

## **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 October 2019***

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

### **Inland Empire PMI back up to 54.0**

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Coordinator, Institute of Applied Research), “The October Inland Empire Purchasing Managers’ Index (PMI) increased to 54.0 in October from September’s 49.7. For the past few months the local PMI has shown a great deal of variability: it was 46.3 in June, 55.0 in July, 50.0 in August, 49.7 in September, and now it has increased back up to 54.0 showing growth in the local manufacturing sector and overall economy.”

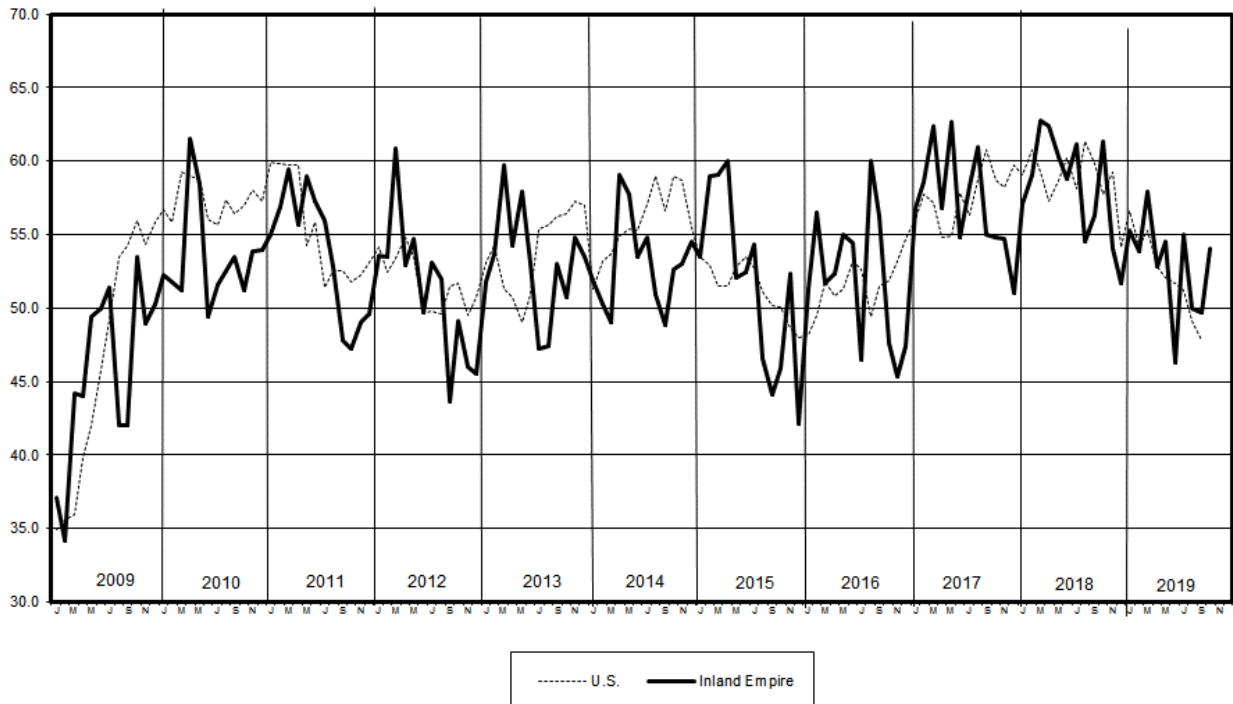
“There are two positive notes for this month’s report. First, the Production and New Orders Indices (two of the key indicators in the PMI) both increased significantly. Production increased from 56.7 to 60.0 this month and New Orders increased from 53.3 to 63.3. The Employment Index also increased from 41.7 to 50.0 this month. Supplier deliveries dropped from 50.0 to 46.7, showing that deliveries were getting faster (a sign that suppliers weren’t as busy as before). Commodity prices dropped significantly from 66.7 to 51.7 this month, showing that inflationary pressures are easing a bit.”

