

REPORT: Manufacturing index increases slightly in May

The Inland area created more goods, but did it without adding new workers, according to a report released Friday.



Employee Louie Cruz loads prop shafts onto a carrier before final inspection at the Mennie Machine Co. in Mark, Ill.

Inland Southern California's factories were churning out more goods in May, but managers were getting it done without adding employees, a report released Friday, June 1, found.

The Purchasing Managers Index for San Bernardino and Riverside counties increased to 54.7 in May from 52.9 the previous month, according to the Institute of Applied Research at Cal State San Bernardino. The index has been above the level that indicates growth for four consecutive months.

But while factories appear to be busier, it's probably because the people already employed there are working significantly harder, Cal State's data suggests.

The index that measures productivity increased sharply, from 55.4 in April to 60.7. But the employment index declined even more acutely than the production measure increased. Employment declined from 57.4 to 50, meaning that there was probably no gain in manufacturing jobs last month.

On the national level, the manufacturing index declined slightly, from 54.8 in April to 53.5, the Tempe, Ariz.-based Institute for Supply Management reported. The national PMI has been above 50, the level that suggests a growing sector, for 34 months.

Weaker production was reported nationally but there were small gains in new orders. Thirteen of the 19 types of industries reported growth in May.

The reports came out on the same day as the disappointing news on jobs. The federal government Friday reported that only 69,000 jobs were added in May, the lowest in a year.

That does not inspire consumers to go out and spend. In turn, manufacturers are not likely to invest in new employees, said John Anderson, director of the Industry Consulting Business Unit for California Manufacturing Technology Consulting.

“What we are hearing is that people are still very concerned about the direction of the economy and the direction of their sales,” Anderson said.

These concerns come after about six months of promising growth for the Inland area, Anderson said.

Some of that job growth was lost in March and April, according to the most recent report from the state Employment Development Department.

Anderson said factory owners also are hesitating because of a lack of skilled workers. Given a choice between a younger worker without the proper training and working the current crew a little harder, most are deciding not to take a chance on new people.

“They’re reticent about hiring someone who’s not an exact fit,” Anderson said.

Several Inland manufacturers agreed with that assessment, including John Rickard, vice president of Rickard Metals, an Ontario firm that makes aircraft parts. Rickard said he’s tried to hire several people to help his marketing department but none have worked out.

Also, sales for the company are weaker this year, which he attributed to government sales being off.

“They’re not letting money go, and it’s an election year,” Rickard said.

Orders at Sunstone Components Group, a Temecula firm that makes automotive parts, have been steady but not enough to add people, said Brad Adams, owner and CEO. He said he’d rather pay his existing workers overtime.

“After reduced hours the last few years, that’s good for them,” Adams said.

Chapman University economist Raymond Sfeir said manufacturers should be encouraged that the prices of raw goods, including petroleum, have been falling. But some are worried about the global economy, especially in Europe and China.