

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 November 2019

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

Inland Empire PMI Registers its Second Month Above 50

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Coordinator, Institute of Applied Research), "The November Inland Empire Purchasing Managers' Index (PMI) decreased slightly to 52.1 from October's 54.0. The important thing is that this is the second month in a row that the index has remained above the baseline 50% mark, the level which indicates growth in the Inland Empire manufacturing sector and economy as a whole."

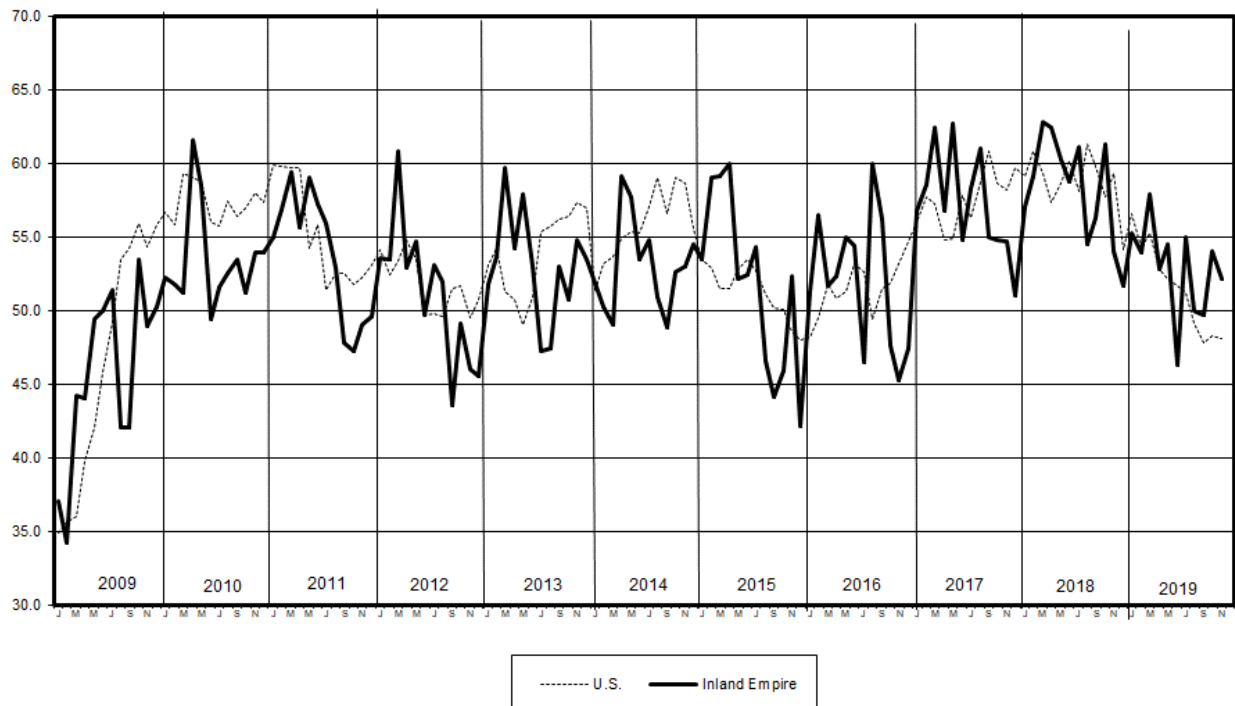
"The Production Index dipped slightly from last month's 60.0 to 56.9 this month, thus production is still growing, although at a slightly slower pace than last month. Similarly, the New Orders Index decreased from 63.3 to 53.4 – again, new orders are growing, although the rate of growth has slowed since last month. The Commodity Prices Index is unchanged from last month's 51.7, showing that prices have increased only slightly. The Inventory Index is virtually unchanged from last month 46.7's to 46.6 this month. Employment registered 50.0 (unchanged since last month). The Supplier Deliveries Index increased from 50.0 last month to 53.4 this month, showing that deliveries have slowed. This is typically seen as a sign that suppliers are busier than they were last month."

