

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

Housed in CSUSB's *College of Business and Public Administration*

Report for March 2015

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

PURCHASING MANAGER HAVE POSITIVE THINGS TO SAY

According to Barbara Sirotnik (Director, Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (59.1) is virtually unchanged from last month's figure (59.0), and is the sixth month in a row that it has registered above the 50% benchmark. This figure indicates that the Inland Empire manufacturing sector and the local economy as a whole are growing."

"Moreover, this month's report shows strength in the two key components of the PMI (the Production Index and New Orders Index). The Production Index registered a sharp increase from last month's figure (64.5) to 70.3 this month. In addition, the New Orders Index increased from 62.9 to 65.6. The fact that these two key components of the PMI remain solidly above 50 indicate that manufacturing companies anticipate increasing purchases from consumers. Another good sign is that the Employment Index (57.8) remained above 50 for fifth month in a row, with only a slight decrease in the *rate* of growth. The Commodity Prices Index registered 53.2, a slight increase over last month's 51.6."

"Purchasing Managers continue to be relatively upbeat about the state of the local economy. Only nine percent of Purchasing Managers predict that the local economy will become weaker in the upcoming months while thirty-one percent believe the local economy will become stronger by next quarter. The remaining sixty percent of Purchasing Managers forecast that the local economy will stay the same, unchanged from last month (which was a good month)."

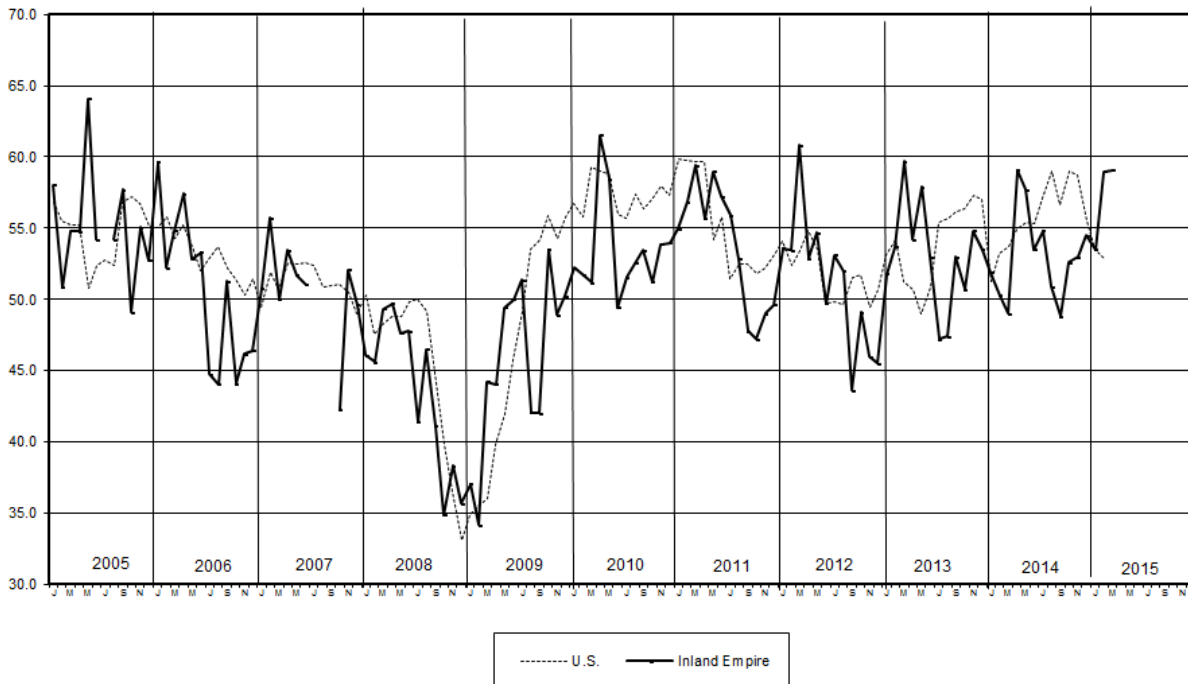
Following are some highlights from this month's report:

March 2015 Business Survey at a Glance

	Series Index		Direction from 50	Rate of Change from Last Index	Trend (Months)
	Last Month	This Month			
Local PMI	59.0	59.1	Growing	Faster	6
Commodity Prices	51.6	53.2	Increasing	Faster	33
Production	64.5	70.3	Growing	Faster	12
New Orders	62.9	65.6	Growing	Faster	6
Inventory	54.8	53.1	Increasing	Slower	4
Employment	59.7	57.8	Growing	Slower	5
Supplier Deliveries	53.2	48.4	Getting Faster	From Slowing	1
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	23%	31%			
% Same	60%	60%			
% Weaker	17%	9%			

