

**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 November 2018**

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

\*\*\*\*\*

**PMI AND EMPLOYMENT ABOVE 50 FOR 23 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 54.0, a significant drop from last month's 61.3. There is no cause for concern, however. The index has remained above the baseline 50% mark for the last 23 months, indicating sustained growth for both the manufacturing sector and the overall economy. The dip this month just means that the grow is slowing somewhat."

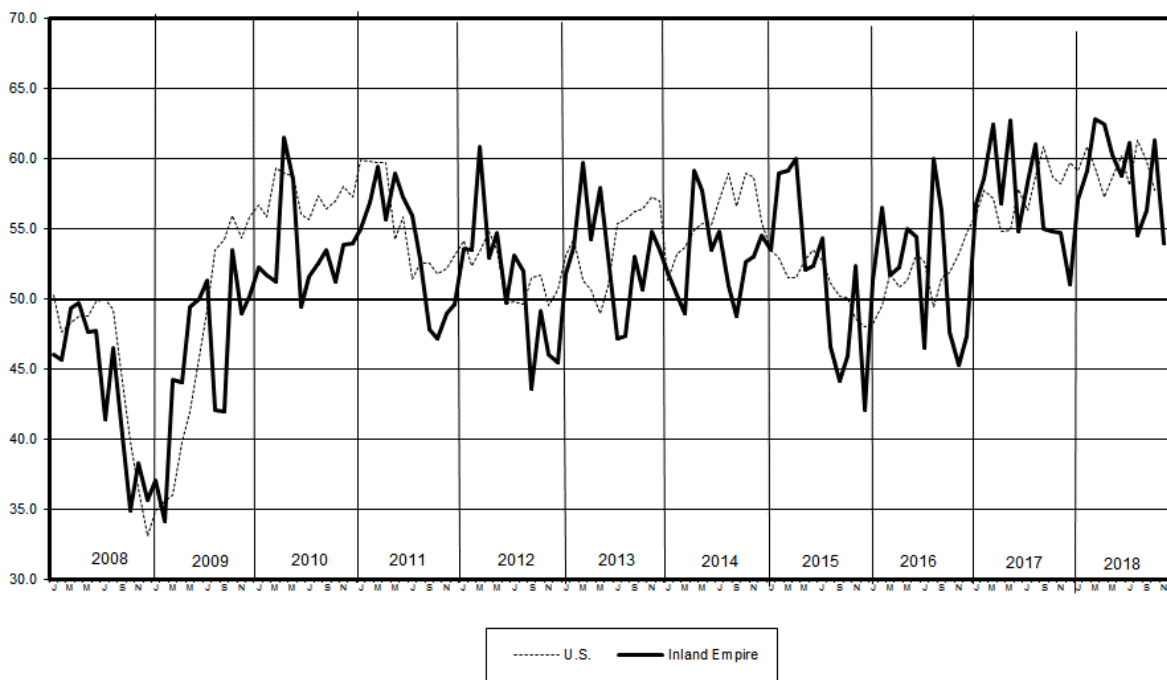
"Production and New Orders (two of the key indicators in the PMI) also remained above 50% baseline, indicating growth. Production decreased to 53.3 from last month's 65.0, and New Orders decreased to 55.0 from 65.0. These declines were not unexpected since manufacturing for the holiday season is nearly complete. The Commodity Price Index decreased to 60.0 from last month's 68.3. The Employment Index was 65.0 last month and decreased only slightly to 63.3 this month. The Supplier Deliveries Index decreased this month to 50.0 from 55.0 last month. Since supplier deliveries have been slowing for nearly two years (indicating that suppliers are busy), the figure of 50.0 just means that the situation is unchanged from last month."

"Nearly a quarter (21%) of Purchasing Managers believe that the local economy will become weaker in the coming quarter. This is the highest figure (which reflects pessimism about the economy) since January 2017. In contrast, 28% believe that the economy will become stronger (although that figure is down from last month's 33%). The remainder (52%) believe the local economy will remain unchanged."

