

IAR INLAND EMPIRE REPORT ON BUSINESS

Report for March 2008

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Prepared by:



Institute of Applied Research
and Policy Analysis

CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

Sponsors:

**Riverside County Economic Development Agency
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LOCAL ECONOMY CONTINUES ANEMIC GROWTH

According to Shel Bockman, Barbara Sirotnik, and Christen Ruiz (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (50.1) again registered above the baseline 50% mark after 2 months of figures below the baseline (46.3 last month and 46.6 the previous month). The methodology underpinning the PMI requires three consecutive months either above or below 50% in order to determine that a change in direction has occurred in the local manufacturing sector. Thus if this month's figure had been any lower, a decisive statement that the manufacturing sector is contracting would have been made. At this point, it appears that the *local manufacturing sector* is experiencing neither a growth trend nor a trend of decline....there is simply a great deal of variability month-to-month with little overall trend upward or downward. On the other hand, this month's PMI remained above the 44.5% mark, suggesting that the *local economy* is continuing its pattern of weak growth."

"Production (51.6) and New Orders (53.2) – two of the key components of the PMI – increased last month and moved above the 50% baseline, indicating that manufacturing companies anticipate increasing purchases from consumers. The Employment index (46.8) showed sharp improvement when compared with last month's figure (39.7), but it still remained below 50% for the 6th consecutive month. Commodity prices remained high (74.2, down slightly from 76.3 last month), showing that inflationary pressures are still present (especially due to oil prices). Purchasing Managers' optimism about the state of the local economy for the coming quarter slightly increased: 10% percent of the Purchasing Managers commented that they expect the economy to be stronger in the next three months (a bit better than last month's 3%); yet 55% continued to indicate that they expect it to be weaker."

"When Purchasing managers were asked if they had any overall remarks to offer, a few had positive comments: "Our outlook still is good; customers are just changing the mix of products they buy. Profits are still good, but watching expenses as a precaution!" "Business still strong here," and "Looking better." Several Purchasing Mangers expressed concerns about their

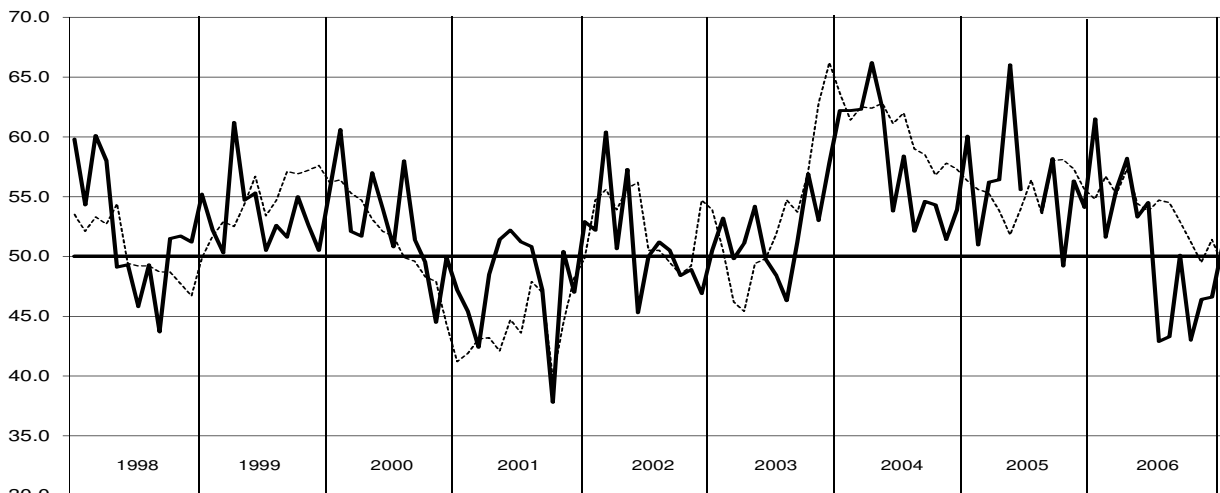
business: "Very slow," "Backlog remains the same as in previous months," "Weak dollar, unstable commodity prices," "Value of dollar hurting margins on imported raw materials," "I don't see any changes at least for now business still slow," "The current instability of the oil market continues to affect our business directly," and "Honey prices climbing, supplies short."

Following are some highlights from this month's report:

March 2008 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	46.3	50.1	Growing	From Contracting
Commodity Prices	76.3	74.2	Increasing	Slower
Production	48.7	51.6	Growing	From Contracting
New Orders	42.3	53.2	Growing	From Contracting
Inventory	42.3	48.4	Decreasing	Slower
Employment	39.7	46.8	Decreasing	Slower
Supplier Deliveries	48.7	46.8	Slowing	Faster
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	3%	10%		
% Same	42%	35%		
% Weaker	55%	55%		

