

# **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 June 2018**

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

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## **PMI AND EMPLOYMENT ABOVE 50 FOR 18 MONTHS**

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 58.8, a slight decrease from last month's 60.3. But the decrease is no cause for concern -- the index has remained above the baseline 50% mark for the last 18 months, indicating sustained growth for both the manufacturing sector and the overall local economy."

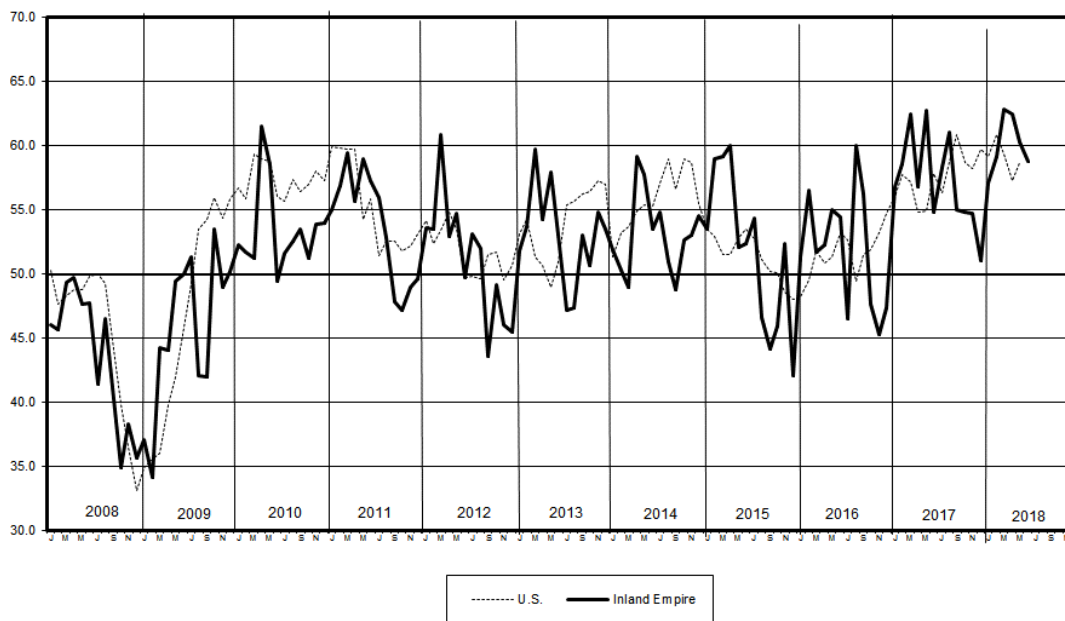
"The Production Index decreased sharply from 70.0 to 57.7 this month, indicating that production is still increasing, however at a slower rate than last month. Similarly, the New Orders Index decreased slightly from last month's 61.7 to 55.8 this month. The important thing is that these two key components of the PMI have remained solidly above the 50% mark for the past six months, indicating a trend of growth and the anticipation that there will be increasing levels of consumer purchases in the near future. Inventories increased from 51.7 last month to 57.7 this month. The Commodity Price Index decreased from 78.3 to 71.2 this month indicating that prices are continuing to rise, although at a slower pace than last month. The all-important Employment Index has remained above 50 for the 18th month in a row – it registered at 59.6, a figure virtually unchanged from last month's 60.0. The speed of supplier deliveries is slowing, with the index changing from 58.3 to 63.5 this month. This is a good sign...it means that suppliers are very busy."

"Only 8% of Purchasing Managers believe that the local economy will become weaker in the coming quarter (up from last month's 4% last month). About a third (36%) of Purchasing Managers predicted that the local economy will become stronger in the upcoming months (down from last month's 44%), and the remaining 56% believe the local economy will remain unchanged (a positive figure considering that this rating of "unchanged" is relative to a long span of economic growth)."

