

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 July 2017**

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

PMI ABOVE 50 FOR THE SEVENTH MONTH IN A ROW

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) was 58.3, an increase from last month's PMI 54.8. The good news is that this is the 7th month that the index has remained above the 50% benchmark, indicating that the Inland Empire manufacturing sector and the overall local economy remain comfortably in growth mode."

"All of the major components of the PMI remained above 50 – in other words, the indices showed growth (for the most part at a faster pace than the last month). Production registered 63.8 (a significant increase from last month's 56.5), and New Orders increased from last month's 51.6 to 56.9 this month. The Employment Index decreased from 58.1 to 53.4 this month. Since the figure remained above 50 (as it has for 7 months), we are seeing growth, however the **pace** of growth is slowing. The Inventory Index increased as well from 53.2 last month to 63.8 this month, and the Supplier Deliveries Index decreased slightly from 54.8 to 53.4. In addition, the Commodity Prices Index increased from 61.3 to 63.8, reflecting continuing inflationary pressures."

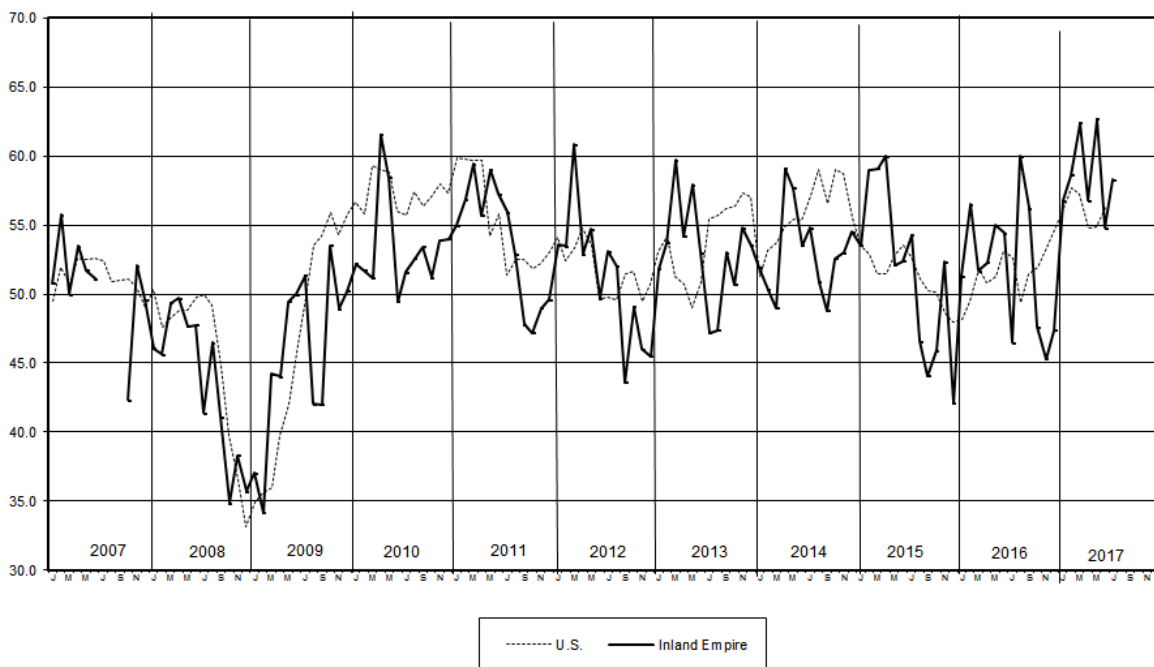
"Throughout 2017, Purchasing Managers have shown a great deal of optimism about the state of the economy. This month, more than a third (36%) predicted that the economy will get stronger in the coming quarter (a figure down from last month's 40%). Sixty percent predicted "more of the same" (presumably meaning slow and steady growth). Only 4% predicted that the economy would be weaker (down from 7% last month).

Following is a summary of highlights of the monthly indices:

| July 2017 Business Survey at a Glance | | | | | |
|--------------------------------------------------------------------------|---------------------|-------------------|--------------------------|---------------------------------------|-----------------------|
| | Series Index | | Direction from 50 | Rate of Change from Last Index | Trend (Months) |
| | Last Month | This Month | | | |
| Local PMI | 54.8 | 58.3 | Growing | Faster | 7 |
| Commodity Prices | 61.3 | 63.8 | Increasing | Faster | 18 |
| Production | 56.5 | 63.8 | Growing | Faster | 8 |
| New Orders | 51.6 | 56.9 | Growing | Faster | 7 |
| Inventory | 53.2 | 63.8 | Increasing | Faster | 6 |
| Employment | 58.1 | 53.4 | Growing | Slower | 7 |
| Supplier Deliveries | 54.8 | 53.4 | Slowing | Slower | 7 |
| Purchasing Managers' Confidence in the State of the Local Economy | | | | | |
| % Stronger | 40% | 36% | | | |
| % Same | 53% | 60% | | | |
| % Weaker | 7% | 4% | | | |

