

**IAR'S INLAND EMPIRE REPORT ON BUSINESS**  
**Prepared by: The Institute of Applied Research**

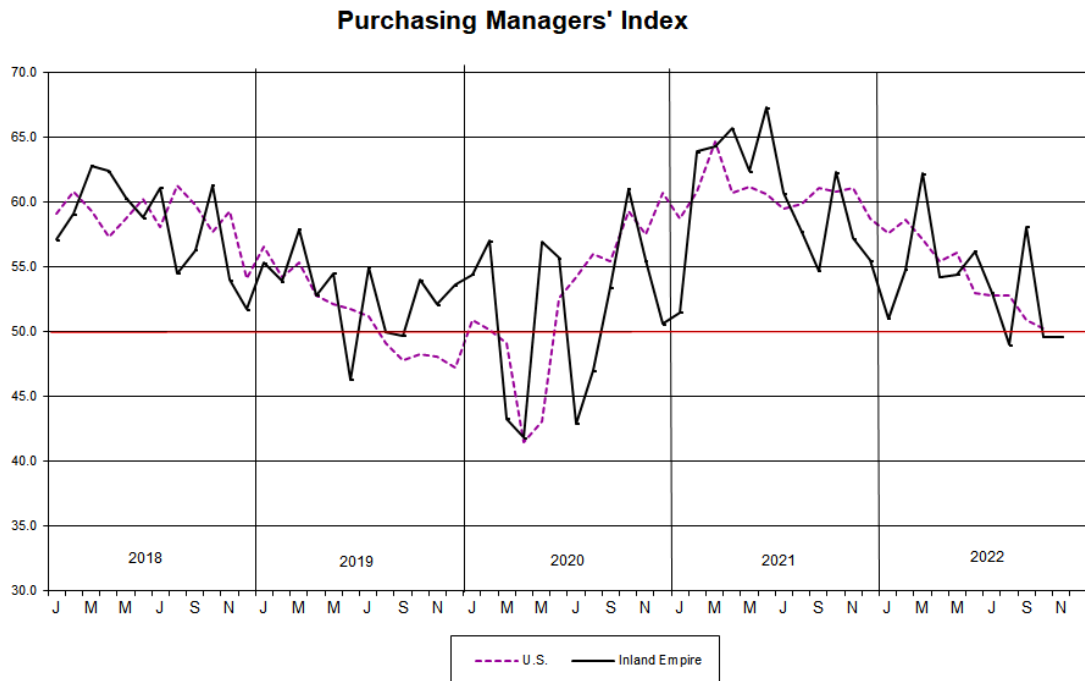
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**College of Business and Public Administration**

**Report for November 2022**

**Sponsors: San Bernardino County Economic Development Agency**  
**Riverside County Office of Economic Development**

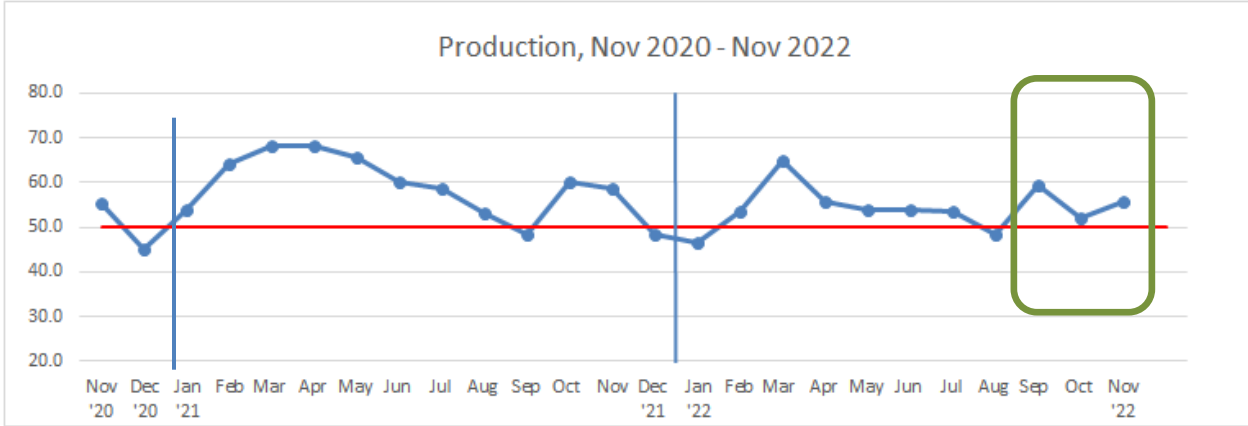
**INLAND EMPIRE PMI REGISTERED SECOND MONTH SLIGHTLY BELOW 50**

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Specialist, Institute of Applied Research), "This month's Inland Empire **Purchasing Managers' Index (PMI)** registered **49.6**, the second month in a row below the baseline of 50. This figure is not an indicator of concern...yet...since it would take three consecutive months of figures below 50 to establish a new trend of decline in the manufacturing sector. Further, we note that the index is only barely below 50, thus it may simply reflect continued volatility due to ongoing inflation, supply chain instability, and employment issues.



Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** (one of the two key components of the PMI) increased to **55.6** from last month's 51.9.

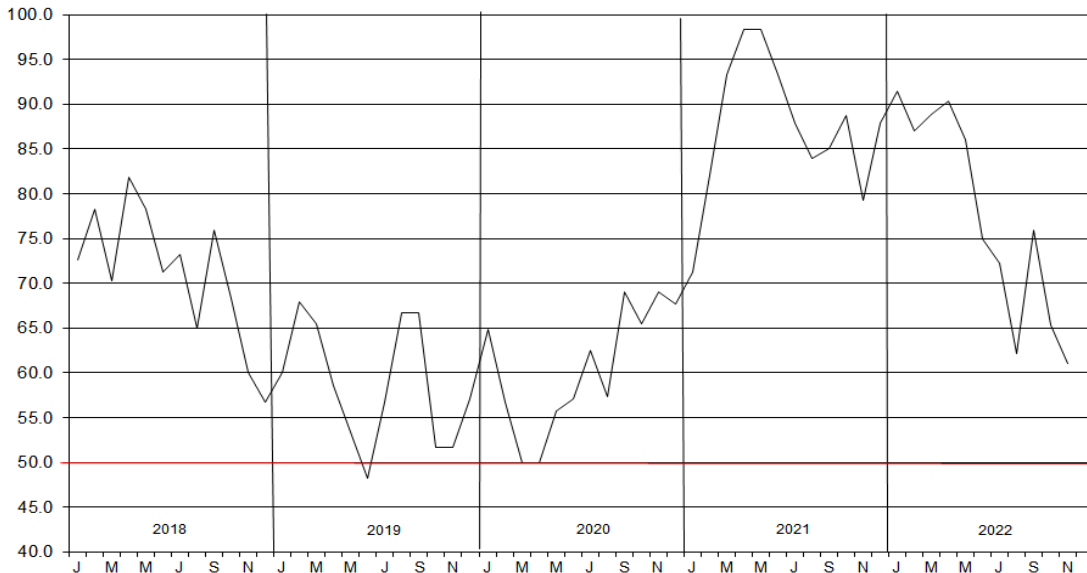


But the **New Orders Index** (the other key component of the PMI) decreased, dropping from last month's 42.3 to **37.0** this month. There have only been 12 times since the report's inception in 1993 when new orders were that low (37.0 or below), the last time being in March and April of 2020.

The **Employment Index** dropped significantly to **48.1** from last month's 57.7. A decrease in this index tends to be a seasonal phenomenon, with November and December employment typically showing a decline.

The **Commodity Price Index** for the Inland Empire declined from last month's 65.4 to **61.1** this month, reflecting a continued easing of inflationary pressures, perhaps due to the Fed's rate hikes and attempts to slowly cool the economy.

