

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 January 2018**

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

PMI AND EMPLOYMENT ABOVE 50 FOR THE 13^H 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) registered 57.1, a sharp increase from last month's 51.0. The index has remained above the baseline 50% mark for the 13th consecutive month, indicating growth for both the manufacturing sector and the overall local economy."

"December's Production Index registered 48.3, and we noted in that report that the low figure was probably a typical seasonal dip for the year-end. It appears that we were correct, since the index jumped back above 50 to 66.1 for January. Similarly, New Orders increased from 46.7 last month to 61.3 this month. The Employment Index decreased to 50 indicating the same level of employment as seen in December, however decrease should not be of concern since the index has remained at or above 50 for the past 13 months. Supplier deliveries registered 56.5, virtually unchanged from last month's 56.7, reflecting that suppliers are still slow in providing deliveries. Typically this is a good sign, indicating that suppliers are busy. Commodity Prices continued to rise, continuing a trend we've seen since January of 2017. The index is 72.6 this month (an increase from last month's 66.7)."

"Purchasing Managers are bullish regarding the local economy for the next three months. Over half (54%) forecasted that the local economy will improve in the coming quarter (an increase from last month's 46%). 42% stated that the economy would stay the same (reflecting continued slow and steady growth), and only 4% thought that the economy would become weaker in the coming quarter."

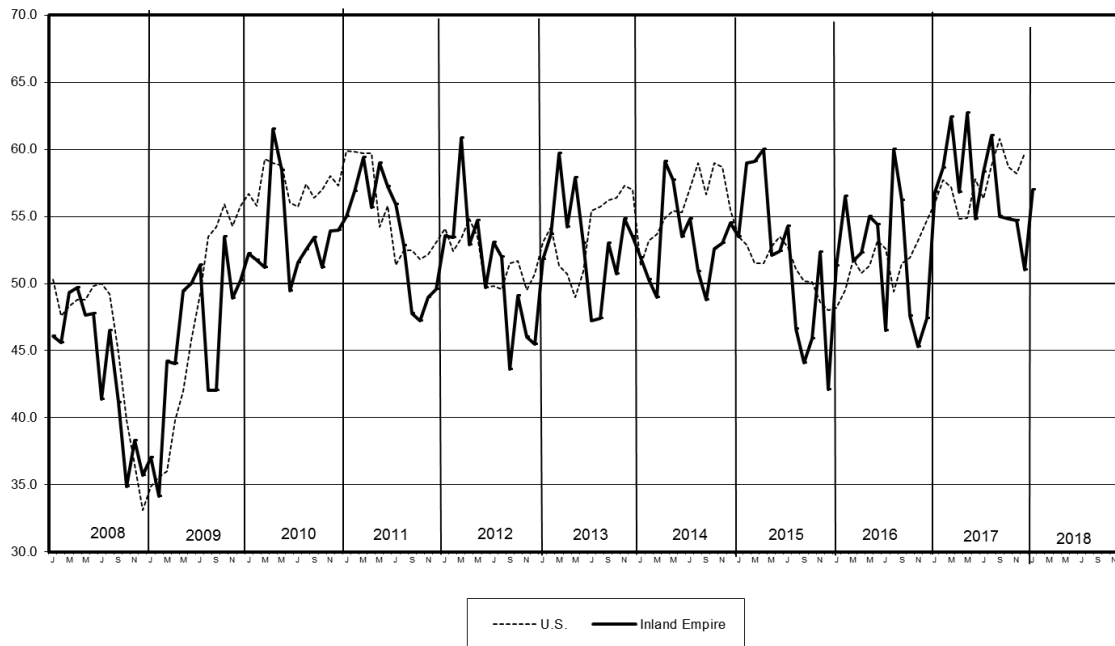
Following is a summary of highlights of the monthly indices:

January 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	51.0	57.1	Growing	Faster	13
Commodity Prices	66.7	72.6	Increasing	Faster	24
Production	48.3	66.1	Growing	From Contracting	1
New Orders	46.7	61.3	Growing	From Contracting	1
Inventory	48.3	51.6	Increasing	From Decreasing	1
Employment	55.0	50.0	Unchanged	From Growing	13
Supplier Deliveries	56.7	56.5	Slowing	Slower	13
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	46%	54%			
% Same	54%	42%			
% Weaker	0%	4%			