“Yet countering this positive information is the fact that Purchasing Managers’ optimism about the state of the local economy for the coming quarter has declined somewhat. Only eleven percent (11%) predicted that the local economy will become stronger in the upcoming months (down from 16%). This is the lowest level of optimism since mid-2016. About a third (31%) believe the local economy will become *weaker* over the next quarter (up from 19%). Over half (58%) think the economy will stay the same – a figure down from last month’s 65%.”

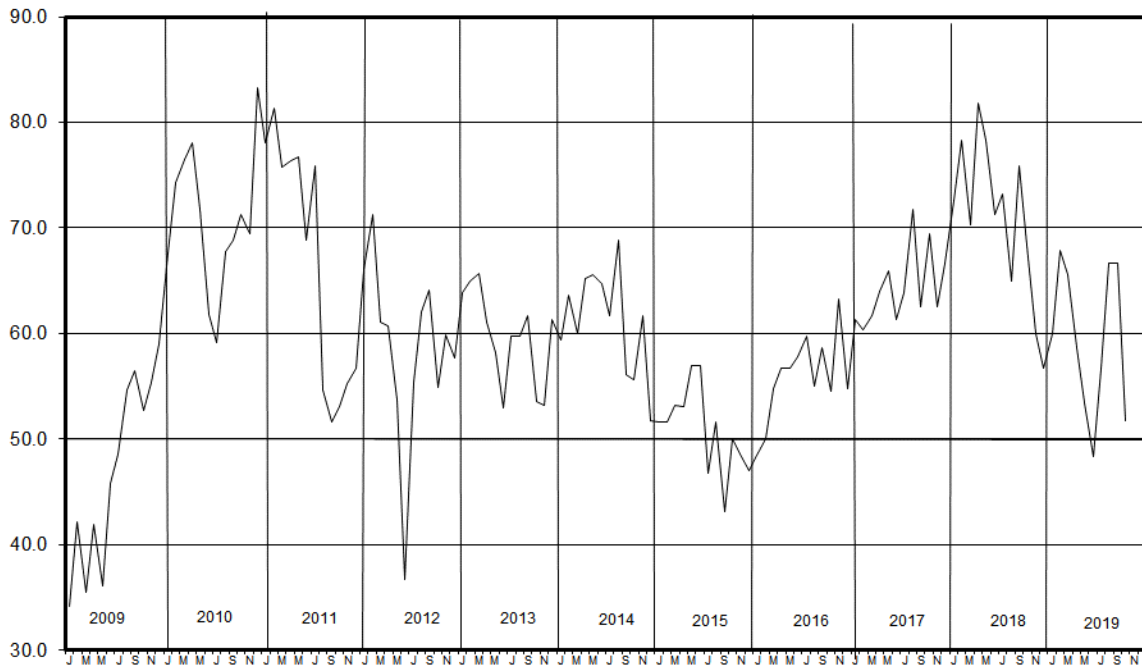
Following is a summary of highlights from this month’s report:

October 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	49.7	54.0	Growing	From Contracting	1
Commodity Prices	66.7	51.7	Increasing	Slower	4
Production	56.7	60.0	Growing	Faster	2
New Orders	53.3	63.3	Growing	Faster	4
Inventory	50.0	46.7	Decreasing	From unchanged	1
Employment	41.7	50.0	Unchanged	From Contracting	1
Supplier Deliveries	46.7	50.0	Unchanged	From Faster	1
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	16%	11%			
% Same	65%	58%			
% Weaker	19%	31%			