"About three-quarters (76%) of Purchasing Managers believe that the local economy will stay the same over the next three months. Only 12% believe that it will become weaker, and the remaining 12% are optimistic that the economy will become stronger in the coming quarter."

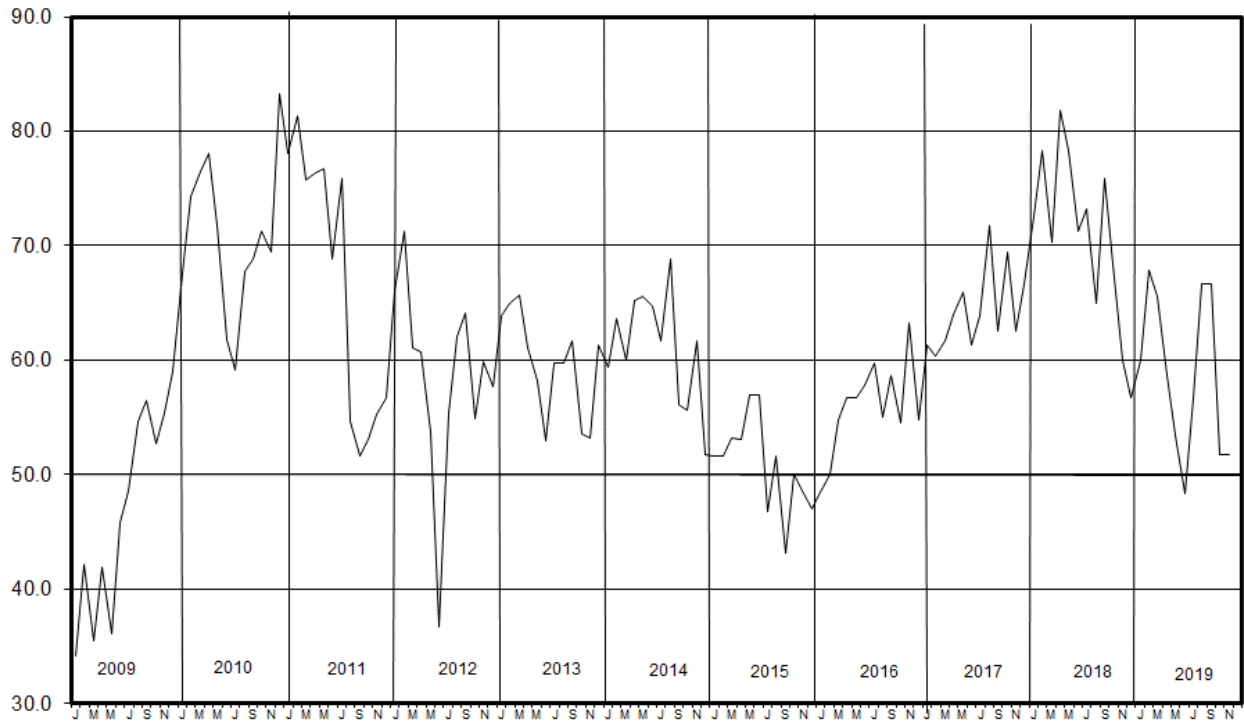
Following is a summary of highlights from this month's report:

November 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	54.0	52.1	Growing	Slower	2
Commodity Prices	51.7	51.7	Increasing	Unchanged	5
Production	60.0	56.9	Growing	Slower	3
New Orders	63.3	53.4	Growing	Slower	5
Inventory	46.7	46.6	Decreasing	Faster	2
Employment	50.0	50.0	Unchanged	From Unchanged	2
Supplier Deliveries	50.0	53.4	Slowing	From unchanged	2
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	12%	12%			
% Same	58%	76%			
% Weaker	31%	12%			