### Commodity Prices

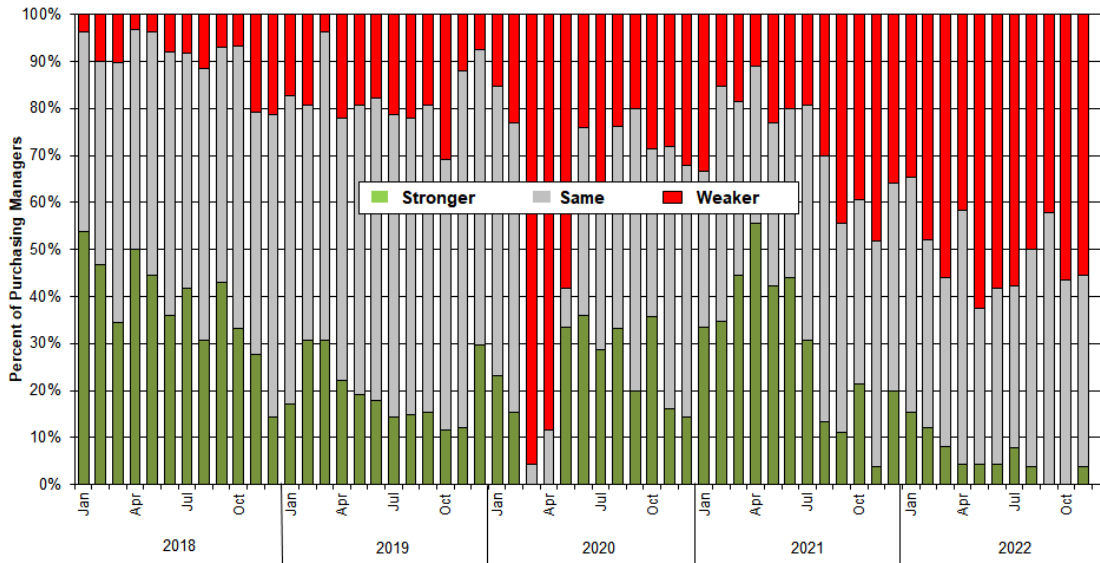


The **Supplier Deliveries Index** is a measure of the speed of supplier deliveries, with numbers above 50 indicating *slower* deliveries. The index increased from 51.9 last month to **55.6** this month.

The **overall Inventory level** (units, not dollars) including raw, MRO (Maintenance, Repair, Operating), intermediates, etc. registered at **51.9**, a significant increase from last month's 44.2. Although **22.2%** of panelists (up from last month's 19.2%) indicated that their **inventory level of finished goods** has *decreased* (meaning sales were "good" and they were able to clear out inventory), the majority (**59.3%** down from last month's 65.4%) reported that their inventory level of finished goods is "staying even" with sales. Only **18.5%** (up from last month's 15.4%) reported that the level has increased.

Last month we commented that "optimistic" is not the word we would use when it comes to our panelists' evaluation of the state of the local economy for the coming quarter. This month we haven't seen much change from that evaluation. Only **4%** stated they believe the next quarter will be stronger. Over half (**55%**, slightly down from last month's 56%) believe that the local economy will become weaker in the coming quarter, and the remaining **41%** (slight decline from last month's 44%) believe that the next quarter's economy will continue to be "the same" as it has been (where "same" means an economy struggling to return to pre-pandemic levels).

### State of the Local Economy Manager's Predictions



Following is a summary of the figures shown in this month's report:

<b>November 2022 Business Survey at a Glance</b>					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend Months
	Last Month	This Month			
Local PMI	49.6	49.6	Contracting	Unchanged	2
Commodity Prices	65.4	61.1	Increasing	Slower	41
Production	51.9	55.6	Growing	Faster	3
New Orders	42.3	37.0	Contracting	Faster	2
Inventory	44.2	51.9	Increasing	From Decreasing	1
Employment	57.7	48.1	Contracting	From Growing	1
Supplier Deliveries	51.9	55.6	Slowing	Faster	38
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	0%	4%			
% Same	44%	41%			
% Weaker	56%	55%			

Finally, our survey always includes an overall question asking the panelists to give general remarks regarding any business condition (local, national, or international) that affects the purchasing operation or the outlook of their company or industry. Positive remarks included:

- “Brisk sales, unusual for this time of year. Materials inching down in price.”
- “Business in November was pretty much an exact continuation of the last several months - brisk amount of business without being too crazy. Demand remains high from most of our customers and the new higher prices have stuck.”

Commodity prices have come down, but now with the weaker dollar, commodity prices are heading back up again. So, the next few months we will be able to take advantage of selling our inventory at a higher price. Demand appears to look consistent over the next quarter.”

- “Our markets have grown both through the market itself increasing and also through our own outreach to existing and potential customers. A key to our growth has been the diversification of our abilities to address our customers' diverse needs for those abilities. We have worked diligently over the years to pursue this as our approach to business.”
- “Still pretty busy and need more help.”

Most of the comments, however, were cautionary or “mixed”:

- "International sales have slowed, perhaps because of the high value of the US Dollar."
- “New sales orders are declining and appear to be trending to a slow down through the end on the year. Some customers are saying they have lots of inventory on the shelf and demand is slowing. Backlog is still high due to super slow supplier deliveries.”
- “Our factory has been besieged with Covid cases since the beginning of the month with almost 20% of our workforce out. This has dramatically affected our ability to be productive. We also laid off 10% of our workforce in October which is also contributing to our inability to meet production demands. Ironically, our new orders so far in the month of November seem to be on the rise as our busy season is beginning.”
- "Slow part of the year for us."
- “Slowdown is about to happen, especially with the country about to be put into a recession by current administration. Rising costs make it hard to run a business.”
- “We have had four solid weeks of no sales. This came as a surprise, no idea why it flat-lined. Very scary. Thanksgiving week brought a little more activity and a few orders. Hoping to be back to 'normal' - whatever that is these days.”
- “We have seen a significant slowdown in the final quarter.”

**In summary**, the PMI remained slightly below 50 for the second month in a row. It takes three months to establish a new trend of decline, so we are not yet overly alarmed. On the other hand, the fact that new orders have dipped is concerning. If that trend continues, it could portend an economic downturn in 2023. We will continue to track the opinions of our business leaders over the coming months.

**FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:**

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