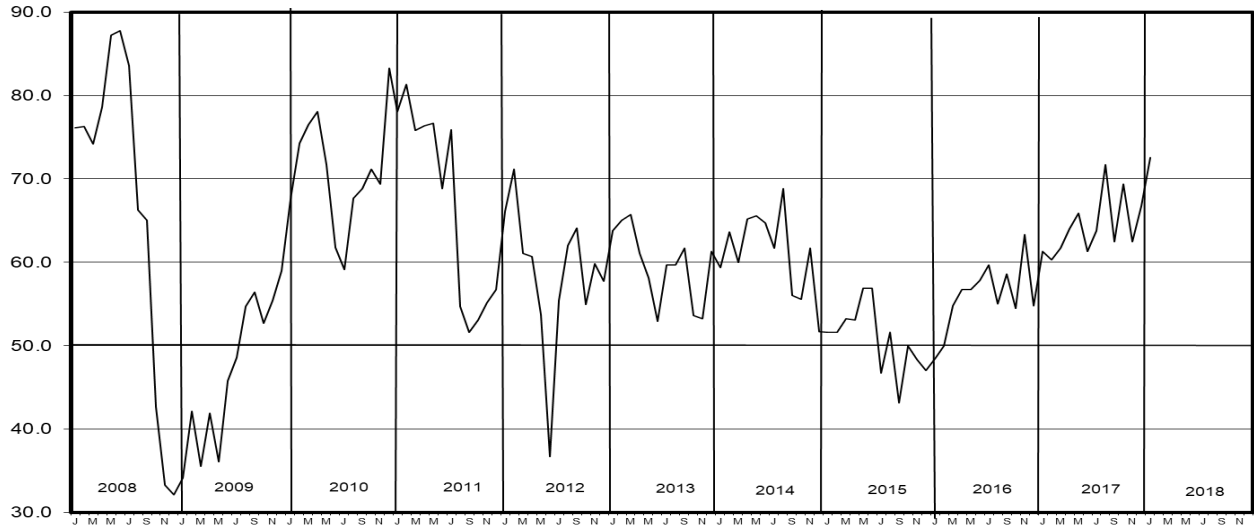
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



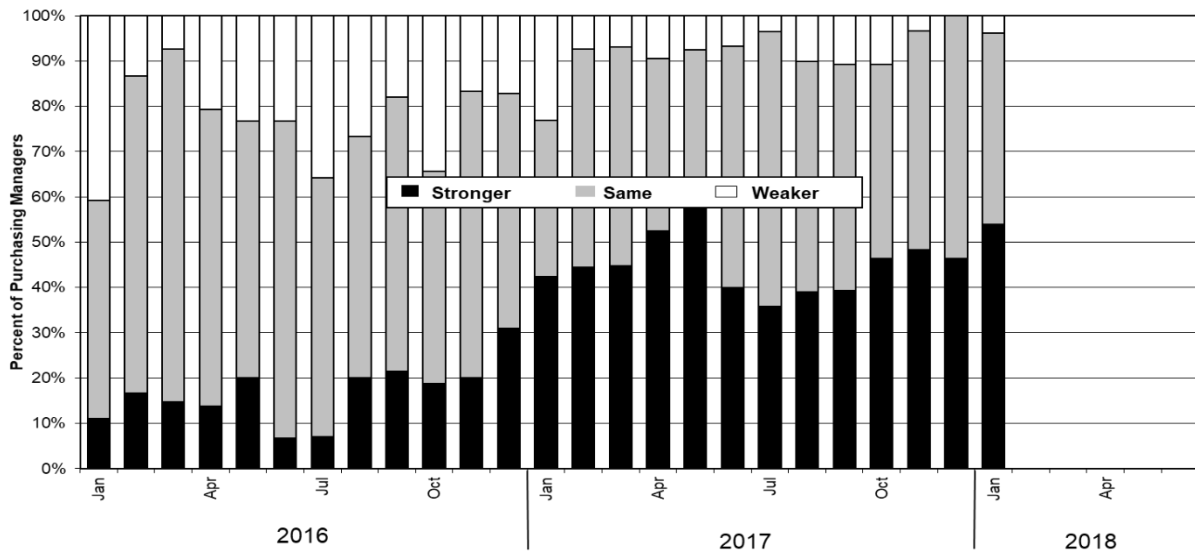
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 1/2017 THROUGH 1/2018

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Weaker	23	8	7	10	8	7	4	10	11	11	3	0	4
Same	35	44	48	38	35	53	60	52	50	43	49	54	42
Stronger	42	48	45	52	57	40	36	38	39	46	48	46	54

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

- "2018 is shaping up to be an excellent year."
- "Both national and international markets look to be improved for Q1. International probably due to the weak dollar. National is strong in just about every industry including a resurgence in the oil & gas industry, which has been terrible for several year."
- "Business is booming! We are busier now and have been for the past year than we have ever been."
- "January is starting strong."
- "Maybe some improvement at last. December was OK, January is pretty busy in the shop...no layoffs yet."
- "National outlook is good...some state policies cause concern - high tax rate and cost of energy."
- "Sales up 17% in January versus January 2017."
- "The business growth continues and the expectation is that there will be a continuation of market driven growth."

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

- "First quarter always tough, tariffs are a negative impact on purchasing."
- "Though our customers continue to express optimism, current orders do not support this for our company. Orders are down from last year at this time."
- "We had a holiday shut down and equipment failure, both of which affect our output for the month."

In summary, the national economic news is glowing, with the stock market soaring, unemployment at low levels, and the December tax cut resulting in some large companies passing the windfall on to their employees. Inland Empire companies and consumers appear to be sharing in the good news, and our respondents project continued growth in the coming quarter.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

Dr. Barbara Sirotnik
Director, Institute of Applied Research
(909) 537-5729

Mary Jane Olhasso
Assistant Executive Officer, County of San Bernardino
(909) 387-4599

Rob Moran
Economic Development Manager
Riverside County Economic Development Agency (951) 955-6673

Dr. Lawrence Rose
Dean, Jack H. Brown College of Business and Public Administration, CSUSB
(909) 537-3703