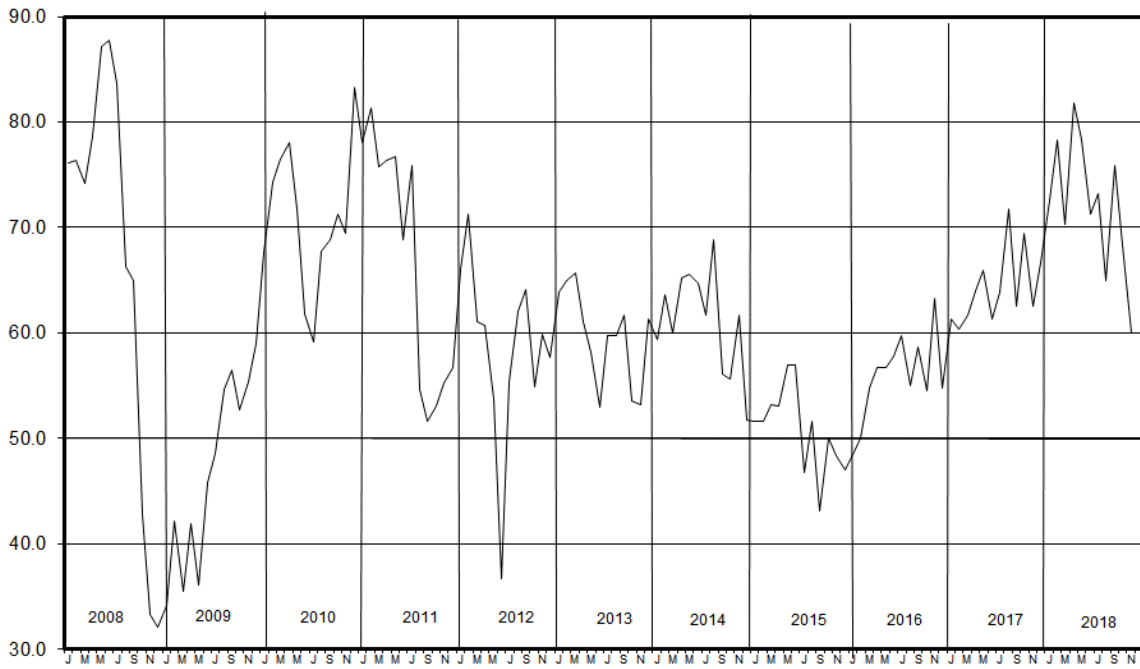
Following is a summary of highlights from this month's report:

<b>November 2018 Business Survey at a Glance</b>					
	<b>Series Index</b>		<b>Direction from 50</b>	<b>Rate of Change from Last Index</b>	<b>Trend Months</b>
	<b>Last Month</b>	<b>This Month</b>			
Local PMI	61.3	54.0	Growing	Slower	23
Commodity Prices	68.3	60.0	Increasing	Slower	34
Production	65.0	53.3	Growing	Slower	11
New Orders	65.0	55.0	Growing	Slower	11
Inventory	56.7	48.3	Decreasing	From Increasing	1
Employment	65.0	63.3	Growing	Slower	23
Supplier Deliveries	55.0	50.0	Unchanged	From Slowing	23
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	33%	28%			
% Same	60%	52%			
% Weaker	7%	21%			

