

**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**

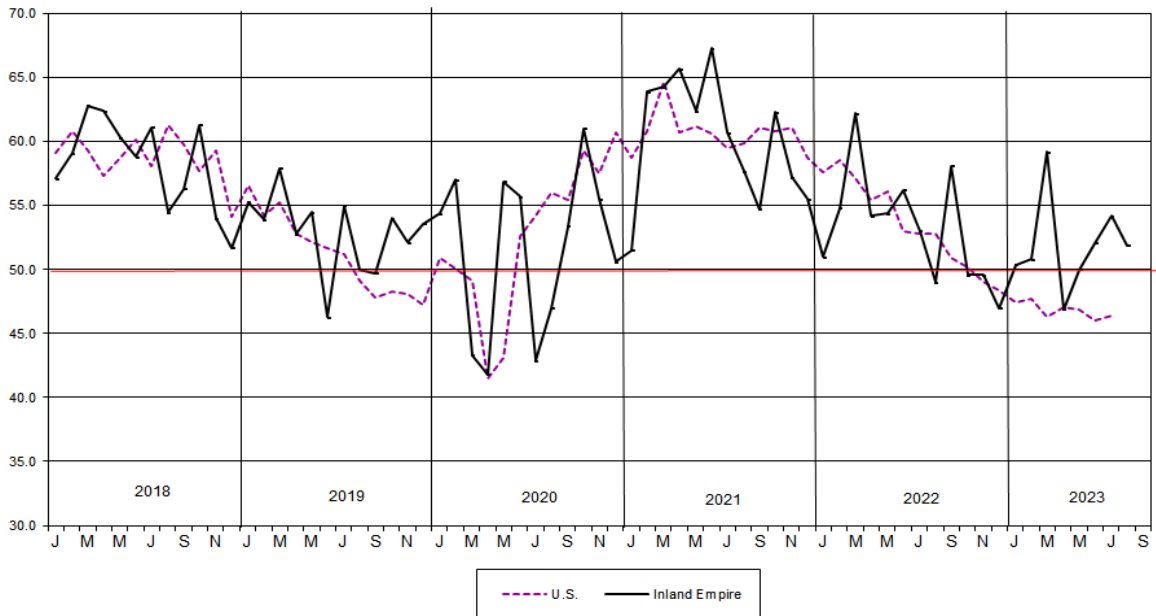
**Report for August 2023**

**Sponsors: San Bernardino County Economic Development Agency**  
**Riverside County Office of Economic Development**

**PMI AT 51.9, FOURTH MONTH OF A FIGURE AT OR ABOVE 50**

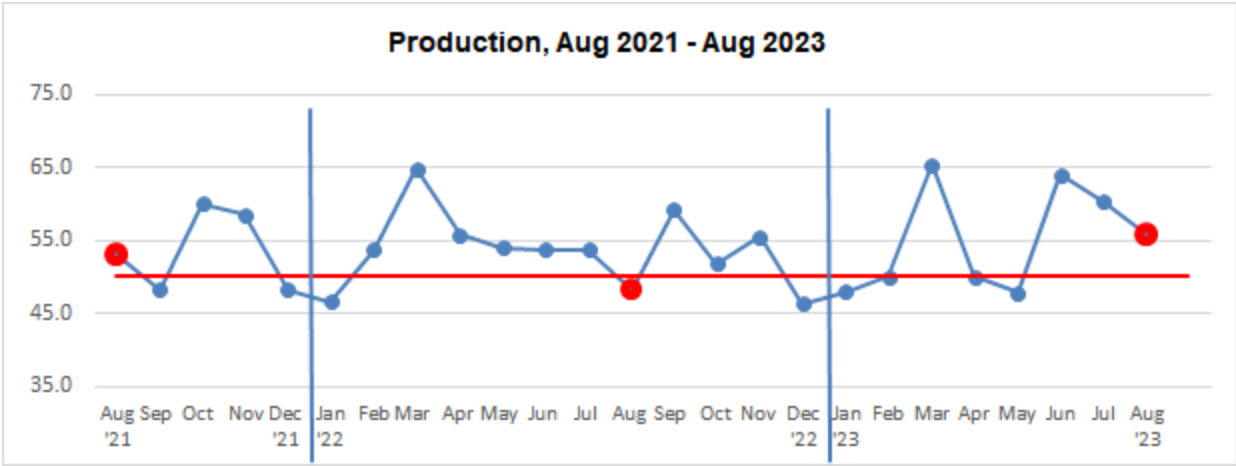
According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Specialist, Institute of Applied Research), "This month's Inland Empire **Purchasing Managers' Index (PMI)** registered **51.9**, a small decrease from last month's 54.2. But the good news is that this is the fourth consecutive month of a figure at or above 50, indicating that the trend is one of growth."

**Purchasing Managers' Index**



Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** (one of the two key components of the PMI) registered a decrease from last month's 60.4 to **55.8** this month, indicating that although production is still growing, the *rate* of growth is slowing.