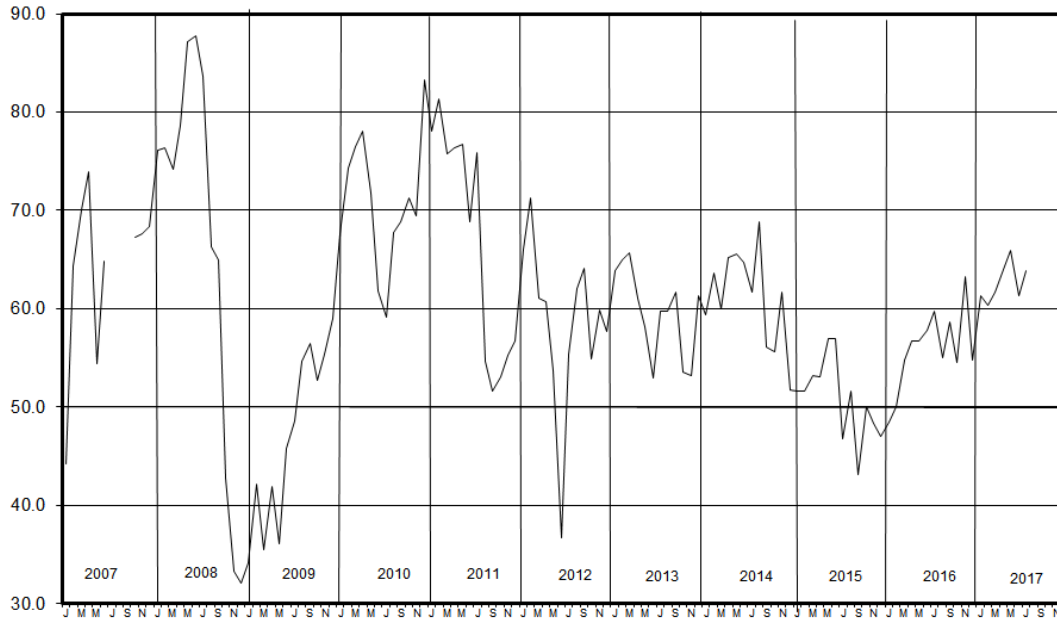
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



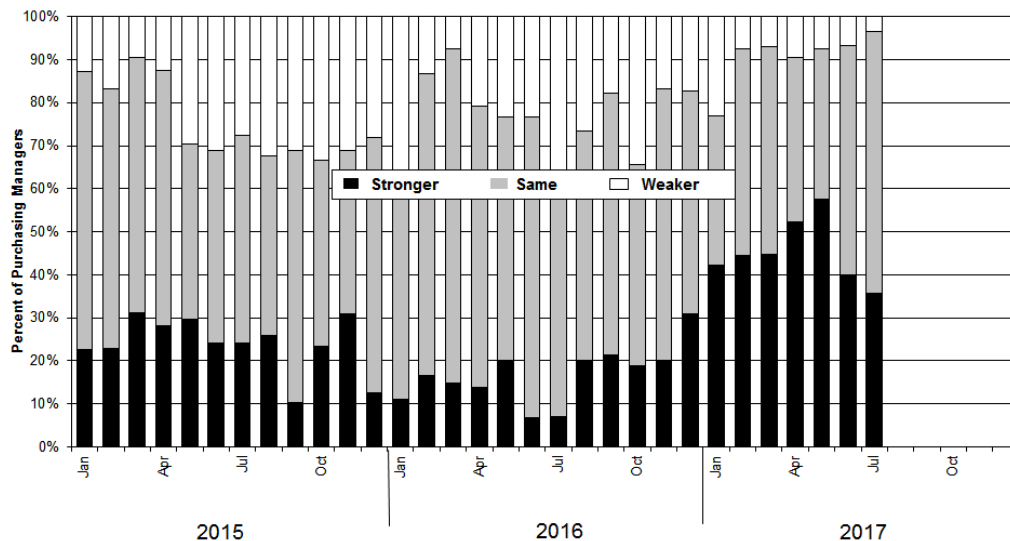
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 7/2016 THROUGH 7/2017

| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
|-----------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Weaker | 36 | 27 | 18 | 34 | 17 | 17 | 23 | 8 | 7 | 10 | 8 | 7 | 4 |
| Same | 57 | 53 | 61 | 47 | 63 | 52 | 35 | 44 | 48 | 38 | 35 | 53 | 60 |
| Stronger | 7 | 20 | 21 | 19 | 20 | 31 | 42 | 48 | 45 | 52 | 57 | 40 | 36 |

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

- "Business is good."
- "Outlook positive for entire industry."
- "We have some new business from Korea."
- "Large orders from Europe."

Even though the PMI index showed growth, some Purchasing Managers made cautionary comments:

- "Slow."
- "Still not laying off but continue in the red."
- "I'm being told that there is a shortage of coconut oil that has affected the pricing for it."
- "Business off slightly from June, normal for product mix to slow during summer months."
- "Our busy season was not as good as our forecast, we are behind last year. We are waiting for construction to head our way."
- "Since most of our large contracts are with companies that are prime contractors with the government, there is significant uncertainty of what will happen in the future, and that impacts our ability to plan. We are currently working on projects that were previously placed with us, prior to the level of uncertainty that exists now for the medium and long-term potentials."

In summary, both the Inland Empire PMI released by CSUSB's Institute of Applied Research and National PMI released by the Institute for Supply Management showed continued growth in the manufacturing sector and the economy as a whole. Purchasing Managers appear to be positive in their forecasts of the economy for the coming quarter, with no significant concerns noted.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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