "Worldwide demand is exceeding supply."
- "Orders are up."
- "May was pretty much the same as we saw during the first 4 months of the year. Prices have been inching up but demand and supply are pretty much the same as we have been seeing."
- "Our busy season is picking up, looks like we can match last year. Production slowing down due to inventory build-up."
- "On a global scale all customers are looking for supply - no matter where."
- "Winning bids."
- "Not sure why but we are seeing slightly more orders outside the US in May than we did in the previous months."

Even though the PMI index showed solid growth, as did many of the indices which comprise the PMI, some Purchasing Managers made cautionary or "mixed" comments:

- "Slower."
- "Price inflation and longer lead times are rampant."
- "The local labor pool is getting tight."
- "There is still uncertainty in the marketplace, especially in the aerospace sector because of the switches in public policy."
- "Business slowing slightly."
- "Production slowing down due to inventory build-up."
- "Business seems to have slowed somewhat, which is unusual for this time of year."
- "Lumpy deliveries of foreign material. Shipping port delays out of Europe."

In summary, all indices point to slow and sustained growth. Production and New Orders are up, employment continues to climb, and the PMI is showing the longest run of figures above 50 (reflecting growth) since 2011. Further, other local economic indicators portray a healthy economy that should continue to grow for at least the coming quarter. And the broader California economy is also showing strength. The only cautionary note is that prices continue to rise, however we don't envision that this will restrict economic expansion in the near future. But that rosy news could dissipate

if a trade war with the EU, Mexico, and Canada comes to pass due to newly implemented tariffs on steel and aluminum.

Special note:

We would like to spread the word about CASCADE, a new initiative funded by the U.S. Department of Defense to bolster California's defense supply chain resilience, innovation capacity, and diversification strategies. CASCADE (California Advanced Supply Chain Analysis & Diversification Effort), consists of business assistance & workforce development, education and outreach regarding cyber physical security and supply chain resilience, and supply chain mapping to better acquaint manufacturers doing business with the Department of Defense with suppliers that can meet their needs. For more information, go to: <http://www.business.ca.gov/Programs/Innovation-and-Entrepreneurship/Cybersecurity/CASCADE>.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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