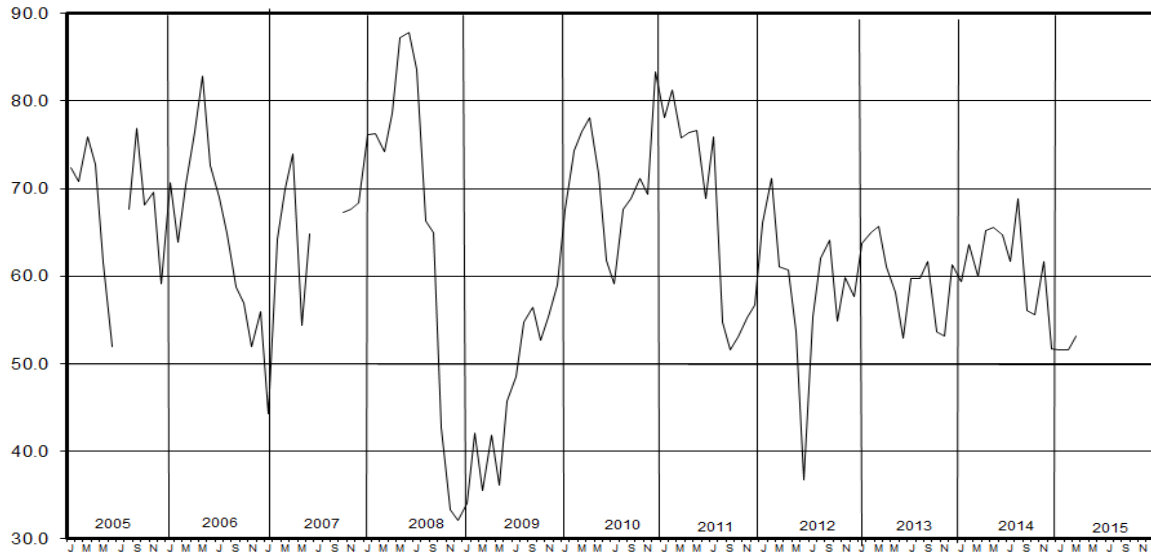
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



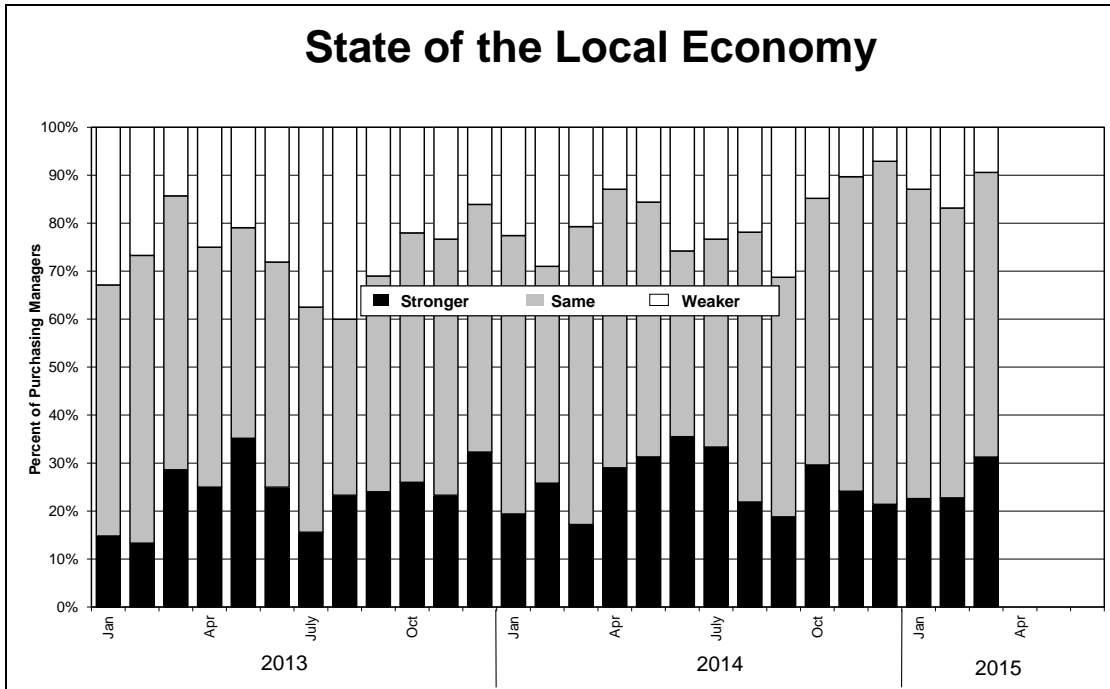
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Commodity Prices



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State of the Local Economy



STATE OF THE ECONOMY: DATA FROM 3/2014 THROUGH 3/2015

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Weaker	21	13	16	26	23	22	31	15	10	7	13	17	9
Same	62	58	53	39	43	56	50	55	66	72	64	60	60
Stronger	17	29	31	35	33	22	19	30	24	21	23	23	31

Most of the general remarks from Purchasing Managers regarding local, national, or international business conditions were positive: "Local market is very busy," "Business has significantly increased during this past month, with our backlog growing significantly, and impending contracts growing very well," "Strong first quarter for us, and I'm hearing the same from our supply base," "Business still brisk and going into our busy season," and "Same as last month." Other positive comments regarding new orders for work outside the U.S. (exports) or imports included: "The business climate has improved," "Continued efforts on building sales relationships and combining our operational distribution points," "Material was backlogged at the ports, but we are finally getting delivery on some late product," "What we require to import for some of our work has increased as that work has increased."

As usual there were also a few negative comments from Purchasing Managers: "Business continues to be slow," "First quarter will end up 10% behind 2014," and "Possible that next month will be slower as a big job is finishing with no follow up order received."

In summary, the national report on U.S. manufacturing issued by the Institute for Supply Management today indicated that U.S. factories expanded at a weaker pace this month (dropping to 51.5 from 52.9 last month). Reasons cited for that drop in national figures included a rising U.S. dollar, winter storms, and the port shutdown. It notes that demand for exports has been declining. But as we've said many times, the Inland Empire economy does not move "in lockstep" with the national economy. This month's national report may indicate that manufacturing growth has slowed, but that's not what we are seeing for the Inland Empire. For the past several months the data presented in this Inland Empire Report on Business has shown that the Inland Empire manufacturing sector is holding its own, and that Purchasing Managers remain upbeat about the future of the Inland Empire economy for the coming quarter. This month continues that positive trend.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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