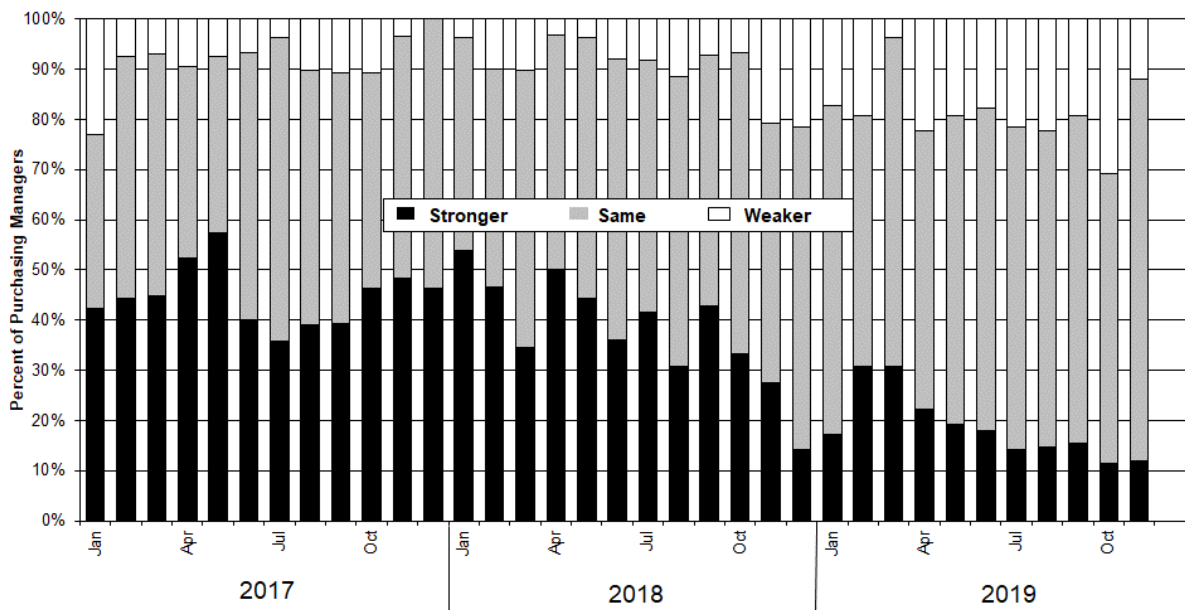
Purchasing Managers' Index



Commodity Prices



State of the Local Economy



STATE OF THE ECONOMY: DATA FROM 11/2018 THROUGH 11/2019

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Weaker	21	22	17	19	4	22	19	18	22	22	19	31	12
Same	52	64	66	50	65	56	62	64	64	63	65	58	76
Stronger	28	14	17	31	31	22	19	18	14	15	16	11	12

As always, some respondents had positive comments regarding the business outlook for their company or industry, and others had cautionary or negative comments.

Following are the positive comments:

- "Business has remained stable."
- "Business is good."
- "Business seems to be holding its own. We have a lot of Back Log for 2020 already."
- "Busy again and running out of calendar. We close for a couple weeks over the holidays and will be late on some orders."
- "It seems like there was a nice uptick in business for November. At least our final numbers did show that. However, I still remain cautious that it may have just been a rush by many customers to get material in and then out by the end of the calendar year. However, I will certainly take it! It does seem that attitudes are more positive than earlier in the year from the majority of our customers."
- "Orders are up over last month."
- "Same as last month."
- "We have seen an improvement to orders and our customers are more optimistic."
- "Exports are higher, but not sure exactly why. Best guess is that inventories are low and customers need material for end of the year push or maybe fearful that prices may go up in 2020?"
- "General optimism from the customers."

Mixed and/or cautionary comments included:

- "Business seems to have slowed a little bit."
- "Still slow."
- "Special raw materials needed from China, paying 30% tariff."
- "The rain slows us down."
- "We continue to have robust sales, but with considerable doubt over the sustainability of the economy."

In summary, this month's national PMI registered *below* 50 for the fourth month in a row, showing contraction in the US manufacturing sector but growth in the overall economy. In contrast, the Inland Empire figure continues to reflect growth in both the local manufacturing sector and economy, although uncertainty about China trade may be contributing to some volatility in the index. It takes three months of figures above 50 to establish a new trend of expansion, thus if next month's PMI remains above 50 for the

third month in a row, we will be able to state that the region is indeed back in growth mode.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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