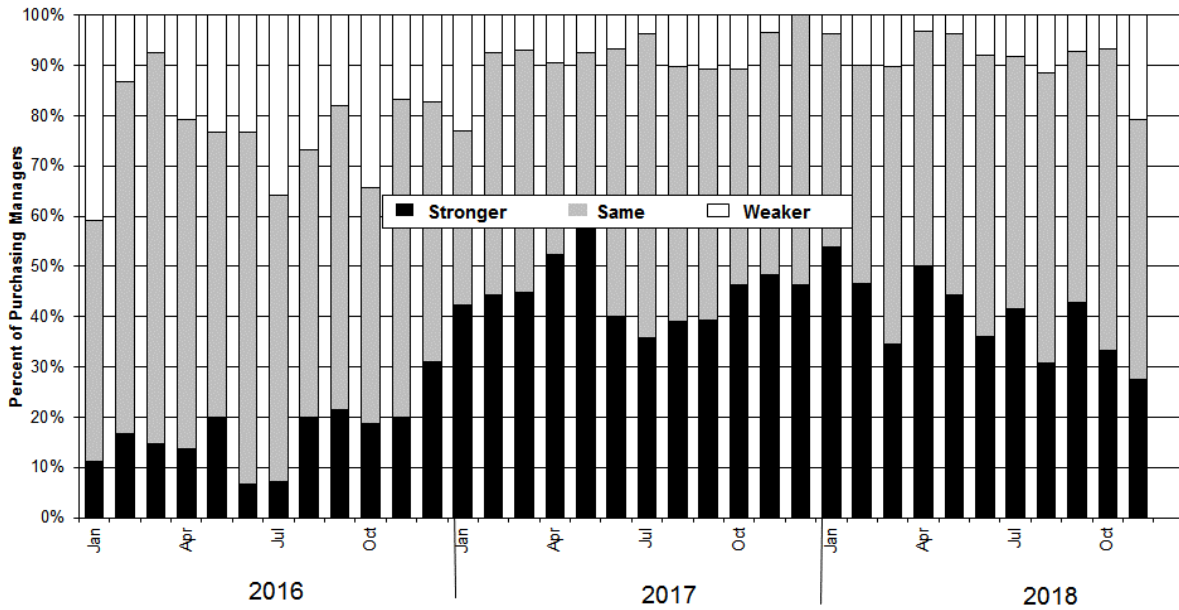
### Purchasing Managers' Index



### Commodity Prices



### State of the Local Economy



## STATE OF THE ECONOMY: DATA FROM 11/2017 THROUGH 11/2018

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
<b>Weaker</b>	3	0	4	10	10	3	4	8	8	11	7	7	21
<b>Same</b>	49	54	42	43	55	47	52	56	50	58	50	60	52
<b>Stronger</b>	48	46	54	47	35	50	44	36	42	31	43	33	28

Following are positive comments from Purchasing Managers regarding general business conditions and/or reasons for import and export changes:

- "Incoming orders still firm."
- "November has seen a pick up from Sept/Oct and we are back to levels that we were at in the first half of the year. It is the norm to slow down for about 2 months before the mid-term and presidential elections. Not sure why in this industry that is the case, but it almost always is."
- "Overall conditions have remained the same. We continue to see business being brought back from Asia, but competitive pricing is very important."
- "Seasonal slowdown, but still better than usual."
- "Still buried in work from orders received all summer. Running out of year and disappointing customers with longer lead times."
- "The demand of Silicone products has gone beyond production capacities. We have longer lead times and price increases."
- "Things have been good and having the best year in company history. Looking to grow again next year and have hired more people to keep up demand from customers."
- "We have seen added business over this last period in all market sectors...some is due to opportunities that have been created through our marketing efforts, and some due to the economic up tick. We are getting hit with material price increases, so are concerned about the impact of inflation."
- "We are seeing more orders from China and Europe. I thought tariffs were supposed to slow down those orders, not pick up. Go figure, everything works in reverse."

Cautionary comments include:

- "Business still slow."
- "This is the slow part of our year so purchasing is lower than usual."
- "We had a bit of slowing this past month due to weather and possibly the upcoming holiday season."
- "Slow."

In summary, although this month's PMI decreased from last month, we must note that the index has remained above 50 for nearly the past two years, thus reflecting

continuing strength in the Inland Empire manufacturing sector and overall economy. In other good news, there has been some minor relief from price pressures. The only slight “downside” to this month’s data is the 21% of respondents who project a weaker economy in the next three months. This figure is up from 7% last month and is the highest figure since January of 2017. Hopefully the figure is only an anomaly, and not the start of a trend.

**Factors to watch:** on the national scene, there has been a great deal of volatility in the stock market. The housing market is seeing rising mortgage rates, increasing median prices, and a lack of affordable listings (although the Inland Empire is in better shape on that score than Orange County or LA County). And tariffs continue to be a concern. All of these issues could impact the Inland Empire.

**Special note:**

The Institute of Applied Research is one of the partners of CASCADE, an 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/CASCADE>.

If you represent a firm that is part of California’s defense supply chain, **please participate in a 5-minute supply chain resilience survey** which will allow CASCADE to map California's defense supply chain – a necessary first step towards helping companies like yours mitigate potential negative impacts of changes in the level of defense spending. Just go to <https://www.cagobizsupplychainsurvey.com/>.

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

Dr. Barbara Sirotnik  
Director, Institute of Applied Research  
909.537.5729

Soua Vang  
Manager – Business Attraction, Retention & International Trade  
Economic Development Agency, County of San Bernardino  
909.387.4385

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