The **New Orders Index** (the other key component of the PMI) registered **53.8** (a slight decrease from last month's 54.2). This indicates that new orders are growing, although at a slower pace than last month. We note that this month's figure is only the sixth time in the past year that the index has registered 50.0 or above, reflecting stable or increasing new orders.

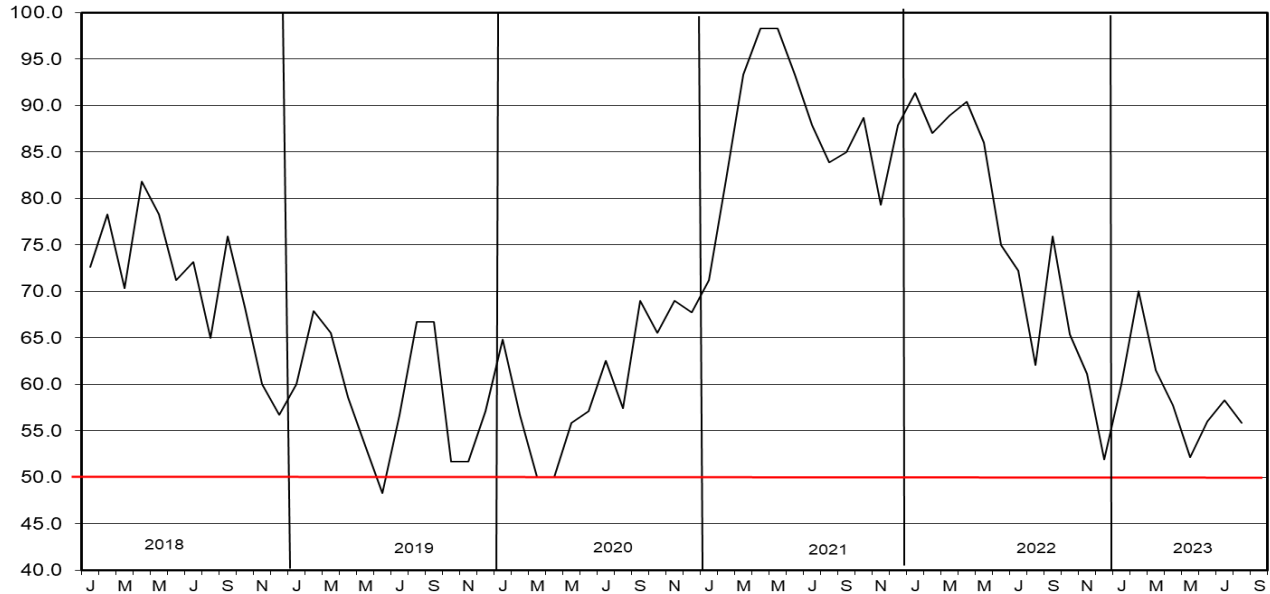


The volatile **Employment Index** was relatively unchanged from last month's 47.9 to **48.1** this month. A few panelists did fill permanent positions, but some are still making comments such as: *"Staffing is still an issue!"*

The **Commodity Price Index** decreased from 58.3 to **55.8** this month, reflecting a continuing easing of the ongoing inflationary pressures. As we noted last month, the

index is WAY below the 2022 high of 98.3 (when U.S. inflation hit a 40-year high of 9.1%).

