

IAR INLAND EMPIRE REPORT ON BUSINESS

Report for May 2007

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Prepared by:



Institute of Applied Research
and Policy Analysis

CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

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

LOCAL ECONOMY CONTINUES TO GROW AS COMMODITY PRICES DROP

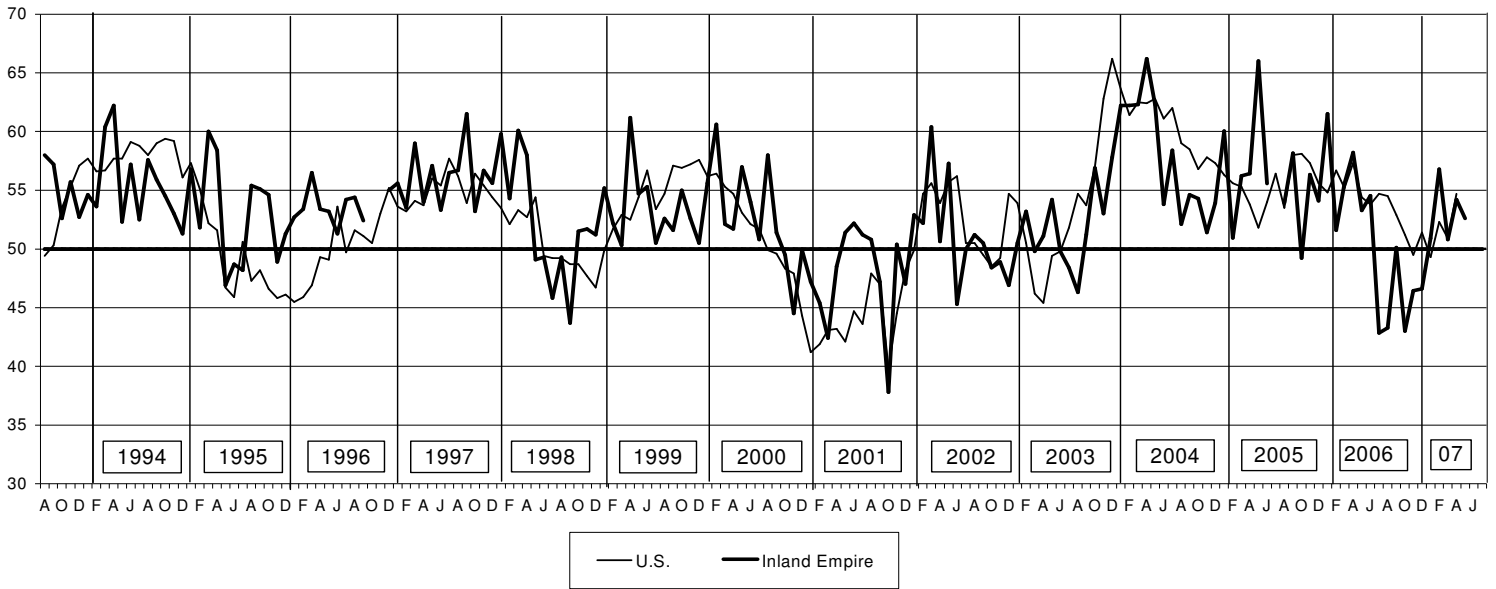
According to Shel Bockman, Barbara Sirotnik, Christen Ruiz (Co-Directors of the Institute of Applied Research), and Nirav Patel (Project Coordinator), “This month’s PMI (52.6) decreased from last month’s PMI (54.2), but continues to remain above the 50% mark. This indicates that the manufacturing sector continues to grow, but at a slower pace for this month when compared with the previous month. Two out of three key indicators registered growth this month. In addition, the commodity prices decreased sharply, which suggests that inflationary pressures in the local area seem to be subsiding. Meanwhile, purchasing managers are less than enthusiastic about the outlook for the coming quarter. Who can blame them? Last year, the local economy continued to be in growth-mode for the first two quarters and mostly contracted for the second half. Considering this and the volatility we saw in the local economy at the end of last year, it is difficult to determine whether the recent trend of growth will continue.”