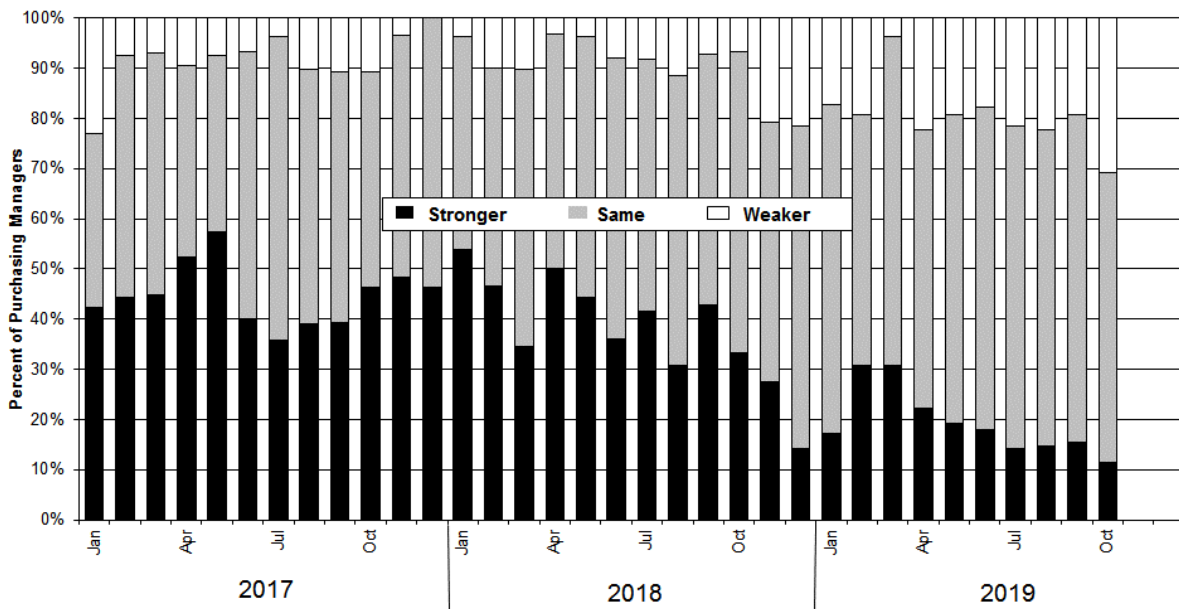
### Purchasing Managers' Index



### Commodity Prices



### State of the Local Economy



**STATE OF THE ECONOMY: DATA FROM 10/2018 THROUGH 10/2019**

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
<b>Weaker</b>	7	21	22	17	19	4	22	19	18	22	22	19	31
<b>Same</b>	60	52	64	66	50	65	56	62	64	64	63	65	58
<b>Stronger</b>	33	28	14	17	31	31	22	19	18	14	15	16	11

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:

- "Started out slow but increased last week of the month."
- "October has picked up in our aerospace and defense orders."
- "Our business is growing significantly recently, but not as a reflection of the general economy, which still requires an approach of risk aversion. Our growth is due to our unique competency to address the needs of our major customers for technical and engineered fabric products for specific markets, particularly aerospace, but also including industrial and architectural markets."
- "Outlook for profitability looks good. Our team is running more efficiently which has allowed us to run at the same pace with less employees."
- "Still busy and maybe making a profit. We have seen some impact from the tariffs (mostly on power cords which our vendor buys from China). We expect some increased prices on Teflon insulated wire in the near future."
- "We are seeing that there is a lot of invitations to bid on all types of work. We are extremely busy right now which is usually a start of the slowing down period."

Mixed and/or cautionary comments included:

- "Quotes are up and new orders are down."
- "Still a slow year for us. Natural gas prices are down which is positive."
- "Business continues to remain soft with not much hope in sight. I can't imagine the end of the year will bring about any change so it is maybe January when we can hope to see improvement in business."
- "Market slowdown going into the end of the year."
- "Overall backlog has dipped this month with new orders slowing down."
- "Very slow."
- "Importing less due to tariffs."
- "Lower demand for our product."

In summary, last month we noted that federal trade policies, a global economic slowdown, and the impeachment inquiry are all causing uncertainty for businesses and consumers alike. Nationwide, the stock market is doing well, and unemployment is at a 60-year low. The Inland Empire has continued to add new jobs. But the variability in the PMI could be a warning sign about the local economy. Stay tuned.

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

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