### Commodity Prices

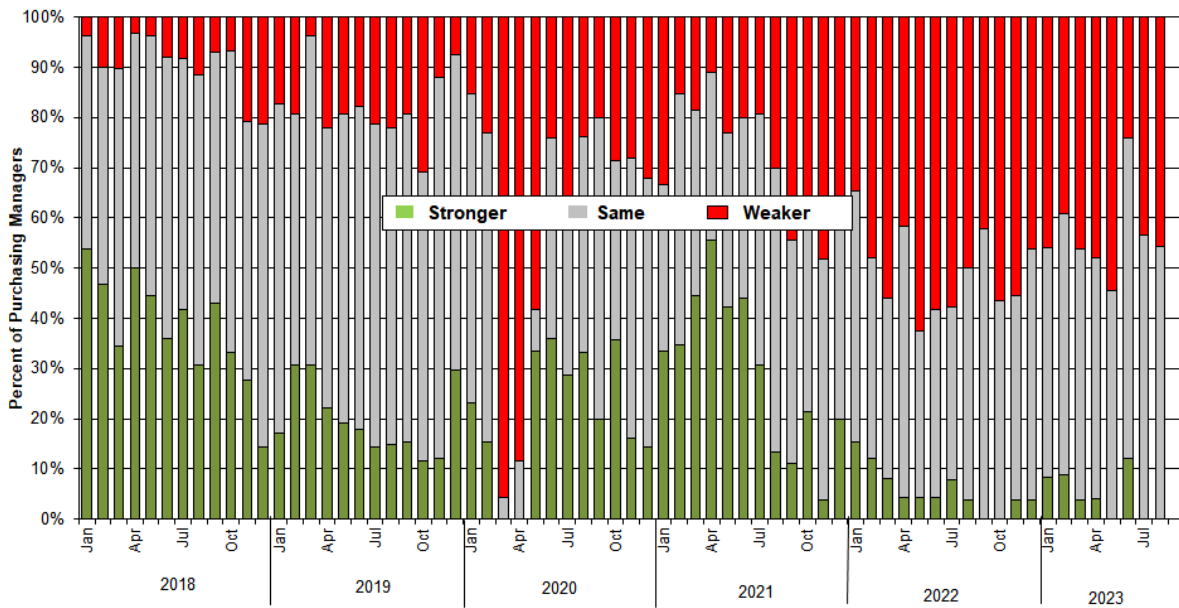


The **Supplier Deliveries Index** is a measure of the speed of supplier deliveries, with numbers below 50 indicating *faster* deliveries. The index increased from 43.8 last month to **51.9** this month, indicating that supply deliveries have begun to slow down.

The **overall Inventory level** (units, not dollars) including raw, MRO (Maintenance, Repair, Operating), intermediates, etc. registered **50.0** this month, a sharp drop from last month's 64.6. Most panelists (**61.5%**) said that their inventory of purchased materials is the same as the previous month, **19.2%** said it was higher than a month ago, and **19.2%** said it was lower. Further, over half of panelists (**57.7%** -- down from 69.6% last month) said that their **inventory level of finished goods** was the same as last month, meaning that production of finished goods is "staying even" with their sales. The other panelists were divided (**23.1%** -- an increase from last month's 21.7%) reported an increase in the inventory level of finished goods, and **19.2%** (up from last month's 8.7%) reported that their inventory level of finished goods had decreased.

Optimism about the state of the economy in the near-future was nonexistent – and that is not a big change over the past few months (see the green bars below). **No one** on the panel voiced a belief that the next quarter would see a stronger Inland Empire economy. Over half (**54.2%**) believe that the economy will basically stay the same over the coming quarter, and **45.8%** predict it will be weaker (up from last month's 43.5%).

### State of the Local Economy Manager's Predictions



Following is a summary of the figures shown in this month's report:

<b>August 2023 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	54.2	51.9	Growing	Slower	4
Commodity Prices	58.3	55.8	Increasing	Slower	50
Production	60.4	55.8	Growing	Slower	3
New Orders	54.2	53.8	Growing	Slower	3
Inventory	64.6	50.0	Unchanged	From Increasing	4
Employment	47.9	48.1	Contracting	Slower	2
Supplier Deliveries	43.8	51.9	Slowing	From Faster	1
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	0.0%	0.0%			
% Same	56.5%	54.2%			
% Weaker	43.5%	45.8%			

Our survey always includes an overall question asking the panelists to give general remarks regarding any business condition (local, national, or international) that affects the purchasing operation or the outlook of their company or industry. There were only a few comments that were positive. Others were negative or had a negative slant.

Following are the positive comments:

- *“Business is good, sales are great and material prices going down! Staffing still an issue!”*
- *“I do not know how it could get any better.”*
- *“Work has stayed strong in the last month.”*

The negative/mixed comments include:

- *“August saw our worst month of the year. There is certainly an inventory recession going on. Customers are positive about business, but everyone seems to be loaded up with inventory after double and triple buying the past few years. We have plenty of good orders on the books for 2024 and several new jobs look to be coming, but for the near term, we see a much slower/lower amount of business as compared with earlier this year.”*
- *“Business is steady but seems like our customers are hesitant to commit to long term orders.”*
- *“Inflation still an issue with the cost of consumables, fuel, power, and labor all costing more.”*
- *“Still showing signs of materials taking longer to get. Not all but some.”*
- *“Sales are still slow.”*
- *“When I was recently in Europe, I noticed there is a very robust international business climate. During this same period of time, back here in our company, we seem to have hit a pause button, which may or may not be reflective of our local or national economy. While still making progress, we are not showing the same “robust” qualities that we saw in Europe.”*

Most of the questions on IAR’s monthly survey of panelists remain the same from month to month so as to allow for tracking over time. Occasionally, however, we include a “special” question of immediate interest based on what is happening locally, statewide, or nationally. This month’s question was: *“As you probably know, there has been a backlog of container ships, bulk carriers, and tankers waiting to pass through the Panama Canal due to drought-related restrictions. The issue has resulted in rising freight costs for consumer goods and commodities, and estimates are that it has threatened 40% of the world’s cargo ship traffic. Has **your** company experienced shipping disruptions due to the situation in the Panama Canal?”* In response, the vast majority of panelists (**84.6%**) indicated that their organization has *not* experienced shipping disruptions due to the backlog at the Panama Canal.

**In summary**, this month is the fourth consecutive month of “positive” PMI figures indicating that the Inland Empire manufacturing sector is back in growth mode. The overall IE economy is also in growth mode based on those PMI figures.

But we also need to place this month’s relatively positive report in context of nationwide economic reports which show that the economy has been growing faster than expected and that the Fed may decide to raise rates even further as the nation continues to struggle with inflation. The Inland Empire is not immune to these trends.

IAR will continue to track the opinions of our business leaders over the coming months.

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

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