

# **IAR INLAND EMPIRE REPORT ON BUSINESS**

Report for October 2006

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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**

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## **Local manufacturing sector and the local economy register a decline after a short “bounce” from last month**

According to Shel Bockman, Barbara Sirotnik, Christen Ruiz (Co-Directors of the Institute of Applied Research) and Nick Patel (Assistant Project Coordinator), “This month’s PMI (43.0) registered a substantial loss from last month’s PMI (50.1). More importantly, this month’s PMI of 43.0 falls below the 50% mark, pointing towards a possible slowdown in the local manufacturing sector. In addition, this month’s PMI is below the 44.5% mark, suggesting a contracting local economy if this trend should continue for another two months. Commodity prices continue to increase at a slower rate for the third month in a row, indicating that inflationary pressures are subsiding in the Inland Empire.”

Following are some of the highlights from this month’s report:

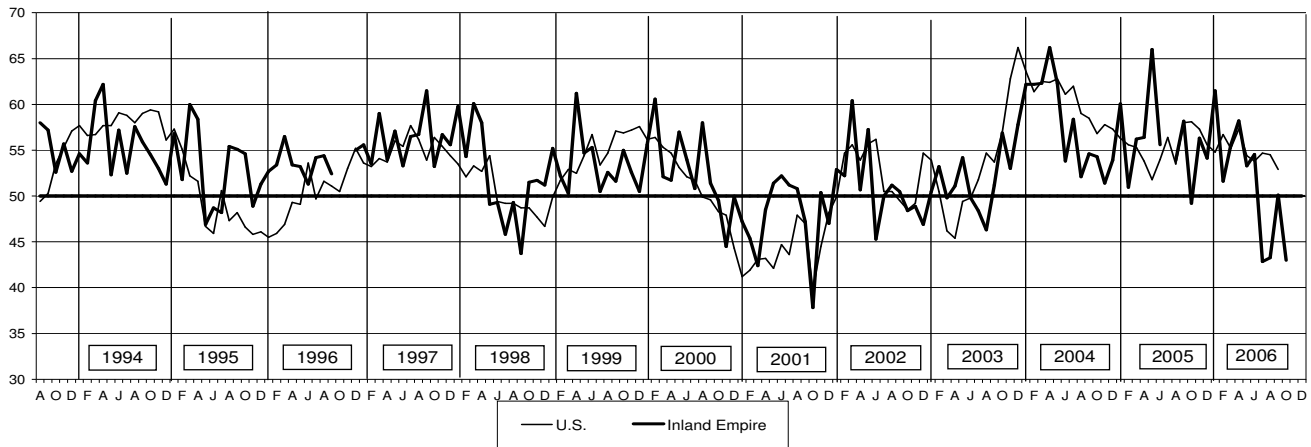
### **September 2006 Business Survey at a Glance**

	Series Index		Direction* From 50	Rate of Change From last index
	Last Month	This Month		
Local PMI	50.1	43.0	Contracting	From Growing
Commodity Prices	58.7	56.9	Increasing	Slower
Production	50.0	41.1	Contracting	From Unchanged
New Orders	43.5	36.2	Contracting	Faster
Inventory	47.8	39.7	Contracting	Faster
Employment	50.0	48.3	Decreasing	From Unchanged
Supplier Deliveries	65.2	55.2	Slowing	Slower

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

October’s PMI (43.0) has decreased from last month’s figure (50.1). Three of the last four month’s of data have registered below the 50% mark, pointing towards a possible slowdown in the Inland Empire manufacturing sector. Further, if the figure drops below the 44.5% mark for two more months, there will be indications of a slowdown in the local economy.