Following are some highlights from this month’s report:

May 2007 Business Survey at a Glance				
	Series Index		Direction*	Rate of Change
	Last Month	This Month	From 50	From last index
Local PMI	54.2	52.6	Growing	Slower
Commodity Prices	73.9	54.3	Increasing	Slower
Production	56.5	54.3	Growing	Slower
New Orders	56.5	54.3	Growing	Slower
Inventory	54.3	47.8	Contracting	From Growing
Employment	54.3	52.2	Increasing	Slower
Supplier Deliveries	45.7	50.0	Unchanged	From Faster

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

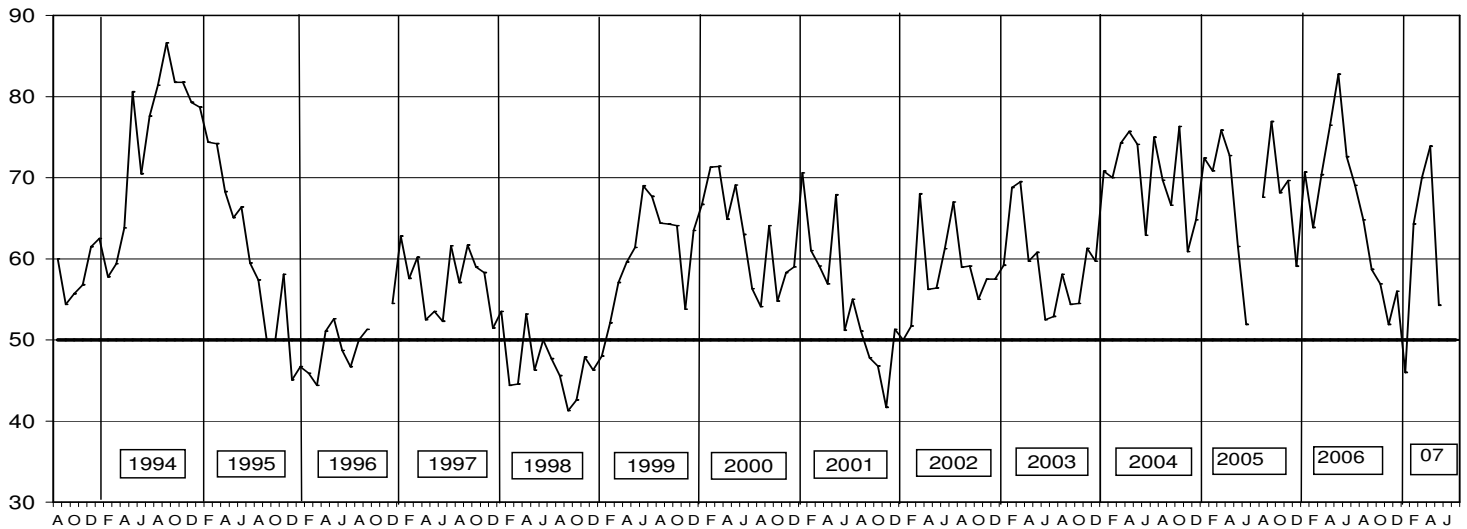
Purchasing Managers' Index



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

May's Commodity Price Index of 54.3 decreased sharply from last month's figure of 73.9, showing that inflationary pressures in the Riverside and San Bernardino County seem to be subsiding.

