

IAR INLAND EMPIRE REPORT ON BUSINESS

Report for January 2006

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Prepared by:



Institute of Applied Research
and Policy Analysis

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Supporter: **CSUSB College of Business and Public Administration**

LOCAL ECONOMY IS ROBUST WITH NEW ORDERS AND COMMODITY PRICES SOARING

According to Shel Bockman and Barbara Sirotnik (Co-Directors of the Institute of Applied Research) and Candice Tsegga (Project Coordinator): "This month's PMI (61.5) continues to remain above the 50% mark, and is a significant increase from last month's PMI (54.1). This indicates that the manufacturing sector and the local economy continue the robust growth noted in past reports. The large increase in New Orders and Production are especially impressive. The only slightly cautionary note is that the Commodity Price index suggests a continuation of inflationary pressures.

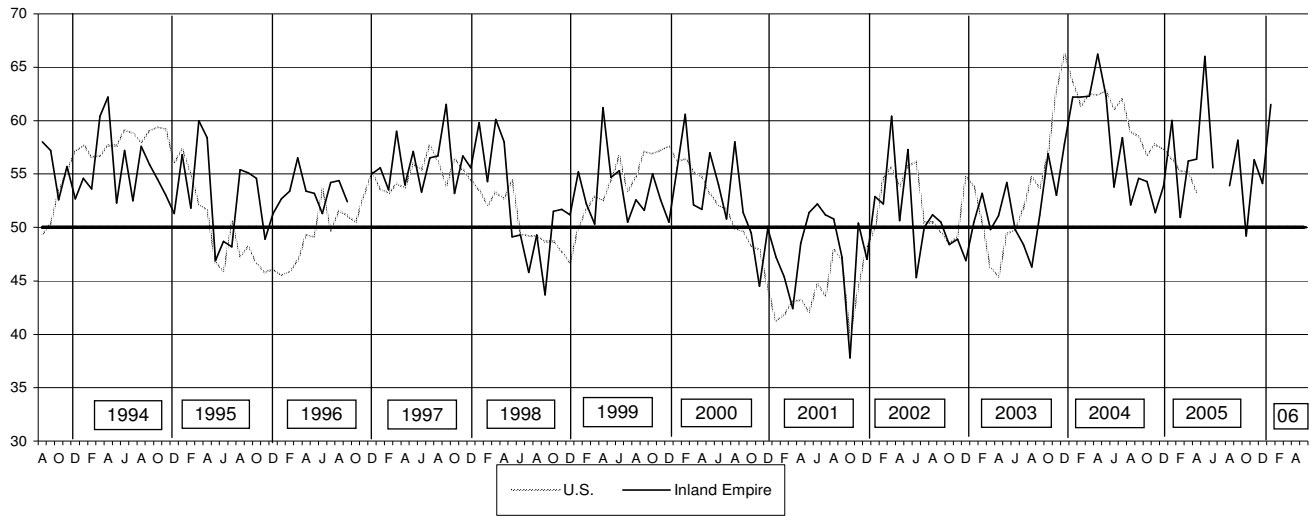
Following are some highlights from this month's report:

January 2006 Business Survey at a Glance				
	Series Index		Direction*	Rate of Change
	Last Month	This Month	From 50	From last index
Local PMI	54.1	61.5	Growing	Faster
Commodity Prices	59.1	70.7	Increasing	Faster
Production	59.1	63.3	Growing	Faster
New Orders	57.4	70.0	Growing	Faster
Inventory	45.6	53.3	Growing	From Contracting
Employment	47.0	51.7	Increasing	From Contracting
Supplier Deliveries	54.5	60.0	Slowing	Faster

* NOTE: In all cases except Supplier Deliveries, the "Direction" refers to whether the index is above 50% (growing) or below 50% (decreasing).

** January 's PMI (61.5) has increased from last month's figure (54.1), and continues to remain the 44.5 mark. This is the 50th consecutive month that the PMI has registered above the 44.5% mark, indicating that the **local economy as a whole has experienced sustained growth for over four years.**