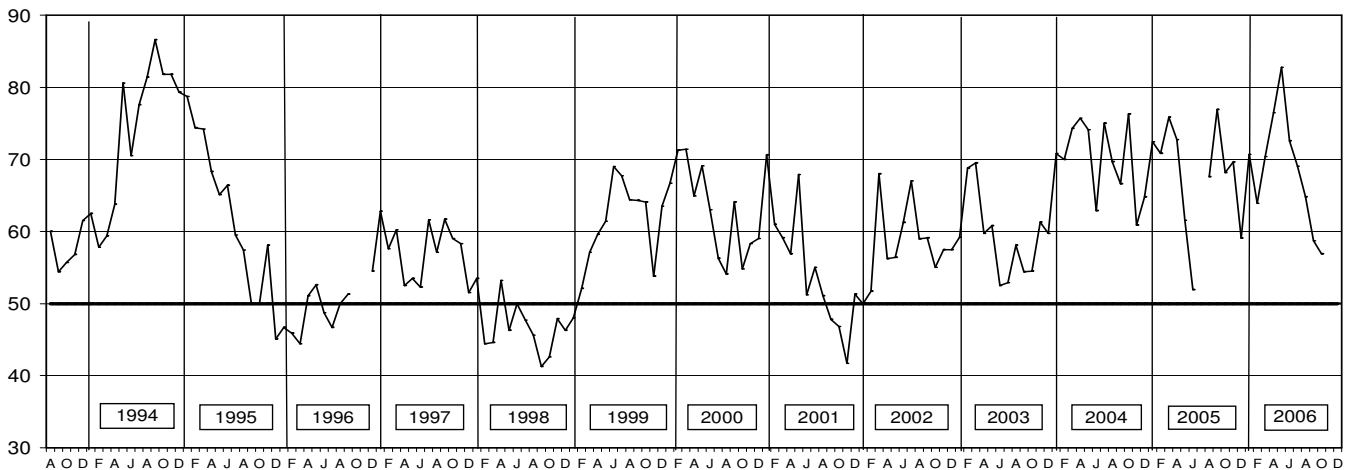
## Purchasing Managers' Index



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

October's Commodity Price Index of 56.9 decreased from last month's figure of 58.7, showing that inflationary pressures in the Riverside and San Bernardino County areas appear to be subsiding somewhat.

## Commodity Prices



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

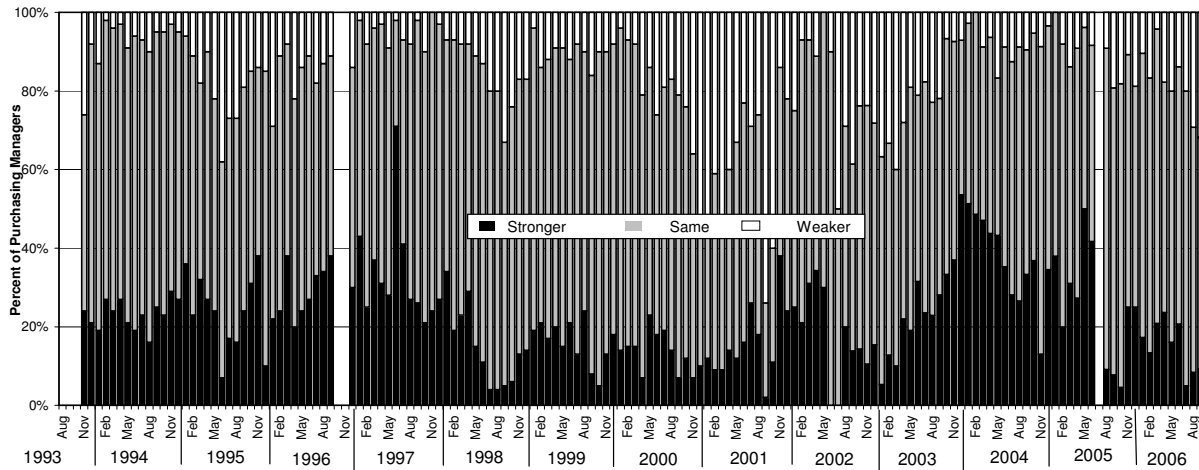
In October all of the major indices decreased. The Employment Index decreased from 50.0 to 48.3, Production decreased from 50.0 to 41.1, Inventories decreased from 47.8 to 39.7, New Orders decreased from 43.5 to 36.2, and Supplier Deliveries decreased from 65.2 to 55.2.

Purchasing Managers continue to be less than enthusiastic about the state of the local economy. Only fourteen percent of purchasing manager predict that the local economy will become stronger in the upcoming months. In contrast, forty-three percent of purchasing managers believe the local economy will become weaker. The remaining forty-three percent believe the local economy will remain unchanged over the coming quarter.

**STATE OF THE ECONOMY: DATA FROM 10/2005 THROUGH 10/2006**

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
Weaker	18	11	19	10	17	4	19	20	14	20	29	32	43
Same	77	64	56	73	70	75	56	64	65	75	63	59	43
Stronger	5	25	25	17	13	21	25	16	21	5	8	9	14

**State of the Local Economy**



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Very few Purchasing Managers provided comments on the general business conditions that affected their company. None had positive remarks to make. Negative comments included: "Sales Slowing," " Construction slowing down," " Very slow."

**In conclusion, when this month’s report is read as standalone report, it clearly suggests a significant weakness in the manufacture and the Inland Empire economy. On the other hand, when this month’s report is read in the context of the previous three reports, it suggests that either the local economy is extremely volatile or that our Purchasing Managers are experiencing dramatic changes in their monthly perspectives toward the region. The latter “economic mood swings” may of course reflect the war in Iraq, the**

**slowdown in the housing market, mixed local and national economic signals, recent data showing that consumer confidence is down nationwide, and the upcoming election. Future reports will clarify whether a substantial contraction is actually occurring in the Inland Empire or whether the last four months of reports simply reflect economic uncertainty on the part of our Purchasing Managers. Are we really picking up economic mood swings, actual volatility in the local economy, or a combination of the two? That remains to be seen.**

**FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:**

Shel Bockman, Co-Director, Institute of Applied Research  
(909) 537-5733

Barbara Sirotnik, Co-Director, Institute of Applied Research  
(909) 537-5729

Christen Ruiz, Co-Director, Institute of Applied Research  
(909) 537-5776