Commodity Prices



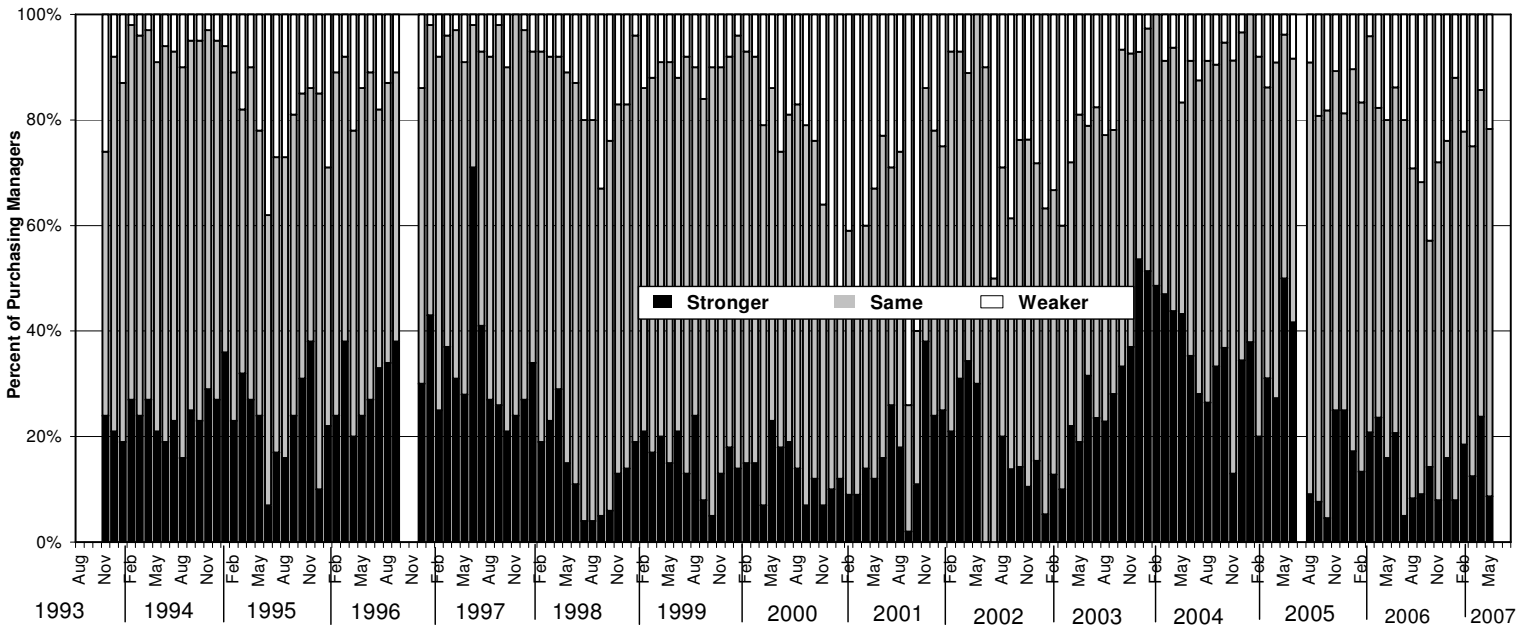
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Purchasing Managers continue to be less than enthusiastic about the state of the local economy. Only nine percent of purchasing manager predict that the local economy will become stronger in the upcoming months. Sixty-nine percent of purchasing managers believe the local economy will remain unchanged. Meanwhile, the remaining twenty-two percent believe the local economy will become weaker by next quarter.

STATE OF THE ECONOMY: DATA FROM 05/2006 THROUGH 05/2007

	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Weaker	20	14	20	29	32	43	29	24	12	22	25	14	22
Same	64	65	75	63	59	43	63	60	80	59	63	62	69
Stronger	16	21	5	8	9	14	8	16	8	19	12	24	9

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, some remarked positively: "Business is up slightly," "Business is brisk." Meanwhile, only one manager remarked negatively: "A little slow."

In conclusion, IAR views this report as encouraging. The commodity price index registered a sharp decrease, which suggests that inflationary pressures are subsiding. Production and New Orders index, two of the three key indicators, registered growth for the 5th consecutive month. Needless to say, this report reflects a strong economy in that there is a continued growth in the local manufacturing sector and in the economy as a whole.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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