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

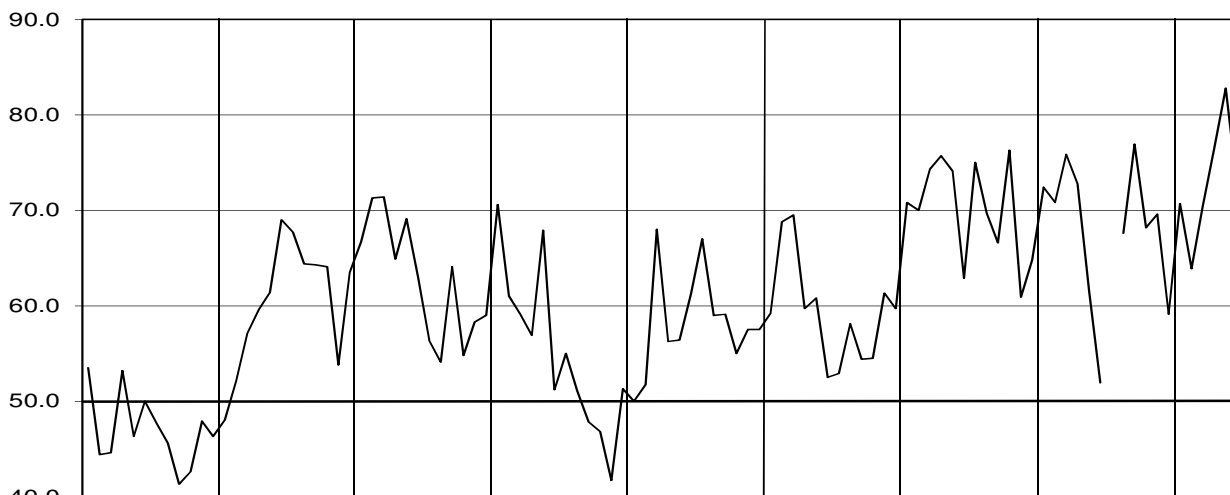
Purchasing Managers' Index



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

March's Commodity Price Index (74.2) has decreased only slightly from last month's figure (76.3) showing that inflationary pressures are still strong in the Inland Empire.

Commodity Prices



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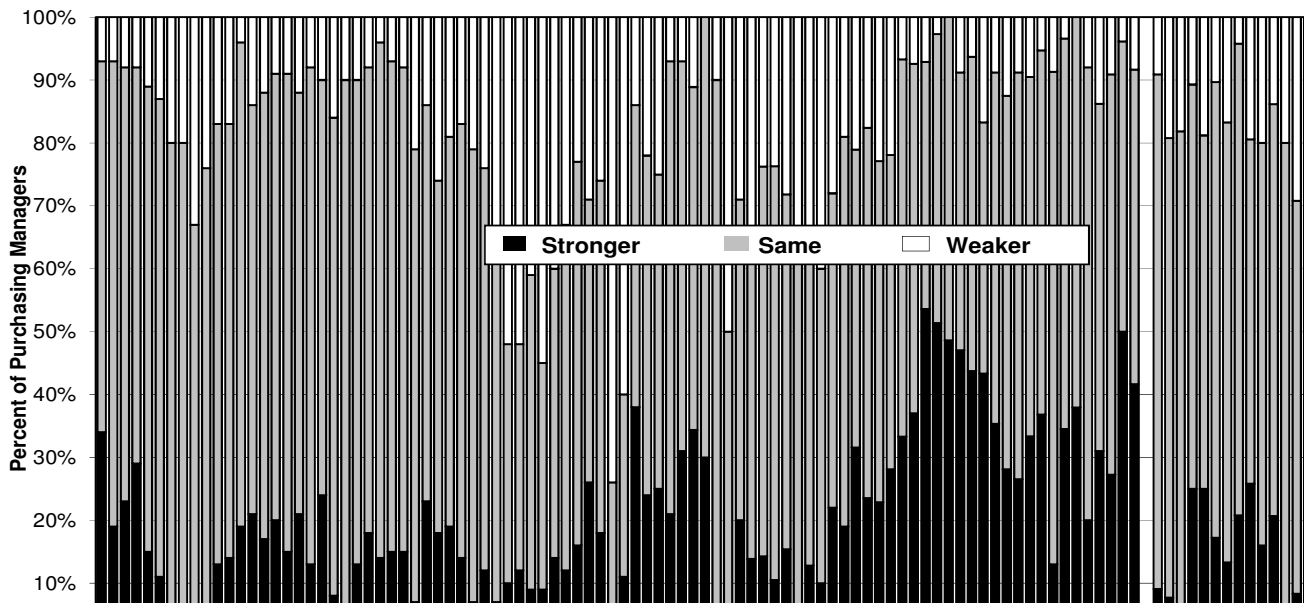
Purchasing Managers' optimism about the state of the local economy for the coming quarter remains low. Only 10% believe the economy will be stronger (up from its extremely low level of 3% last month), whereas 55% believe it will be weaker. The other 35% think it will remain about the same as it is now (an economy which has seen anemic growth over the past several months).

STATE OF THE ECONOMY: DATA FROM 3/2007 THROUGH 3/2008

	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Weaker	25	14	22	28	-	-	-	46	39	38	59	55	55
Same	63	62	69	56	-	-	-	46	48	46	34	42	35
Stronger	12	24	9	16	-	-	-	8	13	16	7	3	10

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

State of the Local Economy



FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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