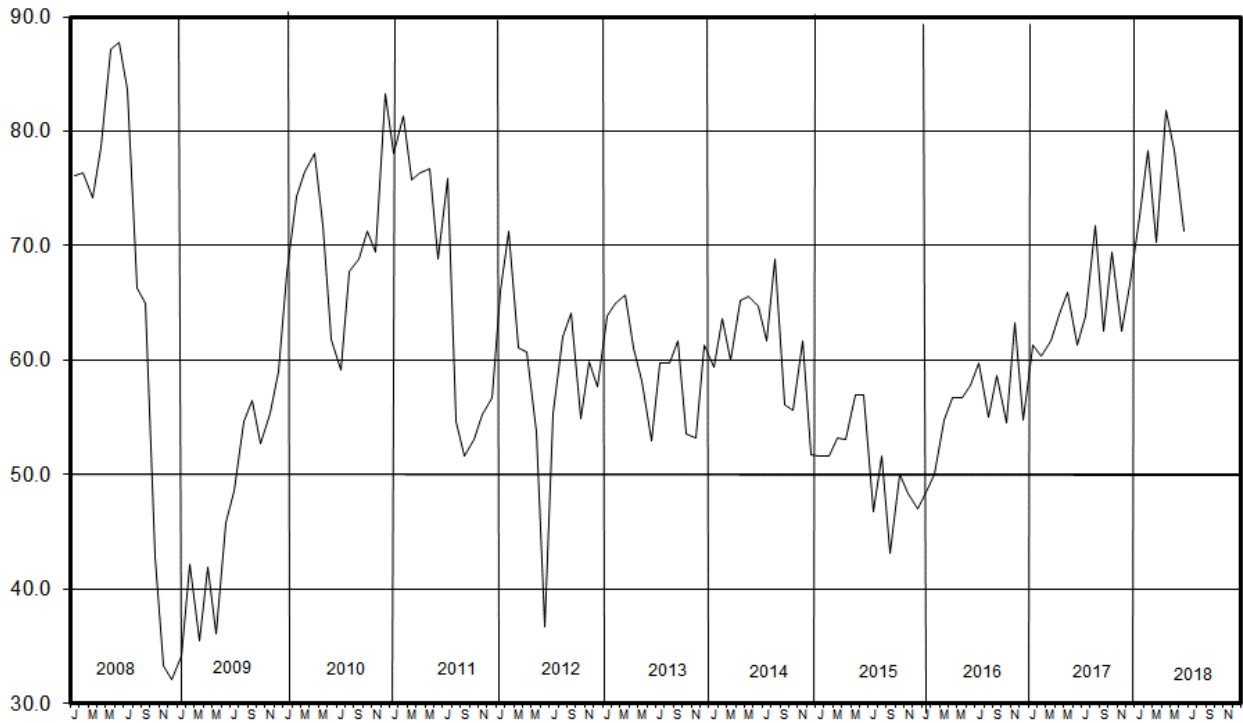
## June 2018 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index	Trend Months
	Last Month	This Month			
Local PMI	60.3	58.8	Growing	Slower	18
Commodity Prices	78.3	71.2	Increasing	Slower	29
Production	70.0	57.7	Growing	Slower	6
New Orders	61.7	55.8	Growing	Slower	6
Inventory	51.7	57.7	Increasing	Faster	6
Employment	60.0	59.6	Growing	Slower	18
Supplier Deliveries	58.3	63.5	Slowing	Faster	18
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	44%	36%			
% Same	52%	56%			
% Weaker	4%	8%			