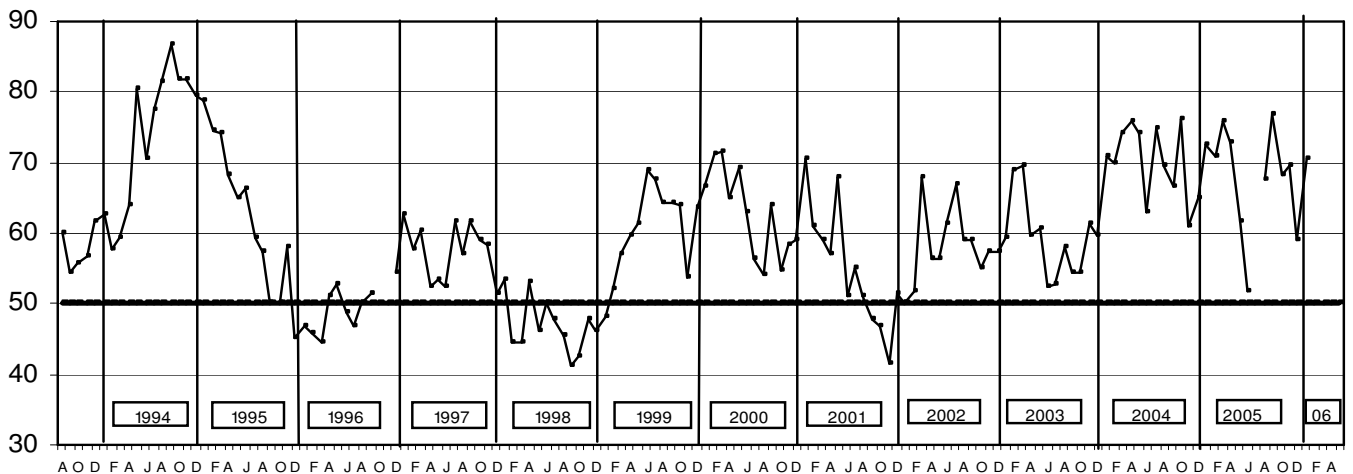
Purchasing Managers' Index



*** NOTE: Inland Empire data were not collected for the months of October and November 1996, and July 2005.

January's Commodity Price Index of 70.7 substantially increased from last month's figure of 59.1, indicating that inflationary pressures remain strong in the Riverside and San Bernardino County areas.

Commodity Prices



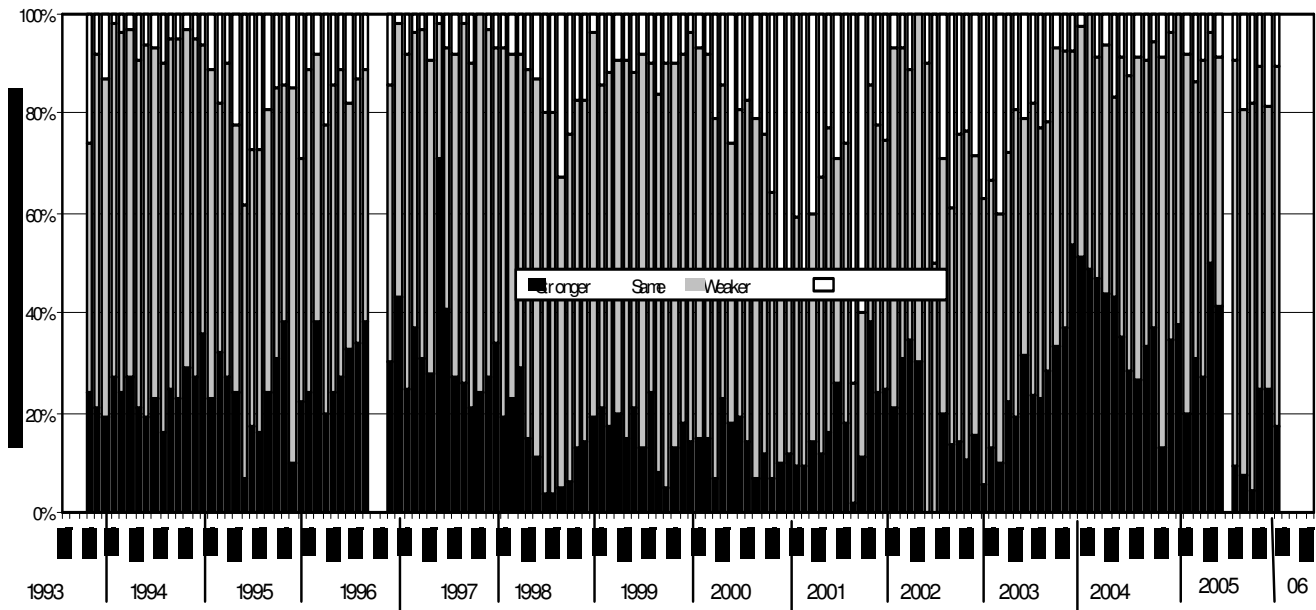
** In January the Employment Index increased from 47.0 to 51.7, Production increased from 59.1 to 63.3, Inventories increased from 45.6 to 53.3, Supplier Deliveries increased from 54.5 to 60.0, and New Orders increased from 57.4 to 70.0.

** Purchasing Managers are confident about the state of the local economy, with seventeen percent of purchasing managers predicting the local economy will become stronger in the next quarter. Seventy three percent of Purchasing Managers believe the local economy will remain the same and ten percent believe the local economy will be weaker in the coming months.

STATE OF THE ECONOMY: DATA FROM 1/2005 THROUGH 1/2006

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Weaker	0	8	14	9	4	8	10	9	19	18	11	19	10
Same	62	72	55	64	46	50	80	8	73	77	64	56	73
Stronger	38	20	31	27	50	42	10	9	8	5	25	25	17

State of the Local Economy



*** NOTE: Inland Empire data were not collected for the months of October and November, 1996 and July 2005.

When Purchasing managers were asked to make comments on the general business conditions that affected their company, they remarked positively: " Business picked up- December [and] January," and " Still very strong demand," Negative comments include: " The 4th quarter was slow so we built inventory. January looks good so far. Natural gas prices and inventory levels made us shut down 25% of our production," and " Longer lead-times for electronic components (more suppliers purchasing overseas)."

In summary, this report is extremely positive. The two main “driving forces” of the PMI (Production and New Orders) are quite high, suggesting that purchasing managers continue to be optimistic and anticipate for the coming quarter a solid local manufacturing sector and economy as a whole.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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