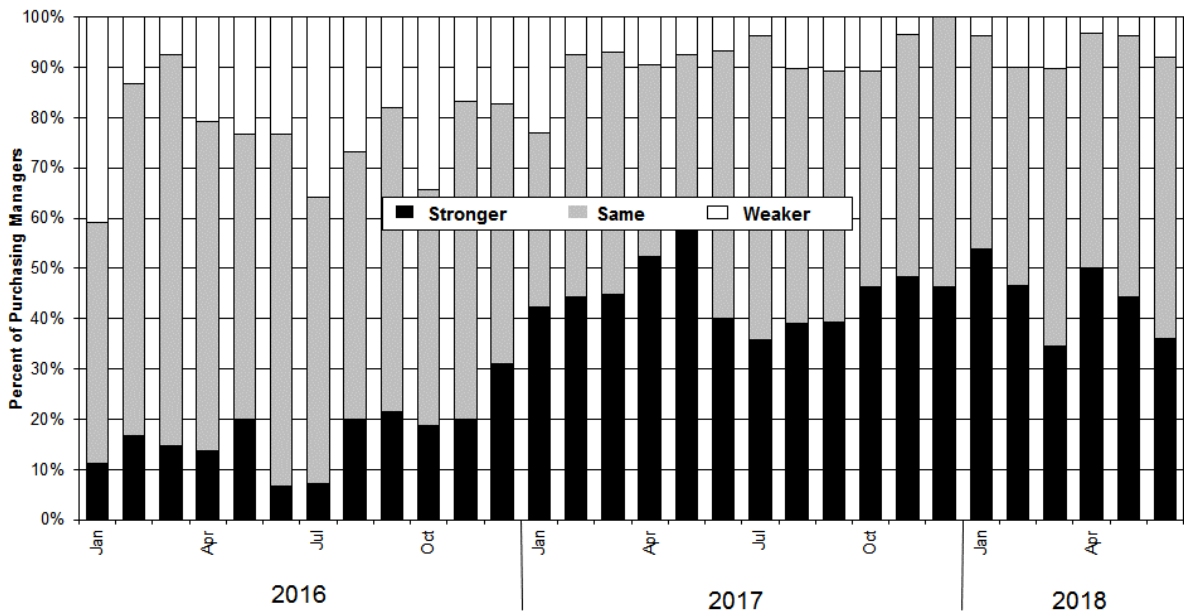
## Purchasing Managers' Index



## Commodity Prices



## State of the Local Economy



STATE OF THE ECONOMY: DATA FROM 6/2017 THROUGH 6/2018

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Weaker</b>	8	7	4	10	11	11	3	0	4	10	10	3	4	8
<b>Same</b>	35	53	60	52	50	43	49	54	42	43	55	47	52	56
<b>Stronger</b>	57	40	36	38	39	46	48	46	54	47	35	50	44	36

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

- "Business continues to remain firm. Outlook is very positive."
- "Business in June was pretty much level with that of May. The outlook for the next quarter, which can be a little slower due to seasonality issues, remains strong. All manufacturing industries seem to still be at or near high levels of the past 24 months and new projects keep materializing."
- "Everything is moving very quickly. Lots of work out there right now."
- "We are very busy since the first of the year. We once quoted 3-4 weeks for new orders, now I am quoting 6-8 weeks due to the backlog of work."

Even though the PMI index showed solid growth, as did many of the indices which comprise the PMI, some Purchasing Managers made cautionary or "mixed" comments:

- "Business is beginning to slow somewhat."
- "Business slower than normal. Sales still down."
- "Orders slowed in June unexpectedly."
- "Same as last year no dramatic increase in business, purchasing prices up on minerals."
- "The various insecurities over the national economic future has caused a diminished backlog for us. We are producing robustly but new orders have been slower in coming."

In summary, all indices continue to point to slow and sustained growth. Production and New Orders are up, employment continues to climb, and the PMI is showing the longest run of figures above 50 (reflecting growth) since 2011.

It would seem that everything is coming up roses, however there is broad concern on the national scene that the new tariffs on steel and aluminum might force companies to cut jobs and/or move overseas as Harley Davidson plans to do in order to avoid a sharp increase in costs. That concern could easily ripple to Inland Empire companies that are dependent on components sourced overseas, so the potential disruption in the global supply chain is huge. That said, we are cautiously optimistic about the state of the Inland Empire economy for the coming quarter.

**Special note:**

We would like to spread the word about CASCADE, a new initiative funded by the U.S. Department of Defense to bolster California's defense supply chain resilience, innovation capacity, and diversification strategies. CASCADE (California Advanced Supply Chain Analysis & Diversification Effort), consists of business assistance & workforce development, education and outreach regarding cyber physical security and supply chain resilience, and supply chain mapping to better acquaint manufacturers doing business with the Department of Defense with suppliers that can meet their needs. For more information, go to: <http://www.business.ca.gov/Programs/Innovation-and-Entrepreneurship/Cybersecurity/CASCADE>.

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

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